

# 2019 ANNUAL REPORT

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# I. Letter to Shareholders

## Preface

According to statistics of International Monetary Fund (IMF), world economic growth for 2019 was 2.9%, dropped from 3.7% of the previous year, mostly attributed by: U.S.-China trade conflict, turmoil of Brexit, Japan-Korea trade disputes, and other geopolitical tensions and uncertainties. In 2020, major economic indexes still seem stagnant across major economies, coupled with anti-government demonstrations in the emerging nations causing social turbulence, and the global spread of COVID-19 pandemic, world economy growth shall face with various challenges.

Fueled by transfer order brought by U.S.-China trade war and expediting return of Taiwanese investors, Taiwan's domestic demand in 2019 performed remarkably and reported annual substantial investment growth of 7.58%, the highest growth in recent eight years. In the upcoming year, thanks to continuous developments of new technologies including 5G telecom and artificial intelligence, active foreign investments in Taiwan, and the government's optimization of local investment environment, domestic investments are expected to increase steadily to extend moderate economic growth in Taiwan; however, the development of COVID-19 still elevates uncertainty in terms of economic growth.

With the opening of new large-scale outlets, Taiwan department stores' total sales reached NT\$355.2 billion in 2019, up 4.4% year-over-year with consecutive growth for ten years, demonstrating growth momentum of the overall retail consumption. Facing with retail development trends such as new emerging competitions, changes of shopping habits, the increasing importance of shopping experience, Far Eastern Department Stores (FEDS) has been keen to expedite its digital transformation and technology enhancement, focus on customer value and experience. By adopting to digital technology to re-examine the process design of operations, management, and services moving toward a business model more catering to customer needs and expectations. Thanks to the joint efforts by the management team and all of the workforce, in 2019 FEDS continued to outperform peers and delivered an outstanding performance of registering record high sales and operating profit exceeding NT\$2.1 billion, and continues to create maximum value and reward for its shareholders.

Technology innovation has initiated the arrival of new consumption era, FEDS with forward vision and insightful observation of environmental change early on, makes quick responsive decisions to set the new benchmark of smart retailing. During the past year, our comprehensive outstanding performances were often accredited by domestic and international awards. We were bestowed with nearly 30 honors, including winning among 19 nations the 2019 "Best Effort in Social Responsibility" by Federation of Asia-Pacific Retailers Association; "Corporate Social Responsibility Awards" by Retailers Association of Chinese Taipei for two consecutive years; "Growth through Innovation Award" by Taiwan Corporate Sustainability Award four years in a row; "Top 50 Excellence in Corporate Social Responsibility" by Commonwealth Magazine for five consecutive years; selected in the "Top 100 Brand Asia List" for four consecutive years, and etc. Facing with new retailing era, FEDS is committed to cultivating innovative "New Mindset", planning "New Strategy" for smart retailing, and fostering the "New Capability" in digital management to continuously sharpen competitive edge, seek ongoing growth under challenging environment, and create new growth opportunities.

## Operating Report of 2019

In 2019, FEDS recorded consolidated sales of NT\$114.6 billion (according to IFRS, consolidated revenues were NT\$37.9 billion). Consolidated net profit was NT\$2.15 billion, company alone net profit was NT\$1.78 billion, and earnings per share were NT\$1.26. According to the 18th Board Meeting of FEDS, total cash dividend payout for 2019 was NT\$0.8. Operating result of the Far Eastern Retail Group in 2019 is summarized as follows:

### (1) Far Eastern Department Stores

1. Maintaining growth momentum and continuously rising profit, FEDS registered record high profit within five years.
2. Grand opening of FEDS Hsinyi A13 Store, recording outstanding revenues since soft opening,

achieving the first 3-million records in the industry, including: million guest visits, million network volume, and million check-in hotspot at 4F Old Street.

3. To embrace the trend of digitization, FEDS has upgraded its new APP, added four major functions including personalized information push, parking service, smart customer service, and in-store smart pick to provide consumers more convenient digitized services and shopping experience.
4. Continue to lead market trend and introduce innovative brands, FEDS Hsinyi A13 Store has launched Taiwan's first independent Apple Flagship Store, the high-end Vieshow MUVIE Cinemas, LEGO Exclusive Store, SONY's largest direct store, etc., all Taiwan's first and unique exclusive brand name stores.
5. Sponsoring totally 47 international theme and local produce exhibitions to attract huge foot traffic for visiting, shopping, and experiencing the exotic merchandise and culture in close encounters as to its origins.
6. To expedite digitized management, the Company launched Enterprise Information Portal, EIP online in October 2019 to facilitate the process of store operation, management, and services, enhancing operating efficiency. Currently already completed 65 digital systems allowing staff to elevate productivity in a mobilized digital environment.
7. To fulfill corporate social responsibilities, FEDS has set up its CSR standards and received nearly 30 domestic and international major awards in 2019 as well as Taiwan's first winner within 40 years of Best Efforts in Social Responsibility by Federation of Asia-Pacific Retailers Association. Commemorating the Far Eastern Group's 70th founding anniversary, the Group dedicated to sponsoring 348 non-profit events throughout the year to join hands with the public and make a promising future.

## **(2) Far Eastern SOGO Department Stores**

1. With steady revenues and retrenching expenses, operating profit is maintained to report over 10% growth in pre-tax profit.
2. To improve customer services and meet their demands, Far Eastern SOGO adjusted each store's environment, merchandise, and brands; altogether 624 counters were modified, accounting for 25% of total brands, in combination with holistic promotional campaigns to stabilize revenues, and improve competitiveness.
3. Develop high-end merchandise in recent years, continue to boost revenue growth, apparel under the impact of e-commerce and fast fashion is expected to face low or decreasing growth, food and beverage remain popular by consumers, however brand replacement will be faster, and would need to introduce more viral brands to increase revenues.
4. In mainland China, FEDS Luomashi Store in Chengdu was closed down in March 2019, also expedite the improvements of the three major Shanghai Hsu Huei Store, Chongqing FEDS Metropolitan Plaza Store, and Jiangbei Store to boost profit.
5. Committed to sustainable corporate social responsibility, Far Eastern SOGO received 16 CSR awards. Furthermore, the Company commits to establishing green retailing, and leads Taiwan's department stores to receive twice "Enterprise Environmental Protection Award" by the Executive Yuan, and "Energy Conservation Award" by the Economic Ministry, aiming to push the industry toward sustainable environment.

## **(3) Far Eastern Ai-Mai**

1. Revenues dropped slightly because of store closures at Yungfu and Chungkang branches in March 2019 upon lease expiration. However, operating profit grew significantly due to cost control.
2. Promoting 3E Strategy:
  - (1) Edited Sustainable Merchandise:
    - a. Direct delivery of fresh food (fresh/daily distribution)
    - b. Strict quality control of fresh food items
    - c. Traceable/Organic/Friendly Environment
  - (2) Exclusive Value and Feature:
    - a. Convenient onsite cooking for instant use
    - b. Refined quality ingredients
    - c. Low fat, low sugar, low calorie



(3) Elevated Product Quality

- a. Cold chain storage logistics protection
- b. Strict quality control on site
- c. Random SGS checking

3. Delivery logistics: main customer segment of Ai-Mai physical store ranges from 40-60 years old. In order to attract younger customers between 20-35 years of age, Far Eastern Ai-Mai selected foodpanda which has the highest market share among 20-30 years of age to execute delivery services and expand service scope to 5 kilometers, so as to lower impact from supermarket to hypermarket. Quantity change leads into quality change, will also change consumers' shopping habits. Ai Mai Nanya Store and Chingmei Store were launched on December 17 and December 31, 2019, respectively.

## Business Plan

Facing with industrial restructuring and dynamic retailing environment, we continue to inject growth momentum in terms of merchandise, management, and services. By adopting new technology, we have been strengthening the interactions with consumers, introducing merchandise and services catering to their needs and preferences, bringing closer ties with the consumers, and continue to deliver outstanding performance and efficiency.

### (1) Far Eastern Department Stores

1. With dynamic development of the retailing landscape, new competitions have been emerging, in 2020 apart from strengthening steady revenue growth of existing stores, FEDS will continue to open new stores and expand retailing scope. Chubei New Century Shopping Mall has begun leasing its commercial space.
2. Baoqing Store is undergoing its largest renovation phase in a decade. In future, merchandise will be more youth-oriented, more focusing on sports and leisure, and adding more food and beverage brands. Other stores will go through smaller renovation ranging between 10-20%.
3. To maintain customer relationship and enhance customer loyalty, the Company will continue to plan more flexible and diverse promotion programs via big data analytics and resource application, and also with the help of digital technologies to stay on the latest consumer trend and movement.
4. Responding to changes in media landscape and technological innovation, the Company will strengthen the application of digital media and social platforms, and attract consumers in a lively and interesting engagement, and will also continue to enhance the interactions of FEDS APP and official website, integrate virtual and physical channels, and allow customers to enjoy speedy and personalized services.
5. To increase interactions with the sales space, also create the store image of local CSR platform, each branch store continues to organize festive atmosphere and cooperate actively with government or private sectors to promote various CSR events, hopefully to improve more engagement by providing interactive and enhanced experience coupled with promotion of more special local products, thus building each store as the daily hub for local commercial center.
6. Taiwan's consumers are highly interested in foreign products. In 2020, FEDS continues to sponsor various international exhibitions so that customers can feel the full replication of foreign ambience without traveling abroad.
7. Promote Taiwan's local delicacies, support locally grown produce, plan to sponsor Taiwan featured cultural product exhibitions including a Hakka culture and food exhibition, a Taiwan specialties market, offshore island produce exhibition, a springtime cultural and creativity fair, an independent farmer's market, etc.
8. Focus on management: Continue to promote digitized management, establish digitized data system, expedite talent cultivation and English language capability, implement KPI to reasonably control operating cost, cultivate talent and resource allotment, and elevate staff productivity.

## **(2)Far Eastern SOGO Department Stores**

1. Revenues of four major annual campaigns (Chinese New Year, Mother's Day, Mid-year Sales, and Anniversary Sales) account for 38-40% of total annual revenues. In addition to traditional marketing, we will invest more in digital marketing to comply with the new retailing era.
2. The quantity and quality of customers are the basic foundation for business operation. Subsequent to cultivating Happy Go cardholders and the bank's high-end spending groups in 2019, we will further enhance VIP services, and focus on market demassification to establish Beauty Club, Kids Club, etc. to manage members and elevate loyalty.
3. Following top store performance strategy, the Fuxing Store will become more exquisitely high-end as the single store with highest revenues in the northern Taiwan, while Zhongxiao Store will increase its customer flow focusing on the family customer base to create a unique and friendly mega store, and will go through adjustments of food court, boutique shoes, children's and women's wear.
4. Expedite digital developments to embrace new economy, upgrade and revise SOGO APP to enhance mobile payment, digital marketing, and social media e-commerce.
5. With dynamic digital advancements in China, each store is also integrating online and offline operations, fully utilizing digital communication, marketing, and campaigns to increase revenues. Shanghai Hsu Huei Store, Chongqing FEDS Metropolitan Plaza Store, and Jiangbei Store are on the priority list to boost profit.
6. There is still growth opportunity in Chengdu and Shanghai market. Now we are developing new locations, and will submit appropriate new development projects for the Company's consideration.
7. Operating Division has set up "Flow Fortune" strategy, with the methodologies of major initiative, main theme, main field, main focus, more digitization, more creativeness, and more customer flow to create high margin as well as high profit.

## **(3)Far Eastern Ai-Mai**

1. Taichung Shuinan Store is scheduled to open in second quarter of 2020.
2. Continue to promote order delivery services, Yungho Store, Chunghsiao Store, and Tainan Store were launched in February 2020.
3. Combine floor space of office clerks and sales space, care for both services and job duties, enhance working efficiency and service quality, extra office space can be planned to increase profit or lower expense.
4. Continue 3E strategy, promote following optimizing sales space action, satisfying customers every day when shopping at Ai-Mai.
  - (1)Freshness, Safety, Value:
    - a. Strict selection of fresh produce
    - b. Single economy
    - c. Cold chain storage technology for fresh produce
    - d. Regular SGS examination of merchandise
    - e. Pesticide examination room for vegetables and fruits
  - (2)Fully utilize store space to create maximum value and service:
    - a. Improve display and resting/dining area
    - b. Improve entrance and parking lot
    - c. Health and service
    - d. Senior friendly sales space, Happy Go and Happy Cash senior citizen cardholders may enjoy free haircut and free home delivery services.
  - (3)Member management:
    - a. Discover existing customers via big data of Happy Go, increase repurchase rate (analyze shopping preference), and discover potential new customers, introduce Happy Go new customers of fortress commercial circle
    - b. Create digital APP

## Future Prospective

Technological innovation has been expediting changes in new retailing, totally reshaping development of the retail landscape. Retailing in the new era must be consumer-oriented, focus on personalized marketing, customer experience, and personalized services, also leverage technology to connect product, service and customers, establish new shopping journey for consumers to meet with their needs and expectations, and maintain closer customer relations. Facing with the tide of new retailing, FEDS maintains its leading operations and polishes its new brand value with digitization, focusing on developing “digitized operation, digitized experience, digitized management”, with leaping mindset to transform traditional retail model, successfully create a brand new 5th Generation store – FEDS Hsinyi A13, transform into high-tech department store, and lead consumers to enjoy beautiful lifestyle of smart retailing.

As Taiwan’s leading listed department store, FEDS will also continue to strengthen corporate governance, strive to construct new direction for the Company’s outstanding and sustainable operations. We have stipulated good corporate governance structure, implemented specification and accountability of job assignment, strengthened proficiency of Board of Directors and information transparency, and established various functional committees to help elevate efficiency and improve policy making, also actively engaged in domestic and international retail associations to expand vision and influence, to drive for sustainable operation and fulfill the sustainability performance in terms of economy, environment, and society. We also aim to establish benchmarks for the innovative development of Taiwan’s department stores, and protect stockholders’ benefits as well as other stakeholders’ interest.

With the development of artificial intelligence and advancement of internet communication, various resources including manpower, information, technology, and funds can flow at unprecedented speed. Advantages possessed by the enterprise may be quickly replicated by competitors, and innovative applications be replaced. To always maintain its leadership, business leaders and management need to exhibit higher level of creativity and strategy. Far Eastern Department Stores will continue to innovate and remain its market leader position, seek merger target and investment opportunity to explore new markets, strengthen digital experience to increase interactions with customers, and elevate operating efficiency through innovative management, embrace digital technology, maintain competitive edge, and become leading brand of smart retailing. Through active creation of new growth, FEDS will restructure its growth curve, and make sure of its sustainable model and lasting excellence, and continue to create maximum value and interest for its stockholders.

Chairman Douglas Tong Hsu

## II. Company Profile

### 1. Date of Incorporation

31 August 1967

### 2. Company History

1967	August	Far Eastern Textile Co. Ltd. established Far Eastern Department Stores Ltd., which was located on Yongsui Rd. in Taipei
	October	The first store of FEDS was opened in its own six-floor building on Yongsui Rd. in Taipei.
1969	October	FEDS Taichung Store was set up.
1972	January	FEDS Paoching Store was set up and FEDS Yongsui Store was moved to and merged with FEDS Paoching Store.
1973	April	FEDS established Ya Tung Department Store Ltd. in Far Eastern Department Building. FEDS made a 65% investment in it. It was located on Wufu fourth Rd.
1976	March	FEDS Tainan Store was established.
1977	September December	FEDS Taichung Store suffered some damage due to the fire in a neighboring building. FEDS Jenai Store was established.
1978	May October	FEDS Taichung Store re-opened. FEDS Taipei Store expanded its operating space to eight floors. FEDS officially listed on the Taiwan Stock Exchange
1980	February	After helping to restore the neighboring building, FEDS Taichung Store expanded its own operation.
1981	December	FEDS established Yuan Yang Department Store Ltd., in which FEDS made a 60% investment and it was located on Xinsheng Rd., Chungli City.
1982	January	FEDS Chiayi Store was established.
1983	January  September December	Ya Tung Department Store Ltd. suspended its retailing business and FEDS Kaohsiung Store was set up on the same site of Ya Tung Department Store Ltd. FEDS Panchiao Store was established. Yuan Yang Department Store Ltd. suspended its retailing business and FEDS Chungli Store was set up on the same site of Yuan Yang Department Store Ltd. FEDS Sanchong Store was established.
1984	November	FEDS Taoyuan Store was established.
1985	December	FEDS Taoyuan Store suffered fire damage on December 1, and resumed first floor operation on December 12.
1986	June August December	FEDS Sanchong Store suspended its operation. FEDS Taoyuan Store was re-opened its second and third floors. FEDS Kaohsiung Chungshan Store, also named Kaohsiung Shopping Center Store, was established.

1987	January	FEDS Hsinchu Store was established.
	July	FEDS Kaohsiung Store moved to and merged with FEDS Kaohsiung Chungshan Store.
	October	FEDS established a first community-based supermarket in the Far Eastern New World Community.
	December	FEDS Jenai Store was transformed into the first all men's department Store in Taiwan.
1988	December	FEDS established two community-based supermarkets in the Hungnan and Houching Communities in Kaohsiung.
1989	August	FEDS opened its first specialty electronic appliance store in Tienmu. Panchiao Commodities Transfer and Distribution Center completed.
1990	January	FEDS Taichung Store suffered fire damage from the neighboring building on January 14, but was re-opened its first and second floors and basement first floor on January 23.
	September	Far Eastern Ltd. was set up by FEDS and Chingmei Hyper Store of Far Eastern Enterprise Ltd. was established.
	November	FEDS established Taita METRO Branch Store.
1991	January	Panhsin Hyper Store of Far Eastern Ltd. was established.
	February	FEDS Hualien Store was established.
		The operation of FEDS first specialty electronic appliance store in Tienmu ended.
	April	The operation of the first community-based supermarket in the Far Eastern New World Community ended. FEDS Paoching Store suffered the fire damage. Its basement first floor and first and second floors experienced smoke and slight flooding, however, its third, fourth and fifth floors were destroyed by fire.
	May	FEDS Taichung Store was re-opened after completely being restored.
	June	The operation of FEDS Paoching Store on the basement first floor and first and second floors was resumed.
	July	FEDS Tainan Store was re-opened after its expansion and refurbishment.
	October	The operation of FEDS Chiayi Store located at Kuohua St. ended
	December	After FEDS Paoching Store was restored, it not only resumed but also expanded its operation. FEDS built and inaugurated a brand new Chiayi Store on Chueiyang Road.
1992	November	The operation of Taita METRO Branch Store ended.
	December	Far Eastern Hon Li Do Co., Ltd. was established.
1993	September	FEDS Panchiao Chungshan Store was established.
	October	FEDS Chungli Central Store was set up and the registration of FEDS Chungli Store was cancelled.
	November	Commodities Transfer and Distribution Center in the Tai Shan plant of Far Eastern Textile Co. Ltd. in Wugu Township was established. The renovation of FEDS Taichung Store and its own building completed and re-opened.
1994	March	Taipei Metro, The Mall managed by Ya Tung Department Store Ltd. went into full operation.
	July	Overseas Convertible bonds of seven years maturity were issued to the amount of USD\$75 million.
1995	January	The Tainan Store of Far Eastern Hon Li Do Co., Ltd. was opened.
	May	The operation of Kaohsiung Shopping Center Store ended.
	July	Summer Sale in Taiwan originated with FEDS.
1996	May	The operations of FEDS Chungli Store were expanded to 10 floors in the same building and it was re-opened after being redesigned and remodeled.
	July	Yongho Hyper Store of Far Eastern Ltd. was established.

	September	FEDS Kaohsiung Store, located in front of the Kaohsiung Railway Station, was established and the registration of Kaohsiung Shopping Center Store was cancelled.
	October	FEDS Asia Pacific Development Co., Ltd. was established.
1997	January	FEDS Tainan Cheng-Kong Stores was established.
	December	FEDS thirtieth Anniversary Celebration was held.
1998	March	FEDS Panchiao Chungshan Store was re-opened after being remodeled, and the operation of FEDS Panchiao Store ended due to expiry of its lease.
	May	Yungfu Hyper Store of Far Eastern Ai Mai Co., Ltd. was established.
1999	March	Chungkang Hyper Store of Far Eastern Ai Mai Co., Ltd. was established.
	September	Due to the impact of earthquake 921, FEDS Taichung Store temporarily suspended operations.
		FEDS Taoyuan Store closed due to the expiry of its lease.
	October	FEDS Tainan Park Stores closed and was demolished and another entertainment building was built.
		FE21' Taoyuan Store was built on the land owned by Tao-Yuan Farmers' Association. The operation of FEDS Kaohsiung Store was located in front of the Kaohsiung Railway Station. It was decreased by 3 floors and continued to operate after re-adjustment and refurbishment.
	November	FEDS New Century Development Co., Ltd. was established to set up Far Eastern Panchiao Shopping Mall
	December	Taoyuan Hyper Store of Far Eastern Ai Mai Co., Ltd. was established.
2000	February	FEDS Jenai Store closed due to the expiration of its lease.
	March	Far Eastern Ai Mai Co.,Ltd. signed a merging contract with French Casino Group's Taiwan Branch D.F.I. Geant. Far Eastern Ai Mai Co., Ltd. was a surviving company. The record date of consolidation was on July 3.
	May	Yangmei HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.
		The operation of FEDS Panchiao Chungshan Store ended.
	June	FE21' Panchiao Store whose building and land was owned by FEDS was opened.
	July	Far Eastern Ai Mai Co.,Ltd. and French Casino Group's Taiwan Branch D.F.I. Geant formally completed their merger to form Far Eastern Co. Ltd.
		The operation of Tainan Store of Far Eastern Hon Li Do Co., Ltd. ended.
		Tainan HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.
		Taichung Fuxing Store and Kaohsiung Pingdeng Store of French Casino Group's Taiwan Branch D.F.I. Geant were renamed as Taichung Fuxing HYPER Store and Kaohsiung Pingdeng HYPER Store of Far Eastern Ai Mai Co., Ltd.
		FEDS held the eleventh IDGS (International Group Department Store) Asia Summit in Taipei.
	December	The operation of FEDS Taichung Store ended.
2001	September	Chunghsiao HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.
	October	Taoyuan HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.
		The operation of FEDS Kaohsiung Store, located in front of the Kaohsiung Railway Station, ended.
		FE21' Mega Kaohsiung Store inaugurated its services.
	December	Central HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.
2002	March	The operation of FEDS Hsinchu Store ended.
	July	FE21' Mega Tainan Chenkong Store re-opened after FEDS Tainan Chenkong Stores was remodeled.
		FE21' Mega Tainan Konyuan Store comprised of a recreation center which was re-opened after FEDS Tainan Park Stores was remodeled.
		Yuanlin HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.

	September	FEDS invested in Pacific Liu Tong Investment Co., Ltd.
	November	FE21' Mega Hsinchu Store inaugurated its services.
2003	April	A groundbreaking and commencement ceremony for Far Eastern Panchiao Shopping Mall was held.
	May	The operation of Central HYPER Store of Far Eastern Ai Mai Co., Ltd. ended.
	October	Hsinchu HYPER Store of Far Eastern Ai Mai Co., Ltd. was established. FEDS acquired the land use rights for No. A13 in the Hsinyi district, which is owned by the Taipei City Government, and had the right to use the land for 50 years from the completion of the right registration.
2004	February	The operation of FEDS Chungli Central Store ended.
	June	FEDS Chungli Store was remodeled to be SOGO Chungli New Hall.
	July	Ministry of Economic Affairs, Investment Commission, approved FEDS's subsidiary, FEDS Development Ltd.(BVI), to set up FEDS Chongqing Store and Chongqing Bai Ding Business Management Consulting Co., Ltd. in Mainland China.
	September	A joint investment was carried out with FEDS and CitySuper in the establishment of Far Eastern CitySuper Ltd.
	November	Ministry of Economic Affairs, Investment Commission, approved to a name change of Chongqing Far Eastern Business Management Consulting Co. to the name of Chongqing Bai Ding Business Management Consulting Co.
	December	Mall Store of Far Eastern CitySuper Ltd. was established.
2005	January	FEDS invested in Far Eastern Finance & Leasing Corp.
	March	Ministry of Economic Affairs, Investment Commission, approved FEDS's subsidiary, FEDS Development Ltd.(BVI), to set up FEDS Tianjin Store in Mainland China.
	November	Far Eastern Department Stores (U.S.A.) Inc. (FEDS-USA) dissolved and FEDS invested in Far Eastern Department Stores (U.S.A.) Inc. from indirectly to directly. FEDS won the bid to lease land (No.89 and 91) located in the West Tun district in Taichung city, which was being managed by the Ministry of Education. On expiry of the contract, the Company has the right to extend the contract for another twenty years.
2006	May	FEDS Tianjin Stores was opened.
	December	Bai Chin (Singapore) Pte. Ltd. dissolved and liquidated. Fuxing Store of Pacific SOGO Department Stores Ltd. was opened. Fuxing Store of Far Eastern CitySuper Ltd. was opened.
2007	January	FEDS bought back the shares of Far Eastern Ai-Mai Co.,Ltd held by Bergsaar BV, et al.
2008	February	Ministry of Economic Affairs, Investment Commission, approved to change the name of Chongqing Bai Ding Business Management Consulting Co. to the name of Shanghai Bai Ding Business Management Consulting Co.
	April	Ministry of Economic Affairs, Investment Commission, approved Bai Yang Investment Co., a subsidiary of FEDS, to acquire 40% shares of Pacific China Holdings Ltd., held by ABN AMRO BANK, N.V. LONDON BRANCH.
	October	Sanchong HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.
2009	May	Tienmu Store of Pacific SOGO Department Stores Ltd. was opened. Tienmu Store of Far Eastern CitySuper Ltd. was opened.
	October	Hualien Heping Store of FEDS was established. Hualien Hyper Store of Far Eastern Ai Mai Co., Ltd. was established.
2010	January	Ministry of Economic Affairs, Investment Commission, approved FEDS's subsidiaries, Bai Yang Investment Co. and Pacific Sogo Department Stores Ltd., to indirectly set up WuXi FEDS Co. Ltd. in Mainland China. Keelung Hyper Store of Far Eastern Ai Mai Co., Ltd. was established.
	June	FEDS WuXi Store was opened.
	December	Far Eastern Big City Shopping Center in Hsinchu was established.
2011	January	Fengyuan Hyper Store of Far Eastern Ai Mai Co., Ltd. was established.

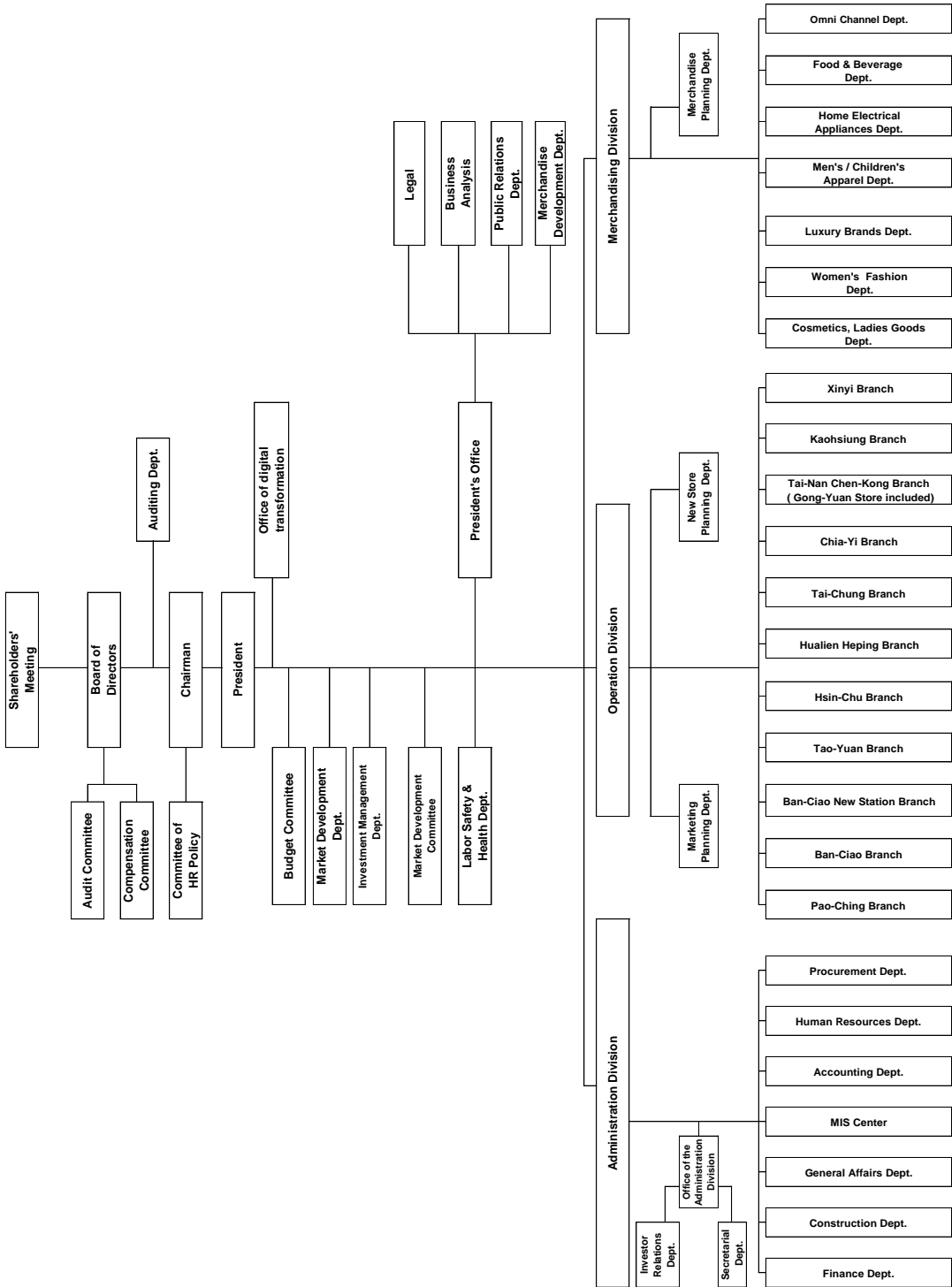
	June	FEDS Chengdu Store was opened.
	December	FE21' Mega Taichung Store (Top City) inaugurated its services. FE21' Mega Panchiao Store (Mega City) inaugurated its services. Panchiao Store (Mega City) of Far Eastern CitySuper Ltd. was opened. Taichung Store (Top City) of Far Eastern CitySuper Ltd. was opened.
2012	April	Far Eastern SOGO BIG CITY Shopping Mall was opened. Second Hsinchu Store of Pacific SOGO Department Stores Ltd. was opened. Far Eastern SOGO BIG CITY Hyper Store of Far Eastern Ai Mai Co., Ltd. was opened. Hsinchu Store (Big City) of Far Eastern CitySuper Ltd. was opened.
2013	March	FEDS Chengdu Store signed the letter of intent to lease with Chengdu Longhu North Real Estate Company Limited.
	Nov	The operation of Pacific Chengdu Tsunsi Store ended.
2014	Jan	FEDS Chengdu Beicheng Store was opened.
2015	Jan.	FEDS's head office has been relocated at 16F~18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City 220, Taiwan
	Mar.	The operation of FEDS Tianjin Stores ended.
	Apr.	Banqiao Nanya Hyper Store of Far Eastern Ai Mai Co., Ltd. was opened.
	Jun.	Chubei New Century Shopping Mall Co., Ltd. was established.
	Jul.	Chubei New Century Shopping Mall Co., Ltd. signed an investment contract of No.8 Parking Lot BOT Project, Zhubei City, Hsinchu County with Hsinchu County Government.
	Aug.	FEDS issued the 2014 CSR Report, the first one issued by Taiwan Listed Department Store Chain Business.
	Oct.	Panhsin Hyper Store of Far Eastern Ai Mai Co., Ltd. ended.
	Dec.	WuXi FEDS Store Co. Ltd ended.
2016	Aug.	Dalian Pacific Department Store Co. Ltd. transferred to Pacific (China) Investment Co. Ltd.
	Oct.	Kaohsiung Hyper Store of Far Eastern Ai Mai Co., Ltd. ended.
		Taoyuan Tai Mall Store of Far Eastern City Super Ltd. was opened.
	Dec.	Dazhi Hyper Store of Far Eastern Ai Mai Co., Ltd. ended. Log on Hsinchu Store of Far Eastern City Super Ltd. was opened. Huaihai Store of Shanghai Pacific Department Stores Co. Ltd. ended.(Lease expired)
2017	Apr.	FEDS Chengdu Beicheng Store ended.
		Yuanlin Hyper Store of Far Eastern Ai Mai Co., Ltd. ended.
	Dec.	FEDS Chengdu Beicheng Store ended.
2019	Mar.	Chungkang Hyper Store of Far Eastern Ai Mai Co., Ltd. ended.
		Yungfu Hyper Store of Far Eastern Ai Mai Co., Ltd. ended.
	Apr.	FEDS Chengdu Luoma City store ended.
	Aug.	SOGO Hsinchu Station Store ended.
	Sep.	Taoyuan Tai Mall Store of Far Eastern City Super Ltd. ended.
2020	Jan.	FEDS Xinyi A13 Store was opened Xinyi A13 Store of Far Eastern City Super Ltd. was opened.



III. Corporate Governance Report

1. Organization

ORGANIZATION CHART



## Affairs in Charge for Each Major Department ( Including Risk Management Function )

Department	Head of Department	Affairs in charge
Auditor Office	Hwa-Ling Hsu Senior Vice President	<ul style="list-style-type: none"> <li>Based on the articles of incorporation, the internal control system, the internal auditing executive regulation and the related law stipulation, the auditing office handles each investigation.</li> </ul>
Legal Office	Yuan-Chuan Chen manager	<ul style="list-style-type: none"> <li>Responsible for signing and reviewing all kinds of contracts and agreements, handling legal disputes, drafting complaints and appearing in court, providing Company Law related amendment information and various legal advices in order to reduce risk from non-compliance by the Company.</li> </ul>
Office of digital transformation	James Tang Vice President	<ul style="list-style-type: none"> <li>Responsible for integrating digital events, planning, digital marketing, digital media related activities, extending and building smart market, developing "digital operation, digital management, and digital experience" to provide customers with more comprehensive digital marketing and service.</li> </ul>
Administration Division	James Tang Vice President	<ul style="list-style-type: none"> <li>To supervise the duty of each department, as follows               <ol style="list-style-type: none"> <li>The duties of the human resources department: Responsible for handling career development, education and training programs, appointments, retrenchment, transfers, rewards and punishment, evaluation, daily schedules of the staff; the enhancement of working efficiency and relevant affairs of employees welfare.</li> <li>The duties of the accounting department: Responsible for the execution and amendment of the accounting calendar, various daily bookkeeping entries, the fulfillment of financial reports, tax returns and annual budget, the management and inspection of fixed assets and inventories.</li> <li>The duties of the MIS center: Cope with all affairs related to management information systems and information security.</li> <li>The duties of the general affairs department: To handle official documents, general affairs, security and other matters that can not be attributed to other departments.</li> <li>The duties of the construction department: To handle each construction project, the maintenance of air conditioners as well as electronic devices.</li> <li>The duties of the finance department: To handle fund transfers, treasury, sales and management of gifts coupons, the plans of investment activities, the management and supervision of subsidiaries.</li> <li>The duties of the construction department: Handling engineering equipment and general affairs procurement management.</li> </ol> </li> </ul>
Operation Division	Chang-Li Lin Vice President	<ul style="list-style-type: none"> <li>In charge of all business related to marketing and planning:               <ol style="list-style-type: none"> <li>Marketing strategic planning of events and other programs.</li> <li>Propose and implement store visual expression, merchandise displays, and window design.</li> <li>Handle customer complaints and services.</li> <li>Handle media and public relations.                   <ul style="list-style-type: none"> <li>Supervise operation business of branches.</li> <li>Plan and integrate new store preparatory affairs.</li> </ul> </li> </ol> </li> </ul>
Merchandise Division	Chris Liu Vice President	<ul style="list-style-type: none"> <li>Responsible for luxury brands, home appliance, cosmetics, lingerie, shoes, women's fashion apparel, young ladies' apparel, kid's apparel, men's apparel, electric appliances and supermarkets. Invite concessionaires and administer stores.</li> <li>E-Commerce Business.</li> </ul>

## 2. DIRECTORS AND MANAGEMENT TEAM

### 2.1 Directors

#### 2.1.1 Directors

Book closure date: 26 April 2020

Title	Nationality or Record of Birth	Name	Gender	Date Elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse & minor children		Curriculum vitae	Other positions in FEDS and/or other companies	Executives, directors, or supervisors who are spouses or within two degree of kinship		
							Share	%	Share	%	Share	%			Title	Name	Relation
Chairman	R.O.C	Douglas Tong Hsu	Male	21 Jun 2018	3	2 Aug 1967	1,779,835	0.13	1,779,835	0.13	0	0.00	Honorary Ph.D. of Management, National Chiao Tung University, Taiwan. M.A. in Economics, Columbia University, USA.	•Chairman of FEDS Chairman of Far Eastern New Century, Asia Cement, Oriental Union, U-Ming Marine, and Far Eastone Telecommunications; Vice chairman of Far Eastern International Bank.	Director	Nancy Hsu	Sister
Director	R.O.C	Ding & Ding Management Consultants, Co., Ltd.	Female	21 Jun 2018	3	(Note 1)	73,009	0.01	73,009	0.01	0	0.00	Department of Fashion Design, Shih Chien University	•President, FEDS Chairman of Bai Yang Investment Co., Ltd.; Director of Far Eastern Ai Mai Co. Ltd.	Chairman	Douglas Tong Hsu	Brother
		Represented by: Nancy Hsu					*1,173,788	*0.08	*1,173,788	*0.08	228,927	0.02					
	U.S.A	Far Eastern New Century Corporation	Female	21 Jun 2018	3	2 Jun 2006	241,769,702	17.06	241,769,702	17.06	0	0.00	Interior Design Arts, New York School of Interior Design, USA. B.A., Simmons College, Boston, USA Senior Designer, Saradino Group, New York, USA.	-	Chairman	Douglas Tong Hsu	Father
		Represented by: Nicole Hsu					*0	*0.00	*0	*0.00	0	0.00					
	R.O.C	Far Eastern New Century Corporation	Female	12 April 2019	2	12 April 2019	241,769,702	17.06	241,769,702	17.06	0	0.00	Ph. D., Management Information System, Purdue University; Chief Transformation Officer, FarEastone; Vice President & Assistant VP, Technology Development, AT&T; Director, PMOSS Planning, Engineering, and Development, AT&T; District Manager, GNOC, AT&T; Assistant Professor, Decision & Information Systems, College of Business, Arizona State University	President of Far Eastone Telecommunications Co., Ltd.; Chairwoman & President, Far Eastern Info Service (Holding) Ltd.; Chairman of Arcoa Enterprise Co., Ltd.; Director & President of New Century InfoComm Tech Co., Ltd.	-	-	-
		Represented by: Chee Ching					*0	*0.00	*0	*0.00	0	0.00					
R.O.C	R.O.C	Yuli Investments Corporation	Female	21 Jun 2018	3	(Note 2)	1,769,001	0.12	1,769,001	0.12	0	0.00	Department of Accounting, North Arizona State University, USA. US CPA.	Chairman of Far Eastern Big City Shopping Malls Co., Ltd.; CEO of Far Eastern Group Synergy & Retail Planning HQ; Director of Yuanshi digital technology Co.,Ltd. Supervisor of Yuan Bao Fintech Co., Ltd	-	-	-
		Represented by: Philby Lee					*76,483	*0.01	*76,483	*0.01	0	0.00					
	R.O.C	Asia Cement Corporation	Female	21 Jun 2018	3	2 Jun 2006	80,052,950	5.65	80,052,950	5.65	0	0.00	M.A. in Mass Communication, University of Illinois, USA EMBA, National Taiwan University, Taiwan.	President of Ding Ding Integrated Marketing Services Ltd.; Director of Yuan Ding Tech-info (Shanghai) Ltd.; Chairman of Yuan Hsin Digital Payment Co., Ltd.	-	-	-
		Represented by: Jin-Lin Liang					*0	*0.00	*0	*0.00	0	0.00					

Independent Director	R.O.C Eugene You-Hsin Chien	Male	21 Jun 2018	3	21 Jun 2012	0	0.00	0	0.00	0	0.00	0	0.00	Ph.D., Aeronautics and Astronautics, New York University, USA. Department of Mechanical Engineering, National Taiwan University Minister of the Environmental Protection Administration; Minister of Transportation and Communications; Minister of Foreign Affairs; Legislator, Legislative Yuan (Member of Parliament); Representative, Taipei Representative Office in the U.K.	Independent Director of Eva Airways Corporation; Director of ECOVE Environment Corporation.	-	-	-
	R.O.C Edward Way	Male	21 Jun 2018	3	21 Jun 2012	0	0.00	0	0.00	0	0.00	0	0.00	MBA, University of Georgia, USA. CEO of Deloitte Taiwan; Director of Deloitte Touche Tohmatsu; Chairman of United way of Taiwan; CPA of Georgia State, USA. Chairman, YCSY Co., Ltd.; Independent Director of Synnex Technology International Corp, Cathay Financial Holdings Co., Ltd., Cathay United Bank Ltd and Cathay Securities Corporation; Supervisor of Kaimei Electronic corp.; Director of Chilsin Electronics Corp. and Vanguard International Semiconductor Corp., MITAC Holdings Corp., and Iron Force Industrial Co. Ltd.	Chairman, YCSY Co., Ltd.; Independent Director of Synnex Technology International Corp, Cathay Financial Holdings Co., Ltd., Cathay United Bank Ltd and Cathay Securities Corporation; Supervisor of Kaimei Electronic corp.; Director of Chilsin Electronics Corp. and Vanguard International Semiconductor Corp., MITAC Holdings Corp., and Iron Force Industrial Co. Ltd.	-	-	-

Notes 1: Director (April 19, 1979 - April 18, 1982); Supervisor (April 30, 1990 - April 12, 1995); Director (April 12, 1995 – present)

Notes 2: Director (June 10, 2003 - June 1, 2006); Supervisor (June 2, 2006 - June 22, 2015); Director (June 22, 2015 – present)

Notes 3: The total number of shares outstanding at the time of election and current is 1,416,940,589 shares.

Notes 4: All directors in the company do not have shares held in the name of other persons

Notes 5: The chairperson of the Board of Directors and the general manager are the same person, spouses, or relatives within the first degree of kinship – None.

## 2.1.2 Major Shareholders of FEDS's Directors are institutional Shareholders.

Book closure date: 26 April 2020

Name of institutional Shareholders	Major Shareholders of the institutional Shareholders
Ding&Ding Management Consultants Co., Ltd	Yue Tung Investment Corp. (40.00) 、Ta Ju Fibers Co., Ltd. (33.81) 、Fu-Da Transport Corp. (16.00) 、Asia Engineering Enterprise Corp. (5.04) 、Bai Ding Investment Co., Ltd. (5.04)
Far Eastern New Century Corporation	Asia Cement Corporation (23.77) 、Oriental Institute of Technology (4.81) 、Far Eastern Medical Foundation (3.61) 、Far Eastern Memorial Foundation (3.42) 、Yuan Ze University (2.74) 、Nan Shan Life Insurance Co., Ltd. (2.89) 、Yuan Ze University (2.74) 、China Life Insurance Co., Ltd. (1.58) 、Douglas Tong Hsu (1.71) 、Der Ching Investment Co Ltd.(1.55) 、Chunghwa Post Co., Ltd.(1.38)
Asia Cement Corporation	Far Eastern New Century Corp. (22.33); Far Eastern Medical Foundation (5.40) 、Labor Pension Fund Committee of Far Eastern New Century Corp. (1.55) 、Yuan Ding Investment Co., Ltd. (1.53) 、Yuanta/P-shares Taiwan Dividend Plus ETF (1.51) 、Far Eastern Department Stores Ltd. (1.49) 、Yuan Ze University (1.41) 、Far Eastern Memorial Foundation (1.31) 、Yu Yuan Investment Co., Ltd. (1.29) 、Yu Chang Investment Co., Ltd.(1.26)
Yuli Investments Corporation	U-Ming Marine Transport Corp. (68.18) 、U-Ming Marine Transport (Singapore) Private Limit (31.82)

## 2.1.3 Major Shareholders of the Major Shareholders that are Juridical Persons

Book closure date: 26 April 2020

Name of Juridical persons	Major Shareholders of the Juridical Persons
Yue Tung Investment Corp.	U-Ming Marine Transport Corp. (73.54) 、U-Ming Marine Transport (Singapore) Private Limit (26.46)
Ta Chu Chemical Fiber Co., Ltd.	Yuan Ding Investment Co., Ltd. (41.86), Yue Ding Industry Co., Ltd. (38.76), Yue Li Investment Corp. (19.38)
Fu Da Transportation Co., Ltd.	Fu Ming Transport Corp. Ltd. (99.87) 、Asia Investment Corp. (0.03)
Asia Engineering Enterprise Corp.	Asia Cement Corporation (98.23) 、Asia Investment Corp (0.07)
Bai Ding Investment Co., Ltd.	Far Eastern Department Stores Ltd (66.66) 、Bai-Yang Investment Co.,Ltd (33.34)
Asia Cement Corporation	Far Eastern New Century Corp. (22.33); Far Eastern Medical Foundation (5.40) 、Labor Pension Fund Committee of Far Eastern New Century Corp. (1.55) 、Yuan Ding Investment Co., Ltd. (1.53) 、Yuanta/P-shares Taiwan Dividend Plus ETF (1.51) 、Far Eastern Department Stores Ltd. (1.49) 、Yuan Ze University (1.41) 、Far Eastern Memorial Foundation (1.31) 、Yu Yuan Investment Co., Ltd. (1.29) 、Yu Chang Investment Co., Ltd.(1.26)
Oriental Institute of Technology	Asia Cement Corporation (50.00) 、Far Eastern New Century Corporation (50.00)
Far Eastern Medical Foundation	Y. Z. Hsu (76.90) 、He Zongyan (2.31) 、Wang Shu-peng (2.31) 、Hsu Wei Yuan (2.31) 、Huang Ying Chung (2.31) 、Douglas Tong Hsu (2.31) 、Laurence M. Yang (2.31) 、John Hsu (2.31) 、Johnny Shih (2.31) 、S.S. Hsu (2.31) 、Yu Wei San (2.31)
Far Eastern Memorial Foundation	Y. Z. Hsu (50.00) 、Hsu Yi Chu (50.00)
Yuan Ze University	U-Ming Marine Transport Corp. (55.21) 、Far Eastern Medical Foundation (26.05) 、Far Eastern New Century Corporation(Original from Far Eastern Textile Ltd.) (5.52) 、Fu Ming Transport Corp. (5.25) 、Far Eastern Memorial Foundation (4.91) 、Asia Cement Corporation (2.76) 、Connie Hsu (0.28) 、Y. Z. Hsu (0.10) 、Yu Chao-Chung (0.10)

China Life Insurance Co., Ltd.	China Development Finance Holding Corp. (26.16) 、KGI Securities Co., Ltd. (8.66) 、Cathay Life Insurance Co., Ltd. (3.04) 、 Videoland Inc. (2.42) 、 New labor pension fund(1.61) 、 Lin-Lang Chan (1.24) 、 PGIA Comprehensive International Stock Index Fund Dedicated Account, managed by PGIA, under custody of JP Morgan, Taipei Branch. (1.21) 、 Citi as Trustee For The Government of Singapore Investment Corp. (1.17) 、 The Norwegian Central Bank Investment Dedicated Account, under custody of CITI Bank (1.12) 、 Labor Insurance Fund (1.03)
Nan Shan Life Insurance Co., Ltd.	First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd. (60.01) 、 Ruenchen Investment Holding Co., Ltd. (29.54); Y. T. Du (2.90) 、 Ruen Tai Shing Co., Ltd. (0.30) 、 Ruen Hua Dyeing & Weaving Co., Ltd. (0.27) 、 Ruentex Development Co., Ltd. (0.23) 、 Ruentex Industries Ltd. (0.21) 、 Taishin International Bank Trust Account of Nan Shan Life Insurance Co., Ltd. (0.21) 、Yen Sin Corporation (0.16) 、Ruentex Leasing Co., Ltd. (0.13)
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communications (100)
Far Eastern New Century Corporation	Asia Cement Corporation (23.77) 、 Oriental Institute of Technology (4.81) 、 Far Eastern Medical Foundation (3.61) 、 Far Eastern Memorial Foundation (3.42) 、 Yuan Ze University (2.74) 、 Nan Shan Life Insurance Co., Ltd. (2.89) 、 Yuan Ze University (1.41) 、 China Life Insurance Co., Ltd. (1.85) 、 Douglas Tong Hsu (1.71) 、 Der Ching Investment Co Ltd.(1.55) 、 Chunghwa Post Co., Ltd.(1.38)
Far Eastern Department Stores Co., Ltd.	Far Eastern New Century Corporation (17.06) 、 PJ Asset management Co., Ltd.(7.75) 、 Asia Cement Corporation (5.65) 、 Yuan Ding Investment Co., Ltd. (5.33) 、 Chia Yuan Investment Company (5.05) 、 Yuan Ze University (4.75), Yuan Tong Investment Co., Ltd. (3.61) 、 The Norwegian Central Bank Investment Dedicated Account, under custody of CITI Bank (2.26) 、 Labor Pension Fund Committee of Far Eastern Department Stores Ltd. (2.11) 、 Yu Yuan Investment Co., Ltd. (2.06)
Yue Yuan Investment Co., Ltd.	Asia Cement Corporation. (29.92); Yuan-Ding Co., Ltd. (25.02); Yuan Ding Investment Co., Ltd. (18.96); U-Ming Marine Transport Corp. (17.66); Ding Shen Investment Co., Ltd. (6.50); Yue Tung Investment Co., Ltd. (1.84); Yue Ding Investment Co., Ltd. (0.10)
Yu Chang Investment Co., Ltd.	Yu Sheng Investment Co., Ltd. (99.97)
U-Ming Marine Transport Corp.	Asia Cement Corp. (39.25) 、 Management Board of the Public Service Pension Fund (2.08) 、 Cathay Life Insurance Co., Ltd. (1.60) 、 Yuan Ding Investment Co., Ltd. (1.05) 、 Fubon Life Insurance Co., Ltd. (1.04) 、 Cape Ann Global Developing Markets Fund Investment Dedicated Account, under custody of Bank of Taiwan (1.00) 、 Yu Yuan Investment Co., Ltd. (0.94) 、 Ding Shen Investment Co., Ltd.(0.94) 、 TransGlobe Life Insurance Inc. (0.93) 、 Asia Investment Corp. (0.92)
U-Ming Marine Transport (Singapore) Private Limit	U-Ming Marine Transport Corp. (100.00)
Der Ching Investment Corp.	Asia Cement Corporation (99.99), Asia Investment Corp. (0.001)
Yuan Ding Investment Co., Ltd.	Far Eastern New Century Corporation (99.40) 、 An Ho Garment Co.,Ltd.(0.03) 、 Ta Chu Chemical Fiber Co.,Ltd. (0.30)

### 2.1.4 Directors

Item  Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five-Year Work Experience			Independence Criteria (Note 2)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company.	1	2	3	4	5	6	7	8	9	10	11	12	
Douglas Tong Hsu			✓						✓	✓		✓		✓	✓	0
Nancy Hsu			✓					✓	✓	✓			✓			0
Nicole Hsu			✓						✓	✓	✓			✓		0
Chee Ching			✓				✓		✓	✓				✓		0
Jin-Lin Liang			✓				✓		✓	✓			✓	✓		0
Philby Lee		✓	✓				✓		✓				✓	✓		0
Edward Way		✓	✓				✓	✓	✓	✓			✓	✓	✓	3
Eugene You-Hsin Chien	✓		✓				✓	✓	✓	✓			✓	✓	✓	1

Note 1 : Directors, during the two years before being elected and during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

1. Not an employee of the Company or any of its affiliated enterprises.
2. Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;
5. Not a director, supervisor, or employee of a corporate /institutional shareholder that directly holds 5% or more of the Company's outstanding shares, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law. ( not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
7. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent); (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company; (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service" which total compensation within the recent two years exceeds NTD500,000". This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
11. Not been a person or any conditions defined in Article 30 of the Company Act; and
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.



## 2.2 President, Vice President, Junior Vice President, and Managers of Departments and Branches

Book closure date: 26 April 2020

Title	Nationality	Name	Gender	Date effective	Shareholding		Shareholding of spouses & minor children		Curriculum vitae	Positions in other companies	Managers who are spouses or within two degrees of kinship		
					Shares	%	Shares	%			Title	Name	Relation
President	R.O.C	Nancy Hsu	Female	2006.06.02	1,173,788	0.08	228,927	0.02	Fashion Design, Shih Chien University, Taiwan	Chairman of Bai Yang Investment Co., Ltd.; Director of Far Eastern Ai Mai Co., Ltd.	-	-	-
Vice President, Merchandise Division	R.O.C	Chris Liu	Male	2007.03.20	0	0.00	0	0.00	Master, Computer Science, Central Michigan University, U.S.A.	Director of Ya Tung Department Store Ltd.; Supervisor of Far Eastern Ai Mai Co., Ltd.	-	-	-
Vice President, Administration Division	R.O.C	James Tang	Male	2013.10.01	169	0.00	0	0.00	Master, Laws, Soochow University, Taiwan ; Master, Finance, University of Leicester , U.K Master, Laws, London School of Economics and Political Science , U.K	Director of Ding Shen Investment Co., Ltd. 、 Supervisor of Pacific (China) Investment Co., Ltd.	-	-	-
Vice President, Operation Division	R.O.C	Chang-Li Lin	Male	2015.07.01	0	0.00	0	0.00	Fine Arts, National Taiwan Normal University, Taiwan	Director of Far Eastern City Super Co.,Ltd.; Supervisor of Ya Tung Department Stores Ltd.	-	-	-
Junior Vice President, Construction Dept.	R.O.C	Chin-Shih Liao	Male	2011.09.01	336	0.00	60	0.00	Electrical Engineering, National Chin-Yi University of Technology, Taiwan ; Electrical Engineering Program, Yuan Ze University, Taiwan	-	-	-	-
Junior Vice President, Accounting Dept.	R.O.C	Lily Y. T. Liu	Female	2011.09.01	0	0.00	0	0.00	Master, Accounting, National Taipei University, Taiwan	Supervisor of Far Eastern International Leasing Corporation	-	-	-
Junior Vice President, Top City Taichung Store	R.O.C	Cho-Cheng Lan	Male	2011.12.01	5,192	0.00	0	0.00	International Business, Tunghai University, Taiwan MBA Program, Yuan Ze University, Taiwan	-	-	-	-
Junior Vice President, Food & Beverage Dept.	R.O.C	Peter Chen	Male	2014.01.15	2,132	0.00	0	0.00	Executive Master of Business Administration, National Tsing Hua University, Taiwan	-	-	-	-
Junior Vice President, Mega City Banqiao Store	R.O.C	Chih-Yao Shih	Male	2014.01.15	137	0.00	0	0.00	Master, Business Administration, Saint John's University, U.S.A.	-	-	-	-

Title	Nationality	Name	Gender	Date effective	Shareholding		Shareholding of spouses & minor children		Curriculum vitae	Positions in other companies	Managers who are spouses or within two degrees of kinship		
					Shares	%	Shares	%			Title	Name	Relation
Junior Vice President, Auditor Office	R.O.C	Hwa-Ling Hsu	Female	2014.08.12	0	0.00	0	0.00	Master, Business Administration, Yuan Ze University, Taiwan	-	-	-	-
Junior Vice President, Taoyuan Store	R.O.C	Tian-Zuo Jiang	Male	2015.07.13	563	0.00	0	0.00	Economy, Fu Jen Catholic University, Taiwan	-	-	-	-
Junior Vice President, Luxury Brands Dept.	R.O.C	Rebecca Chan	Female	2015.07.13	6,252	0.00	0	0.00	Master, Business Administration, University of South Australia , AU	-	-	-	-
Junior Vice President, Finance Dept.	R.O.C	Greg Tseng	Male	2015.07.13	0	0.00	0	0.00	Department of Finance and Cooperative Management, National Taipei University, Taiwan Master, Political Economy, Nankai University, China	Director of Yuan Hsin Digital Payment Co., Ltd.	-	-	-
Junior Vice President, Cosmetics, Ladies Goods Dept.	R.O.C	Jason Wang	Male	2017.07.27	860	0.00	0	0.00	International Business, Fu Jen Catholic University, Taiwan	-	-	-	-
Junior Vice President, Hsinchu Store	R.O.C	Wei- Hsing Hsu	Male	2018.01.10	2,040	0.00	3,040	0.00	Business Administration, Chinese Culture University, Taiwan	-	-	-	-
Junior Vice President, Kaohsiung Store	R.O.C	Chih-Kuo Mao	Male	2018.07.31	0	0.00	0	0.00	Saint Dominic's Catholic High School, Taiwan	-	-	-	-
Junior Vice President, Women's Apparel Dept.	R.O.C	Shawn Cheng	Female	108.09.27	0	0.00	0.00	0.00	Department of Textiles and Clothing, Fu Jen Catholic University	-	-	-	-
Junior Vice President, Home Electrical Appliances Dept.	R.O.C	Sophia Yu	Female	108.09.27	5,463	0.00	10,926	0.00	National Chao-chou Senior High School, Taiwan	-	-	-	-

Note 1: All president, vice presidents and senior vice presidents in the company do not have shares held in the name of other persons.

Note 2: The Company neither issue employee stock options nor employee restricted stock options.

Notes 3: The chairperson of the Board of Directors and the general manager are the same person, spouses, or relatives within the first degree of kinship – None.

### 3. Remuneration of Directors, President, and Vice Presidents

**Remuneration Paid to Directors and Independent Directors**      Book closure date: 31 December 2019      Unit: NT\$ thousands

Title	Name	Remuneration					Ratio of total remuneration (I+II+III+IV) over net income (%)		Relevant compensation received by directors who are also employees						Ratio of total remuneration (I+II+III+IV+V+VI+VII) to net income (%)		Remuneration paid to Directors from an invested company other than the Company's subsidiary		
		Base Remuneration (I)	Severance Pay and Pension (II)	Directors' remuneration from distribution of earnings (III)		Operating Allowances (IV)			Salary, Bonuses, and Allowances (V)	Severance Pay and Pension (VI)	Employees' compensation from distribution of earnings (VII)								
											A		B						
				A	B		A	B			A	B	Cash	Stock	Cash	Stock		A	B
Chairman	Douglas Tong Hsu																		
Director	Ding Ding Management Consultant Corp.																		
	Far Eastern New Century Corporation	0	60	0	0	51,858	432	442	2.93	2.94	8,183	0	0	407	0	407	0	3.78	68,376
	U-Li Investment Company																		
	Asia Cement Corporation																		
Independent Director	Edward Way																		
	Eugene You-Hsin Chien	0	0	0	0	3,936	303	303	0.24	0.24	0	0	0	0	0	0	0.24	0.24	0
	Raymond R. M. Tai																		
* Please disclose the remuneration policy, system, standard, and composition for determining independent directors' remuneration, and the correlation between duties, risk, and time input with the amount of remuneration.																			
The Company's remuneration to directors includes directors' compensation and fees for executing business. Directors' compensation follows the Company's Articles of Incorporation. The Company shall set aside annual profit, if any, not more than 2.5 percent as directors' compensation. The actual percentage and amount of directors' compensation will be decided by the Board of Directors considering factors such as the responsibilities, time spent, performance evaluation, operating result of the Company and future business risks, and reported to the shareholders' meeting. Fees for executing business are mainly transportation expenses for presenting at the Board of Directors meeting. Additional attendance fee for presenting at the functional committee will be reimbursed to independent directors. All reimbursements are decided to be reasonable with reference to industry practice and standards of other listed companies.																			
Remuneration to Directors providing service to entities under the Company's most recent financial report (ex. Serving as non-employee consultants), in addition to remuneration disclosed in the above table: None																			

\* Please disclose the remuneration policy, system, standard, and composition for determining independent directors' remuneration, and the correlation between duties, risk, and time input with the amount of remuneration.

The Company's remuneration to directors includes directors' compensation and fees for executing business. Directors' compensation follows the Company's Articles of Incorporation. The Company shall set aside annual profit, if any, not more than 2.5 percent as directors' compensation. The actual percentage and amount of directors' compensation will be decided by the Board of Directors considering factors such as the responsibilities, time spent, performance evaluation, operating result of the Company and future business risks, and reported to the shareholders' meeting. Fees for executing business are mainly transportation expenses for presenting at the Board of Directors meeting. Additional attendance fee for presenting at the functional committee will be reimbursed to independent directors. All reimbursements are decided to be reasonable with reference to industry practice and standards of other listed companies.

Remuneration to Directors providing service to entities under the Company's most recent financial report (ex. Serving as non-employee consultants), in addition to remuneration disclosed in the above table: None

\* Column A represents the Company; Column B represents all companies in the consolidated financial statement.

\* Representative of Ding&Ding Management Consultants Co., Ltd: Nancy Hsu; Representative of Far Eastern New Century Corporation: Nicole Hsu, Yvonne Li (resigned upon re-appointment on April 12, 2019), Chee Ching (succeeded upon re-appointment on April 12, 2019)

Representative of Yuli Investments Corporation: Philby Lee; Representative of Asia Cement Corporation: Jin-jin Liang.

\* Independent Director Raymond R. M. Tai resigned on 28 June 2019.

\* The remuneration from 2019 distribution of earnings is proposed amount, not actual payment amount yet.

## Guiding Principles for Compensation to Directors

Range of Compensation	Name of Directors				
	Total of (I+II+III+IV)		Total of (I+II+III+IV+V+VI+VII)		
	The Company	Companies in the consolidated financial statement	The Company	All Affiliated Company	
Under NT\$1,000,000	Representative of Far Eastern New Century Corporation: Chee Ching	Representative of Far Eastern New Century Corporation: Chee Ching	Representative of Far Eastern New Century Corporation: Chee Ching	Representative of Far Eastern New Century Corporation: Chee Ching	
NT\$1,000,000 ~ NT\$1,999,999	Edward Way, Eugene You-Hsin Chien, Raymond R.M. TAI	Edward Way, Eugene You-Hsin Chien, Raymond R.M. TAI	Edward Way, Eugene You-Hsin Chien, Raymond R.M. TAI	Edward Way, Eugene You-Hsin Chien, Raymond R.M. TAI	
NT\$2,000,000 ~ NT\$3,499,999	-	-	-	Chien, Raymond R.M. TAI	
NT\$3,500,000 ~ NT\$4,999,999	-	-	-	-	
NT\$5,000,000 ~ NT\$9,999,999	Representative of Far Eastern New Century Corporation: Nicole Hsu, Yvonne Li Representative of Asia Cement Corporation: Jin-Jin Liang Representative of Yuli Investments Corporation: Philby Lee,	Representative of Far Eastern New Century Corporation: Nicole Hsu, Yvonne Li Representative of Asia Cement Corporation: Jin-Jin Liang Representative of Yuli Investments Corporation: Philby Lee,	Representative of Far Eastern New Century Corporation: Nicole Hsu, Yvonne Li Representative of Asia Cement Corporation: Jin-Jin Liang Representative of Yuli Investments Corporation: Philby Lee,	Representative of Far Eastern New Century Corporation: Nicole Hsu, Yvonne Li Representative of Yuli Investments Corporation: Philby Lee,	
NT\$10,000,000 ~ NT\$14,999,999	Douglas Tong Hsu Representative of Ding&Ding Management Consultants Co., Ltd: Nancy Hsu	Douglas Tong Hsu Representative of Ding&Ding Management Consultants Co., Ltd: Nancy Hsu	Douglas Tong Hsu	Representative of Asia Cement Corporation: Jin-Jin Liang	
NT\$15,000,000 ~ NT\$29,999,999	-	-	Representative of Ding&Ding Management Consultants Co., Ltd: Nancy Hsu	Representative of Ding&Ding Management Consultants Co., Ltd: Nancy Hsu	
NT\$30,000,000 ~ NT\$49,999,999	-	-	-	-	
NT\$50,000,000 ~ NT\$99,999,999	-	-	-	Douglas Tong Hsu	
NT\$100,000,000 and over	-	-	-	-	
Total	10	10	10	10	10

## Compensation Paid to President and Vice Presidents

Book closure date: 31 December 2019 Unit: NT\$ thousands

Title	Name	Salary ( I )		Severance Pay and Pension ( II )		Compensation and Allowances ( III )		Employees' compensation from distribution of earnings ( IV )				Ratio of total remuneration (I+II+III+IV) to net income (%)		Compensation paid to the President and Executive Vice President from an invested company other than the subsidiary or the parent company
		The Company	Companies in the consolidated financial statement	The Company	Companies in the consolidated financial statement (Note 5)	The Company	Companies in the consolidated financial statement	The Company		Companies in the consolidated financial statement		The Company	Companies in the consolidated financial statement	
								Cash	Stock	Cash	Stock			
President	Nancy Hsu													
Vice President	Chris Liu	11,882	12,368	267	267	15,879	15,879	1,128	0	1,128	0	1.64	1.66	144
	James Tang													
	Chang-Li Lin													

\* No severance and pension were actually paid this year. The amount listed are the company's contribution to employee's pension account, not actual amount paid.

\* Compensation paid to president's driver is NT\$624 thousand.

## Guiding Principles for Compensation to President and Vice Presidents

Range of Compensation	Name of Presidents and Vice Presidents	
	The Company	All Affiliated Company
Under NT\$1,000,000	-	-
NT\$1,000,000 ~ NT\$1,999,999	-	-
NT\$2,000,000 ~ NT\$3,499,999	-	-
NT\$3,500,000 ~ NT\$4,999,999	-	-
NT\$5,000,000 ~ NT\$9,999,999	Nancy Hsu, Chris Liu, James Tang, Chang-Li Lin	Nancy Hsu, Chris Liu, James Tang, Chang-Li Lin
NT\$10,000,000 ~ NT\$14,999,999	-	-
NT\$15,000,000 ~ NT\$29,999,999	-	-
NT\$30,000,000 ~ NT\$49,999,999	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-
NT\$100,000,000 and over	-	-
Total	4	4

## Compensation Paid to Managers

Book closure date: 31 December 2019    Unit: NT\$ thousands

Title	Name	Employee Compensation- in Stock	Employee Compensation- in Cash	Total	Ratio of Total Amount to Net Income (%)
President	Nancy Hsu				
Vice President, Merchandise Division	Chris Liu				
Vice President, Administration Division	James Tang				
Vice President, Operation Division	Chang-Li Lin				
Junior Vice President, Human Resources Dept.	Lily L. Y. Liu				
Junior Vice President, Construction Dept.	Chin-Shih Liao				
Junior Vice President, Accounting Dept.	Lily Y. T. Liu				
Junior Vice President, Top City Taichung Store	Cho-Cheng Lan				
Junior Vice President, Food & Beverage Dept.	Peter Chen				
Junior Vice President, Mega City Banqiao Store	Chih-Yao Shih				
Junior Vice President, Auditor Office	Hwa-Ling Hsu	0	3,109	3,109	0.17
Junior Vice President, Taoyuan Store	Tian-Zuo Jiang				
Junior Vice President, Luxury Brands Dept.	Rebecca Chan				
Junior Vice President, Finance Dept.	Greg Tseng				
Junior Vice President, Cosmetics, Ladies Goods Dept.	Jason Wang				
Junior Vice President, Hsinchu Store	Wei- Hsing Hsu				
Junior Vice President, Kaohsiung Store	Chih-Kuo Mao				
Junior Vice President, Women's Fashion Dept.	Shawn Cheng				
Junior Vice President, Home Electrical Appliances Dept.	Sophia Yu				

Note: Proposed amount of remuneration of 2019 earnings distribution.

# Name, Position and Bonuses Amount of Top Ten Recipients of Employees' Compensation

Unit: NT\$ thousands

Title	Name	Stock Dividend	Cash Dividend	Total Amount
President	Nancy Hsu	0	2,024	2,024
Vice Presidents	Chris Liu			
	James Tang			
	Chang-Li Lin			
Junior Vice Presidents	Lily L. Y. Liu			
	Chin-Shih Liao			
	Lily Y. T. Liu			
	Cho-Cheng Lan			
	Chih-Yao Shih			
	Greg Tseng			

Note: The actual distributing of 2017 earning.

Separately compare and describe total remunerations paid to directors, president and vice presidents as a percentage of net income by the company and by each other company included in the consolidated financial statements in the past two fiscal years, and analyze and describe remuneration policies, standards and packages, the procedure for setting remuneration, and linkage to business performance:

- (1) **Analysis of total remunerations paid to directors, president and vice presidents as a percentage of net income by the company and by each other company included in the consolidated financial statements in the past two fiscal years:** The ratios of remuneration paid to directors, president and vice presidents of the Company and the companies in the consolidated financial statements to net income were 4.81% and 4.84% in 2019 and 5.68% and 5.73% in 2018.
- (2) **Policy, standard and combination description for payment of remunerations:** Pursuant to Company Act and the Article 27 of the "Articles of Incorporation of Far Eastern Department store", the distributed as Directors' compensation should not more than 2.5% of profit of the current year. The ratio and amount of actual distribution of directors' remuneration shall be determined by the Board of Directors in consideration of factors such as performance appraisal, company operating results and future business risks, and shall be reported to the shareholders' meeting. In addition, the business execution expenses are mainly based on the cost of vehicles and horses, and are determined by the relevant standards of the relevant industry and listed companies. The remuneration paid by the company is divided into salary, retirement pension, bonus and special expenses and employee compensation. The employee's remuneration is handled in accordance with the company's articles of association. The actual distribution ratio, amount and method are decided by the Board of Directors and reported to the shareholders' meeting. The overall remuneration package is based on the job title, with reference to the normal level of the industry, and considers the relationship between individual performance, the company's operating performance and future risks, and sets a reward policy that is motivating and can reasonably reflect performance.
- (3) **Procedure for setting a fee:** Set up the salary and Remuneration Committee according to law, consider the level of relevant peers and listed companies, hold meetings to evaluate, set the salary remuneration of directors and managers, and submit the recommendations to the Board of Directors for discussion. If the board resolutions do not adopt or amend the committee's recommendations, it should be specified. However, if the resolution of the Board of Directors has a salary remuneration that is better than the committee's recommendation, it will report the relevant announcement according to the organization rules of the committee.
- (4) **Relevance to business performance:** Business performance directly affects compensation.

- (5) **Relevance to future risks:** Operating performance and remuneration are all based on institutional operations, avoiding the risk of human manipulation and ensuring the overall interests of the company.

## 4. Corporate Governance

### 4.1. Board of Directors

Total 6 meetings (A) were convened by the Board of Directors from 2019 up to the Annual Report being published. Attendance of each Director is as follows:

Title	Name(Note 1)	Attendance in Person (B)	By Proxy	Meetings during the terms of office (A)	Attendance Rate (%) (B/A) (Note 2)	Remarks
Chairman	Douglas Tong Hsu	6	0	6	100	-
Director	Nancy Hsu, Representative of Ding & Ding Management Consultants., Ltd.	6	0	6	100	-
Director	Nicole Hsu, Representative of Far Eastern New Century Corporation	6	0	6	100	-
Director	Yvonne Lee, Representative of Far Eastern New Century Corporation	0	1	1	0	Resigned upon re-appointment on April 12,2019
Director	Chee Ching, Representative of Far Eastern New Century Corporation	5	0	5	100	Succeeded upon re-appointment on April 12,2019
Director	Philby Lee, Representative of Yuli Investments Corporation	6	0	6	100	-
Director	Jin-Lin Liang, Representative of Asia Cement Corporation	5	1	6	83	-
Independent Director	Edward Way	6	0	6	100	-
Independent Director	Eugene You-Hsin Chien	6	0	6	100	-
Independent Director	Raymond R.M. Tai	2	0	2	100	Resigned on June 28, 2019

Other required disclosure:

- (1) Should any circumstance occurred on board practices, the dates and sessions of the said board meetings, the contents of the said resolutions, opinions of all independent directors, and measures the Company had in responding to such opinions shall be specified: None.
  - (A) Any circumstance described in Article 14-3 of the Securities and Exchange Act: Not applicable since The Company has established the Audit Committee. °
  - (B) Any resolution on which an independent director had a dissenting or qualified opinion occurred in board meetings: None
- (2) Should there be any director neither joining discussion nor exercising the voting rights in board meetings for the resolution which he/she has personal interests, the name of such director, the contents of the said resolution, the reasons such director has personal interests, and the voting results shall be specified: None
- (3) TWSE/GTSM Listed Companies shall disclose the evaluation cycle, period, evaluation scope, evaluation method, and evaluation for the self-evaluation or peer evaluation of the Board of Directors: See the following “The information of implements in the evaluation of the Board of Directors”
- (4) Targets and measures of this and previous years established to improve the functionality of the Board of Directors and their



execution results (for instance, the establishment of the Audit Committee, the improvement of information disclosure, and so forth):

The Company elected its Independent Directors in 2012 of which their independency and professionalism not only provides objective opinions on company matters but also elevates business operations and protects shareholders' equity. In addition, during the re-election of Directors in 2015, the Audit Committee was established, strengthening corporate governance.

The Company has established the Rules for Evaluation of Directors' Performance, where performance evaluation is conducted regularly every year. In addition, every important resolution of the Board of Directors is announced and published on the Company's website to enhance the transparency of information regarding the operations of the Company and the Company enrolled liability insurance for its directors to protect the rights and interests of shareholders.

#### The state of implements in the evaluation of the Board of Directors

Evaluation cycle	Evaluation scope	Methods of evaluations	Evaluation
Once a year	Evaluation for Jun. 22, 2018 to Jun. 21, 2019	The self-evaluation of Board of Directors, the board members, Audit Committee, and Remuneration Committee	<ul style="list-style-type: none"> <li>The self-evaluation of the board members <ol style="list-style-type: none"> <li>1.Alignment of the goals and missions of the company;</li> <li>2.Awareness of the duties of a director;</li> <li>3.Participation in the operation of the company;</li> <li>4.Management of internal relationship and communication;</li> <li>5.The director's professionalism and continuing education; and</li> <li>6.Internal control.</li> </ol> </li> <li>The evaluation of the performance of the Board of Directors <ol style="list-style-type: none"> <li>1.Participation in the operation of the company;</li> <li>2.Improvement of the quality of the Board of Directors' decision making;</li> <li>3.Composition and structure of the Board of Directors;</li> <li>4.Election and continuing education of the directors; and</li> <li>5.Internal control.</li> </ol> </li> <li>The evaluation of the performance of the Audit Committee <ol style="list-style-type: none"> <li>1.Participation in the operation of the company;</li> <li>2.Awareness of the duties of the Audit Committee;</li> <li>3.Improvement of quality of decisions made by the Audit Committee;</li> <li>4.Makeup of the Audit Committee and election of its members and</li> <li>5.Internal control.</li> </ol> </li> <li>The evaluation of the performance of the Remuneration Committee <ol style="list-style-type: none"> <li>1.Participation in the operation of the company;</li> <li>2.Awareness of the duties of the Remuneration Committee;</li> <li>3.Improvement of quality of decisions made by the Remuneration Committee;</li> <li>4.Makeup of the remuneration committee and election of its members and</li> <li>5.Internal control.</li> </ol> </li> </ul>

## 4.2 Audit Committee or Supervisors Participating in Board Meetings

### 4.2.1

The Audit Committee consists of all independent directors and meets at least once a quarter. The Audit Committee will assist the Board of Directors in establishing or modifying the company's internal control system and important handling procedures, matters involving the director's own interests, major asset-traded fund loans and endorsement guarantees, fundraising or private equity securities, appointment or remuneration of the CPA, accounting Or the appointment or dismissal of the Internal Auditor, annual financial reports, etc.

The Audit Committee has examined the Business Report, Financial Statements, and the Resolution for Allocation of Surplus Profit submitted by the Board of Directors for the year ending 2019 which had been audited by Deloitte & Touche, and found them in order.

The independence and adequacy of CPA have been evaluated by Audit Committee and Board of Directors on 27 March, 2020. CPA and the Company have no relation of any interest and relatives. CPA maintains an impartial and objective attitude as providing profession service. CPA receives a disinterested and independent written statement produced by certifying accounting firm. It conforms the regulation of independence and adequacy.

### 4.2.2 Audit Committee

The company has already set up an Audit Committee according to the law to strengthen corporate governance in 2015 board election.

Holding 6 times (A) of Audit Committee Meetings, the attendance status of Independent Directors from 2019 up to the Annual Report being published:

Title	Name	Attendance in Person (B)	By Proxy	Meetings during their term of office (A)	Attendance Rate (%) (B/A)	Remarks
Independent Director	Edward Way	6	0	6	100	-
Independent Director	Eugene You-Hsin Chien	6	0	6	100	-
Independent Director	Raymond R.M. Tai	2	0	2	100	Resigned on June 28, 2019
<b>Other required disclosure:</b> (1). If any of below listed-circumstances of operation of Audit Committee Meetings, it's necessary to be disclosed, including dates of Audit Committee meetings, sessions, the contents of motions, all independent opinions from Audit Committee members and the Company's response to Audit Committee's opinions : 1.1 Any circumstance described in Article 14-5 of the Securities and Exchange Act:						

Meeting Date (Term)	Important Resolutions	Meeting results and The Company's response to Audit Committee's opinions
The 3 <sup>rd</sup> Meeting of the 2 <sup>nd</sup> Term (March 20, 2019)	1. Approved the change of auditing CPA from Deloitte & Touche since 2018Q4. 2. 2018 financial reports (including consolidated & standalone) 3. The proposal for distribution of 2018 profits. 4. The amendments to the "Procedure for Acquisition and Disposal of Assets". 5. Internal audit report 6. The Declaration of Internal Control System.	All presented committee members have approved and submitted to the Board of Directors. All Directors present consented to the Declaration, and no dissenting opinion was expressed.
The 4 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Term (May 3, 2019)	1. Internal audit report 2. The 2018 business report 3. Proposal to amend the certain provisions of the Company's "Procedures For Endorsements and Guarantees" 4. Proposal to amend the certain provisions of the Company's "Procedures for Lending of Capital to Others"	
The 5 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Term (August 12, 2019)	1. Internal audit report	
The 6 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Term (November 7, 2019)	1. Internal audit report 2. The 2020 Audit Plan	
The 7 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Term (March 27, 2020)	1. 2019 financial reports (including consolidated & standalone) 2. The proposal for distribution of 2019 profits 3. Approval of reiterating to complete the preparing of financial report, and comply with amending "Rulers Of The Procedures For Preparation Of Financial Statements", and "Rulers For The Management Of Application Of The International Financial Reporting Standards". 4. Internal audit report 5. Proposal to amend the certain provisions of "Internal audit implementation rules" 6. The Declaration of Internal Control System.	
The 8 <sup>th</sup> Meeting of the 2 <sup>nd</sup> Term (May 5, 2020)	1. Internal audit report 2. The 2019 business report	

1.2 Any resolution on which the Audit Committee had a dissenting or qualified opinion occur with the approval of two thirds or more of the entire Board of Directors: None

(2). Should there be any independent director neither joining discussion nor exercising the voting rights in board meetings for the resolution which he/she has personal interests, the name of such independent director, the contents of the said resolution, the reasons such independent director has personal interests, and the voting results shall be specified: None.

(3).Communications among Independent Directors and the Company's Chief Auditor and CPA (Including significant issues, methods, and resolutions of discussion regarding the Company's financial and business status) :

A. Communication between independent directors and Chief Audit Executive:

a. Audit reports shall be submitted, upon completion, to independent directors for review before the end of the next month in accordance with the law.

b.The Chief Audit Executive not only regularly reports audit-related affairs to the Audit Committee, the Board of Directors and independent directors, but also establishes communication and holds discussion from time to time according to degree of risk, so as to ensure a smooth channel of communication. Each Independent Director has no special suggestion.

B. Communication between independent directors and CPAs: CPAs appointed by the Company report the results of financial statement audit or review and other matters to be communicated in accordance with the relevant laws and regulations during the quarterly meeting of the Audit Committee. Under special circumstances, CPAs will report to the Audit Committee immediately. The Audit Committee of the Company has established good communication with CPAs. Each Independent Director has no special

suggestion.

C. Summary of communication between independent directors, the Chief Auditor and CPA:

a. Communications between Independent Directors and CPA:

Meeting Date (Term)	Communication Outlines	Communication Result
2019/03/20 The 3 <sup>rd</sup> Audit Committee Meeting of the 2 <sup>nd</sup> Term	2018 financial reports (including consolidated & stand-alone)	Approved by Audit Committee and Board of Directors, and publicly announced on schedule and reported to the securities authority.
2019/05/03 The 4 <sup>th</sup> Audit Committee Meeting of the 2 <sup>nd</sup> Term	2019Q1 consolidated financial report	
2019/08/12 The 5 <sup>th</sup> Audit Committee Meeting of the 2 <sup>nd</sup> Term	2019Q2 consolidated financial report	
2019/11/07 The 6 <sup>th</sup> Audit Committee Meeting of the 2 <sup>nd</sup> Term	2019Q3 consolidated financial report	
2020/03/27 The 7 <sup>th</sup> Audit Committee Meeting of the 2 <sup>nd</sup> Term	2019 financial reports (including consolidated & stand-alone)	
2020/05/05 The 8 <sup>th</sup> Audit Committee Meeting of the 2 <sup>nd</sup> Term	2020Q1 consolidated financial report	

b. Communications between Independent Directors and the Chief Auditor:

Meeting Date (Term)	Communication Outlines	Communication Result
2019/03/20 The 3 <sup>rd</sup> Audit Committee Meeting of the 2 <sup>nd</sup> Term 2019/03/20 The 4 <sup>th</sup> Board of Directors Meeting of the 18 <sup>th</sup> Term	1. 2018 Q4 Internal audit report 2. The Declaration of 2018 Internal Control System	without an objection
2019/05/03 The 4 <sup>th</sup> Audit Committee Meeting of the 2 <sup>nd</sup> Term 2019/05/03 The 5 <sup>th</sup> Board of Directors Meeting of the 18 <sup>th</sup> Term	2019 Q1 Internal audit report	without an objection
2019/08/12 The 5 <sup>th</sup> Audit Committee Meeting of the 2 <sup>nd</sup> Term 2019/08/12 The 6 <sup>th</sup> Board of Directors Meeting of the 18 <sup>th</sup> Term	2019 Q2 Internal audit report	without an objection
2019/11/07 The 6 <sup>th</sup> Audit Committee Meeting of the 2 <sup>nd</sup> Term 2019/11/07 The 7 <sup>th</sup> Board of Directors Meeting of the 18 <sup>th</sup> Term	1. 2019 Q3 Internal audit report 2. The 2020 Audit Plan	without an objection
2020/03/27 The 7 <sup>th</sup> Audit Committee Meeting of the 2 <sup>nd</sup> Term 2020/03/27 The 8 <sup>th</sup> Board of Directors Meeting of the 18 <sup>th</sup> Term	1. 2019 Q4 Internal audit report 2. The Declaration of 2019 Internal Control System 3. The amendment of "Internal audit implementation rules"	without an objection
2020/05/05 The 8 <sup>th</sup> Audit Committee Meeting of the 2 <sup>nd</sup> Term 2020/05/05 The 9 <sup>th</sup> Board of Directors Meeting of the 18 <sup>th</sup> Term	2020 Q1 Internal audit report	without an objection

**4.2.3 Communication outlines of Supervisors with the Board of Directors: Not applicable. The company has already set up an Audit Committee according to the law to strengthen corporate governance in 2015 board election.**

### 4.3 Corporate Governance Execution Results and Deviations from “Corporate Governance

#### Best-Practice Principles for TWSE/GTSM Listed Companies”

Evaluation Criteria	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
	Yes	No	Summary	
<b>(1) Has the Company formulated and disclosed its own corporate governance best practice principles in accordance with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”?</b>	✓		The Company has established the Corporate Governance Principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and has fully complied with the relevant regulations by implementing these principles. In addition, these principles have been disclosed on the Company's website and the Market Observation Post System (MOPS) for search purposes.	No material difference
<b>(2) Shareholding Structure &amp; Shareholders’ Rights</b>				
a. Has the Company established internal operating procedures to handle shareholder proposals, doubts, disputes, and litigation related issues, and practically implemented such procedures?	✓		The Company has established the Corporate Governance Principles, in which a specific chapter titled "Protection of Shareholders' Rights and Interests" is stipulated for implementation. According to the Corporate Governance Principles, the Company has appointed a spokesperson, an acting spokesperson, and a stock affairs agent, namely Oriental Securities Corporation which is responsible for handling shareholders' suggestions or questions so as to protect the rights and interests of shareholders. In case of disputes and lawsuits, the Company will hire the services provided by lawyers to help overcome these disputes and lawsuits depending on the situation.	No material difference
b. Has the Company kept a list of major shareholders and a list of ultimate owners of these major shareholders?	✓		Through the stock affairs agent, the Company fully keeps abreast of the list of major shareholders with actual control over the Company and the ultimate controllers of major shareholders, and reports information regarding the relevant changes in accordance with the "Rules Governing Information Reporting by Companies with TPEX Listed Securities".	No material difference
c. Has the Company established and operated a risk management mechanism and “firewall” between the Company and its affiliates?	✓		Written guidelines have been formulated with regard to financial and business operations between the Company and our affiliated companies. In addition, price terms and payment methods are clearly defined to eliminate unconventional transactions, and reduce business risks. In addition to the "Rules Governing Supervision and Management of Subsidiaries", the Company has also established the "Procedures for Lending of Capital to Others", the "Procedures For Endorsements and Guarantees", the "Procedures for Acquisition and Disposition of Assets", and the "Operating Guidelines for Related Party Transaction Management", in order to establish the mechanism and firewall for personnel, asset and financial risk management between the Company and our affiliated companies.	No material difference
d. Has the Company established internal rules to prohibit company insiders from trading securities using information not disclosed to the market?	✓		The Company has established the "Procedures for Handling Material Inside Information", the "Code of Ethics" and “Best Practice Principles of Ethical Corporate Management”, which stipulate that insiders in the Company may not use undisclosed information to purchase and sell securities. Besides, the Company has notified all directors and supervisors, managers and employees of this provision, and has published these rules and regulations on the Company's website ( <a href="http://www.feds.com.tw">http://www.feds.com.tw</a> ) to be complied by all coworkers, so as to prevent violations or insider trading, and promote following items. a. Insiders, such as newly appointed directors and managers at the Company, shall be given both the “Procedures of Applying for Handling Material Inside Information of the Company” and the latest edition of "Regulations and Directions Governing Insiders' Equity at TWSE Listed Companies" formulated by TWSE for insiders to comply with as they sign the written statement. b. The Company non-periodically promotes the “Procedures of Applying for Handling Material Inside Information of the Company” and the relative regulation and information in relation to inside trading for prohibiting insiders to trade the securities by using non-public information in the market. c. The newly manager and employee of the Company shall sign confidentiality agreements, the Company shall promote the “Procedures of Applying for Handling Material Inside Information of the Company”. d. The status of implementation has been disclosed on the Company	No material difference

Evaluation Criteria	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
			websites.	
<b>(3) Composition and Responsibilities of the Board of Directors</b>				
a. Have members of the Board of Directors formulated diverse policies and implemented them accordingly?	✓		The nomination and election of members of the Board of Directors are carried out using the candidate nomination system, with reference to the opinions of independent directors, by assessing the academic qualifications of each member, as well as in compliance with the "Election Procedures of Directors and Supervisors", and the "Corporate Governance Principles", to ensure that diversity, independence and stakeholders' opinions are taken into consideration. Members of the Company's 18th Board of Directors (including 4 male directors and 5 female directors) are highly specialized in business management, leadership and decision-making, as well as knowledge of related industries, and have education background in accounting, finance, sales, diplomacy, as well as information and communications technology. The diversity policy and operation of the Board of Directors (refer to Appendix 1) are disclosed on the Company's website, Succession Plan refers to Appendix 2.	No material difference
b. In addition to establishing a Remuneration Committee and an Audit Committee, has the Company voluntarily established other types of functional committees?	✓		To strengthen the corporate governance and ensure the compensation system of the Company, the Company had established Remuneration Committee and it had convened un-regularly to review the reasonability of directors' and managers' compensation. The Company has established the Remuneration Committee and the Audit Committee in accordance with the law. In addition, the Company has set up other functional committees, including the Personnel Evaluation Committee, the Market Development Committee, and the Budget Committee. Each division and department are responsible for corporate governance operations according to its duties and responsibilities. The Company will assess the establishment of other functional committees as needed.	No material difference
c. Does the Company establish regulations and method for evaluating Board performance, and conducted annual performance evaluations regularly, and submit the results of performance assessments to the Board of Directors and use them as reference in determining compensation for individual directors, their nomination and additional office term?	✓		To implement corporate governance and enhance the functions of the Board of Directors, as well as to set performance targets to enhance the efficiency of the operations of the Board of Directors, the Company formulated the "Rules for Performance Evaluation of Board of Directors" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies". It had been approved to amend at the 7 <sup>th</sup> Board of Directors Meeting of the 18 <sup>th</sup> Term, and it had added the performance evaluation of Audit Committee and Remuneration Committee, which is simultaneously announced on the Company's website. "Performance Evaluation for Board of Directors" is conducted regularly every year, where members of the Board of Directors, Audit Committee and Remuneration Committee, and its agenda working group were assessed through a questionnaire survey in Nov. 2019. The performance evaluation indicators are determined according to the operations and needs of the Company, in order to effectively enhance the quality of decision-making by the Board of Directors and its operational performance. The evaluation result has been submitted to Board of Directors in first quarter in 2020, and Board of Directors use them as reference in determining their nomination.	No material difference
d. Has the Company evaluated the independence of CPAs on a regular basis?	✓		The Company's Accounting Department reviews the independence of Certified Public Auditor once a year. The review result has been reported to and approved by the Audit Committee and Board of Directors on March 27, 2020. After the Company's Accounting Department's assessment, Shu-Chuan Yeh and Ming-Hsin Cho, CPA of Deloitte & Touche have met the Company's independence standards (refer to Appendix 3) and are qualified to act as the Company's certified public accountant. A declaration of independence from the certified public accountants has also been obtained.	No material difference
<b>(4) Does the Company appoint qualified persons in an appropriate number as corporate governance personnel, and appoint a chief corporate governance officer to be in charge of corporate</b>	✓		The Company appoint qualified persons in an appropriate number as corporate governance personnel. On May 3, 2019, the Board of Directors appointed Junior Vice President—Lily YT Liu as the Head of Corporate Governance, who is responsible for supervising and implementing corporate governance-related affairs. Junior Vice President—Lily YT Liu had more than three years of managerial experience in accounting, finance, legal affairs and stock affairs at public	No material difference

Evaluation Criteria	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons																																							
	Yes	No	Summary																																								
governance affairs (including but not limited to furnish information required for business execution by directors, assist the directors and supervisors in complying with laws and regulations, handle matters relating to board meetings and shareholders’ meetings according to laws, handle corporate registration and amendment registration, record minutes of board meetings and shareholders meetings, etc.)?	✓		<p>companies.</p> <p>The main duties of the Head of Corporate Governance, and the performance of corporate governance are described as follows:</p> <p>1.Handle matters related to Board of Directors' meetings and shareholders' meetings, and prepare minutes of Board of Directors' meetings and shareholders' meetings in accordance with the law:</p> <p>(1)Draw up Board of Directors' meeting agendas and notify directors of these agendas seven days in advance; convene Board of Directors' meetings and provide meeting information and materials; issue prior notice if recusal due to conflict of interests is required for specific agendas; and complete the minutes of a Board of Directors' meeting within 20 days after the meeting.</p> <p>(2)Handle pre-registration of Board of Directors' meeting dates in accordance with the law; prepare meeting notices, meeting handbooks, and meeting minutes within the statutory time limit; and handle change registration during the amendment of Articles of Incorporation or the re-election of directors.</p> <p>2.Assist directors in taking office and undergoing continuing education and training:</p> <p>Assist independent directors and other directors in formulating annual continuing education plans and arranging courses according to the Company's industry characteristics, and the education and professional background of directors.</p> <p>3.Provide information required by directors to carry out corporate affairs, and assist directors in legal compliance:</p> <p>(1)Regularly notify members of the Board of Directors of the latest developments and amendments of rules and regulations related to the Company's business areas and corporate governance.</p> <p>(2)Review the confidentiality level of relevant information, and provide company information required by directors to ensure smooth communication with directors and supervisors at all departments and divisions.</p> <p>(3)Assist in arranging meetings when there is a need for independent directors to personally meet with the Chief Audit Executive or CPAs in accordance with the Corporate Governance Best Practice Principles.</p> <p>(4)Verify whether the convening of shareholders' meetings and Board of Directors' meetings comply with the relevant laws and the Best Practice Principles of Ethical Corporate Management.</p> <p>(5)Assist and remind directors of the regulations and suggestions to be followed when carrying out their duties or making formal resolutions in Board of Directors' meetings.</p> <p>(6)Responsible for examining the announcement of major information regarding important resolutions passed by the Board of Directors, and ensure the legality and correctness of major news, so as to ensure information symmetry for investor transactions.</p> <p>4.Other matters stipulated in the Company's Articles of Incorporation or contracts.</p> <p>The status of continuing education for the Head of Corporate Governance will be announced in accordance with the regulations, and disclosed on the Company's website.</p> <p>Head of Corporate Governance training status</p> <table><tr><th>Study Date</th><th>Sponsoring Organization</th><th>hours</th></tr><tr><td>2019.07.17</td><td>Accounting Research and Development Foundation</td><td>3</td></tr><tr><td colspan="3">An Explanation Delivering For Insiders In A Listed Company And A Public Company</td></tr><tr><td>2019.10.17</td><td>Securities and Futures Institute</td><td>3</td></tr><tr><td colspan="3">Directors and Supervisors (including Independent) Practice Advanced Seminar – Investigation as A Corporation Faces Information Safety Governance – Focus on Legal Practice</td></tr><tr><td>2019.11.21</td><td>Securities and Futures Institute</td><td>3</td></tr><tr><td colspan="3">Directors and Supervisors (including Independent) Practice Advanced Seminar –The Study of the Directors’ and Supervisors’ Responsibility From The Illegal Cases in Security Market</td></tr><tr><td>2020.03.12</td><td>Securities and Futures Institute</td><td>3</td></tr><tr><td colspan="3">Directors and Supervisors (including Independent) Practice Advanced Seminar –The Analysis And Utilization of Decision For Corporation Financial Crisis.</td></tr><tr><td>2020.04.16</td><td>Securities and Futures Institute</td><td>3</td></tr><tr><td colspan="3">Directors and Supervisors (including Independent) Practice Advanced Seminar –The Early Warning And Type Analysis For Corporation Financial Information.</td></tr><tr><td>2020.04.16</td><td>Securities and Futures Institute</td><td>3</td></tr><tr><td colspan="3">Directors and Supervisors 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Independent) Practice Advanced Seminar –The Early Warning And Type Analysis For Corporation Financial Information.			2020.04.16	Securities and Futures Institute	3	Directors and Supervisors (including Independent) Practice Advanced Seminar – The Theory And			No material difference
Study Date	Sponsoring Organization	hours																																									
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Evaluation Criteria	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
			Utilization of Artificial Intelligence.	
<b>(5) Has the company established a stakeholder (including, but not limited to, shareholders, employees, clients and suppliers, etc.) communication channel, a company website dedicated to stakeholders, and appropriately responded to the main social responsibility issues which are critical to stakeholders?</b>	✓		The Company's Online Stakeholder section on CRS website allows stakeholders to communicate with contact window of the Company's CSR office at any time through the online opinion mailbox. A comprehensive system and processing mechanism are established to promptly respond to stakeholders' inquiries on significant corporate social responsibility issues.	No material difference
<b>(6) Has the Company commissioned professional stock services agents to handle shareholder affairs?</b>	✓		The Company has appointed Oriental Securities Corporation to serve as a professional stock affairs agent to assist in handling matters related to shareholders' meetings.	No material difference
<b>(7) Information Disclosure</b>				
a. Has the Company set up a corporate website to disclose information on financial, business and its corporate governance?	✓		A shareholders' section has been established on the Company's website in Chinese and English, thereby disclosing complete information regarding financial statements and revenues, major news and corporate governance-related information. The Company's website: <a href="http://www.feds.com.tw">http://www.feds.com.tw</a>	No material difference
b. Has the Company adopted other information disclosure channels (i.e. English website; designated appropriate personnel to be in charge of Company information collection and disclosure, implemented the spokesperson system, uploaded the investor conference presentations on the Company's website, etc.)?	✓		The Company has set up, and is implementing the spokesperson and acting spokesperson system, while holding investor conference and publishing public information from time to time. In addition, the Company has also appointed dedicated personnel to collect company information and disclose major news on MOPS.  A shareholders' section has been established on the Company's website in Chinese and English.	No material difference
c. Does the Company announce and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?		✓	The Company announces and reports its annual financial statements within three months after the end of each fiscal year and within 45 days after the end of the first, second and third quarters of each fiscal year, and reports its financial statements and monthly operations as required by Article 36 of the Securities and Exchange Act.	The Company makes public announcements and file the reports in accordance with the regulations of Article 36 of Securities and Exchange Act.
<b>(8) Does the Company have other critical information which can help others to understand the implementation of corporate governance (including, but not limited to, employee welfare, staff care, investor relations, supplier relations, stakeholder rights, Director and Supervisor training status, risk management policies and risk measurement standard implementation progress, customer policy implementation progress, and the Company's purchase of liability insurance for Directors and Supervisors?</b>	✓		(1) <b>Employee rights and interests:</b> The Company and our affiliated companies have always adhered to the founding spirit of The Far Eastern Group, namely "Sincerity, Diligence, Thrift, Prudence and Innovation" to encourage employees, and insist on treating employees with integrity while safeguarding employee rights and interests in accordance with the Labor Standards Act. (2) <b>Employee care:</b> To improve the living and safety standards of employees, the Company and affiliated companies implement various employee care measures, including purchasing insurance for employees and their dependents, organizing health checkups for employees, giving out solatium for injury and illness, and providing hospital treatment discounts at Far Eastern Memorial Hospital. (3) <b>Investor relations:</b> The Company has appointed dedicated personnel to handle investors' suggestions and questions, so as to maintain a good channel of communication between investors and the Company. (4) <b>Supplier relations:</b> The Company have always maintained a good long-term partnership with our suppliers based on mutual trust and benefits, in order to provide customers with products that meet	No material difference



Evaluation Criteria	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
	✓		<p>their needs.</p> <p>(5) <b>Stakeholders' rights:</b> Stakeholders may establish communication with the Company and offer suggestions to the Company in order to maintain their legal rights and interests, and can search for financial, business and corporate governance information on the Company's website.</p> <p>(6) <b>Continuing education for directors and managers:</b> Refer to Appendix 4 and Appendix 5.</p> <p>(7) <b>The Company's risk management policy</b> follows the relevant regulations and the Group's corporate culture of honest management. Through the operation of the Board of Directors, the Company has formulated various management policies and internal control regulations and systems for all departments and divisions to comply with. Risk identification, assessment and avoidance are implemented and controlled by each business and administrative departments, whereas the Internal Audit Department performs plan, project and for-cause auditing, and regularly reports audit results to the Company for decision-making, so that the Company's risk management policy can be adjusted and revised in a timely manner. (For its implementation status, refer to 6. Risk Analysis and Assessment in Chapter VII - Review and Analysis of Financial Position and Financial Performance, and Risk Issues)</p> <p>(8) <b>Implementation of Customer Policies:</b> With regard to customer policies for all consumers, the strategies we have adopted are as follows: In terms of products, we provide high-quality and diversified products. With the ever-changing replacement of products in the market, the Company continues to strive for introducing new brands with great potential in order to maintain product competitiveness. As regards management, in addition to the launch of ISO quality management system and the implementation of standardized operating procedures, all branches regularly convene supervisor meetings and strive to achieve the best performance in terms of hardware equipment and sales services, so as to carry out strict examination for consumers.</p> <p>(9) <b>Liability insurance purchased for directors and supervisors by the Company:</b> The Company purchased liability insurance for all directors before on 30 June 2019, which reduces the legal risks and financial liabilities of directors, thereby protecting directors from possible damage during performance of duties. It had been submitted to report to Board of Directors on 12 Aug. 2019.</p> <p>(10) <b>Relevant certifications obtained by personnel related to financial information transparency as required by the competent authority:</b> Refer to Appendix 6.</p>	No material difference

Evaluation Criteria	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	

#### Appendix 1. The status of implementation in diversity policy and operation of the Board of Directors:

The Board of Directors conducted annual performance evaluations regularly and confirm their background on diversity and suitability

Diverse Key Items Name	Gender	Age	Operational judgement	Finance & accounting	Operational management	Risk management	Industrial know-how	International prospectives	Leadership & decision-making
Douglas Tong Hsu	Male	Above 60	✓	✓	✓	✓	✓	✓	✓
Nancy Hsu	Female	Above 60	✓	✓	✓	✓	✓	✓	✓
Nicole Hsu	Female	30~50	✓		✓	✓	✓	✓	✓
Chee Ching	Female	50~60	✓	✓	✓	✓	✓	✓	✓
Jin Lin Liang	Female	50~60	✓	✓	✓	✓	✓	✓	✓
Philby Lee	Female	50~60	✓	✓	✓	✓	✓	✓	✓
Edward Yung Do Way	Male	Above 60	✓	✓	✓	✓	✓	✓	✓
Chien You Hsin	Male	Above 60	✓	✓	✓	✓	✓	✓	✓

Note : The tenure of two Independent Directors has been 6~9 years.

#### Appendix 2. Members of the Board of Directors, Succession Plan and Key Managerial Objectives for Key Management

- In the succession plan of the Company's Board of Directors and important management, the successor should have excellent academic and working experience, professional knowledge, and excellent work ability. He must also recognize the Company's business philosophy "Sincerity, Diligence, Simplicity, Prudence, and Innovation." He should also be able to grasp the Company's operating goals, communication between management team, and industry status.
- In order to ensure that board members and successors have immediate control over the ever-changing management, competitive environment, and corporate governance-related laws, the Company also plans various exclusive courses for board members to facilitate the development of corporate governance.
- Directed towards important management, the Company has planned a series of annual training courses and project management training programs to identify management succession talents needed for continuous store development and actively provided trainings to them. The content of the course is to strengthen management, operation, and foreign language skills. With performance appraisal and promotion, it is hoped that the internal high-quality talent pool can be gradually strengthened to ensure sustainable operation.

Evaluation Criteria	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	

### Appendix 3 Evaluation standards for CPA independence.

Evaluation Criteria	Result	Independence? Y/N
1. Does the CPA have direct or indirect significant financial interests in the Company?	No	Y
2. Does the CPA conduct loan or guarantee activities with the Company or its directors?	No	Y
3. Does the CPA have potential employment relationship with the Company?	No	Y
4. Does the CPA or audit team members act as the Company's directors, supervisors or managers, or any role that has significant influence on the audit engagement in recent two years?	No	Y
5. Does the CPA provide any non-audit service to the Company that the service will directly impact the audit engagement?	No	Y
6. Does the CPA market or act as an agency of the Company's issued stocks or other securities?	No	Y
7. Does the CPA act as the Company's defense counsel, or negotiate conflicts with other third parties on behalf of the Company?	No	Y
8. Does the CPA have kinship with the Company's directors, managers, or personnel that have significant influence on audit engagement?	No	Y

### Appendix 4. Board Directors' training status:

Title	Name	Study Date		Sponsoring Organization	Study Hours
		From	To		
Chairman	Douglas Tong Hsu	2019.07.23	2019.07.23	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (8 <sup>th</sup> Session)			
		2019.11.14	2019.11.14	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (9 <sup>th</sup> Session)			
Director	Nancy Hsu	2019.09.18	2019.09.18	Securities and Futures Institute	3
		Directors and Supervisors (including Independent) Practice Advanced Seminar - The Violation of Financial Statement - Case Study			
		2019.11.14	2019.11.14	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (9 <sup>th</sup> Session)			
Director	Nicole Hsu	2019.05.08	2019.05.08	Taiwan Corporate Governance Association	3
		Critical Issues in Corporate Governance for Corporate Groups			
		2019.08.02	2019.08.02	Taiwan Corporate Governance Association	3
		Digital Transformation and Cloud Computing: The Benefit And The Risk			
Director	Philby Lee	2019.06.26	2019.06.26	Taiwan Institute of Directors	4
		Annual Forum of TWIOD 2019 - A+ corporation X stockholders' value			
		2019.11.05	2019.11.05	Independent Director Association Taiwan	3
		How to Analyze the Key Finance Information of Corporation to Strengthen the Ability of Early Warning for Crisis.			
		2019.11.14	2019.11.14	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (9 <sup>th</sup> Session)			
Director	Jin-Lin Liang	2019.04.19	2019.04.19	Taiwan Academy of Banking and Finance	3
		The Latest Developments of FinTech and RegTech — Practice and Case Study			

Evaluation Criteria			Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
			Yes	No	Summary	
			2019.07.23	2019.07.23	Taiwan Academy of Banking and Finance	3
			Board Operations and Corporate Governance (8 <sup>th</sup> Session)			
			2019.11.14	2019.11.14	Taiwan Academy of Banking and Finance	3
			Board Operations and Corporate Governance (9 <sup>th</sup> Session)			
	Director	Chee Ching	2019.07.23	2019.07.23	Taiwan Academy of Banking and Finance	3
			Board Operations and Corporate Governance (8 <sup>th</sup> Session)			
			2019.08.30	2019.08.30	Taiwan Corporate Governance Association	3
			Understanding the true operating performance through financial statements			
			2019.11.26	2019.11.26	Taiwan Academy of Banking and Finance	3
			Corporate Governance Seminar - Intellectual Property Tax Planning			
			2019.12.17	2019.12.17	Taiwan Academy of Banking and Finance	3
			Corporate Governance Seminar - Sustainable Operations Strategy and Sustainability Talent Management			
	Independent Director	Eugene You-Hsin Chien	2019.01.24	2019.01.24	Taiwan Institute for Sustainable Energy	2
			CEO special speech(15 <sup>th</sup> )			
			2019.04.25	2019.04.25	Taiwan Institute for Sustainable Energy	2
			CEO special speech(16 <sup>th</sup> )			
			2019.07.23	2019.07.23	Taiwan Academy of Banking and Finance	3
			Board Operations and Corporate Governance (8 <sup>th</sup> Session)			
			2019.07.24	2019.07.24	Taiwan Institute for Sustainable Energy	2
			CEO special speech(17 <sup>th</sup> )			
			2019.10.18	2019.10.18	Taiwan Corporate Governance Association	3
			Artificial Intelligence in Taiwan: Opportunities and Challenges for Industrial Transformation			
			2019.10.31	2019.10.31	Taiwan Institute for Sustainable Energy	2
			Heading for Sustainable Governance & Increasing Corporate Long-term Value			
	Independent Director	Edward Way	2019.02.22	2019.02.22	Taiwan Corporate Governance Association	3
			Heading for Sustainable Governance & Increasing Corporate Long-term Value			
			2019.03.07	2019.03.07	Securities and Futures Institute	3
			Directors and Supervisors (including Independent) Practice Advanced Seminar –The Directions of Board Meeting and Stockholders Meeting			
			2019.03.11	2019.03.11	Taiwan Insurance Institute	3
			Corporate Governance Workshops (3 <sup>rd</sup> Term of 2019)- Talking About Directors And Officers: Duties, Obligations and D&O Insurance			
			2019.05.02	2019.05.02	Securities and Futures Institute	3
			Directors and Supervisors (including Independent) Practice Advanced Seminar –The study About the Impact of Corporation Due to New Money Laundering Control Act			
			2019.07.23	2019.07.23	Taiwan Academy of Banking and Finance	3
			Board Operations and Corporate Governance (8 <sup>th</sup> Session)			

Evaluation Criteria		Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
		Yes	No	Summary	
		2019.08.23	2019.08.23	Taiwan Corporate Governance Association	3
		2019 Global Top Ten Risk Analysis			
		2019.08.27	2019.08.27	Taiwan Corporate Governance Association	1
		Artificial Intelligence in Taiwan: Opportunities and Challenges for Industrial Transformation			
		2019.09.17	2019.09.17	Taiwan Corporate Governance Association	3
		Initiatives of Directors on IT Risks and Opportunities.			
		2019.12.10	2019.12.10	Taiwan Corporate Governance Association	3
		Industry 4.0 and How Does A Corporation Lead, Innovate, and Transform?			
Independent Director	Raymond R.M. Tai	2019.02.22	2019.02.22	Taiwan Corporate Governance Association	3
		Heading for Sustainable Governance & Increasing Corporate Long-term Value			

(End of 2019.12.31)

#### Appendix 5 Managers training status

Title	Name	Study Date		Sponsoring Organization	Study Hours
		From	To		
President	Nancy Hsu	2019.09.18	2019.09.18	Securities and Futures Institute	3
		Directors and Supervisors (including Independent) Practice Advanced Seminar –The Case Study - The Violation of Financial Statement			
		2019.11.14	2019.11.14	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (9 <sup>th</sup> Session)			
Junior Vice President	Hwa-Ling Hsu	2019.04.27	2019.04.27	National Chung Cheng University E-Manufacturing and E-Commerce Center	6
		Anti-Money Laundering Practice: Computer Auditing; Transactions from blacklisted Accounts and Counter the Financing of Terrorism, including Panama Papers.			
		2019.09.09	2019.09.09	The Institute of Internal Auditors (IIA)-Taiwan	6
		Corporate Governance Roadmap-Functions and Tasks of corporate governance personnel.			
Junior Vice President	Lily Y. T. Liu	2019.07.17	2019.07.17	Accounting Research and Development Foundation	3
		An Explanation Delivering For Insiders In A Listed Company And A Public Company Which Is Neither TWSE-Listed, Nor Tpex-Listed To Transact Their Shares In Accordance With The Law			
		2019.10.17	2019.10.17	Securities and Futures Institute	3
		Investigation as A Corporation Faces Information Safety Governance – Focus on Legal Practice			
		2019.11.21	2019.11.21	Securities and Futures Institute	3
		Directors and Supervisors (including Independent) Practice Advanced Seminar –The Study of the directors' and supervisors' responsibility from the illegal cases in security market			
		2019.12.23	2019.12.24	Accounting Research and Development Foundation	12
		The Professional Continuous Development courses in Taipei for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges			

(End of 2019.12.31)

#### Appendix 6. For those staff who work to create transparency in the Company's financial affairs, relevant licenses and certification obtained from professional authorities are shown:

Evaluation Criteria		Implementation Status					Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
		Yes	No	Summary			
Name of Certification	Department	The Company			Companies in the consolidated financial Report statement		
		Finance Dept.	Accounting Dept.	Auditor Office	Finance Dept.	Accounting Dept.	Auditor Office
CPA ROC		2	3	1	3	4	1
CPA China					1	3	
Mid-Level Accountant China					1	9	
Entry-Level Accountant China					6	7	
ACCA						1	
ICIA						1	
Mid-Level Accountant						1	
Junior-Level Accountant						2	
Certificate of Accounting Profession					2	4	
Level C technician for accounting			2	1		4	1
Internal controller of corporation			1	3		1	3
CIA				1	1		2
JCCP				17			17
ICCP				5			5
Bank Internal Control and Audit		1		1	1	1	1
Corporation Assistant E-planner				3			3
Certified Financial Manager for Small and Medium Enterprises		1			1		
Financial Planner		1	1		1	1	
Certification of Securities Qualification						1	
Stock & Investment Analyst				1	1		1
High Level Sales Representative in Stock Company		1			3		
Sales Representative in Stock Company				1		1	1
Investment Trust and Consulting Representative				1			1
Trust Representative		2		1	2	1	1
Book Keeper of General Examination				1			1
Property Insurance Representative				1			1
Personal Insurance Representative		3		1	3		1
Sales Representative in Future Company		1		1	1	1	1

Evaluation Criteria		Implementation Status					Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
		Yes	No	Summary			
	Financial Markets and Professional Ethics	3	1	2	3	1	2
	Basic test of Corporate Governance	1			1		
	Proficiency Exams for Stock Affair	1		1	1		1
	Wealth Management Personnel			1			1
<b>(9) Base on the result of “Corporate governance Evaluation” announced by TWSE ( Taiwan Stock Exchange Corporation) in a recent year to illustrate the status of matters have been already improved and priority measures to reinforce matters have not been improved :</b>  The Company ranked top 20% of the "Corporate Governance Evaluation" and continued to take effort and to optimize the Company’s website and the content of annual report such as the English information in Company website.							

#### 4.4 The Composition of the Remuneration Committee Member, and the Official Powers of the Remuneration Committee.

##### 4.4.1 Information of the Remuneration Committee Members

Role(Note 1)	Name	Condition	With work experience for more than 5 years and the following professional qualification requirements		Conform to Independent (Note 2)										No. of Public companies in which he/she serves as Remuneration Committee Member	Remark
			An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a professional capacity that is necessary for company business	1	2	3	4	5	6	7	8	9	10		
Independent Director	Edward Way		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	—
Independent Director	Eugene You-Hsin Chien	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	2019.05.03 newly-appointed
others	Mei-Xue Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	—
others	Jing-Wu Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	2019.05.03 resignation

Note 1: Please indicate Director, Independent Director, or others for Role.

Note 2: Compensation Committee Members, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes.

1. Not an employee of the Company or any of its affiliated enterprises.
2. Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;
5. Not a director, supervisor, or employee of a corporate /institutional shareholder that directly holds 5% or more of the Company's outstanding shares, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law. (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
7. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent); (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).



8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company; (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service" which total compensation within the recent two years exceeds NTD\$500,000". This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
10. Not been a person or any conditions defined in Article 30 of the Company Act.

#### 4.4.2 Duties of Remuneration Committee

The Remuneration Committee is run in accordance with the "Remuneration Committee Charter". The main duties of this committee are described as follows:

- (1) Establish and regularly review performance evaluation for Board of Directors and managers, as well as the policies, system, standards and structure of remuneration policies.
- (2) Regularly assess and formulate remuneration for directors and managers.

#### 4.4.3 Operation of the Remuneration Committee

(1). There are currently three members on the Remuneration Committee.

(2). The current term of office is from August 9, 2018 until June 20, 2021. Remuneration Committee meetings have been held 3 times (A) from 1 Jan. 2019 up to the Annual Report being published with the attendance status listed below:

Title	Name	Time of Attendance (B)	Time of Attendance by Proxy	Meetings during their term of office (A)	Actual Percentage of Attendance (%) (B/A)	Remark
Convener	Edward Way	3	0	3	100%	—
Committee member	Eugene You-Hsin Chien	2	0	2	100%	2019.05.03 newly-appointed
Committee member	Mei-Xue Lin	3	0	3	100%	—
Committee member	Jing-Wu Huang	1	0	1	100%	2019.05.03 resignation
<b>Other matters of importance:</b> <ol style="list-style-type: none"> <li>Instances where the Board of Directors declines to adopt, or attempts to modify, recommendations from the Remuneration Committee, any objection should specify the dates of meetings, sessions, contents of motion, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (for example, where the remuneration passed by the Board of Directors exceeds the recommendations of the Remuneration Committee, the circumstances and reasons for the difference of opinions shall be specified): None.</li> <li>Instances where resolutions of the Remuneration Committee were objected to by members, or subject to qualified opinion and recorded or declared in writing (where date of meetings, sessions, and contents of motions, all members' opinion and the response to members' opinion are specified): None.</li> </ol>						

#### 3.4.4 Instances where discussion and results of resolution of the Remuneration Committee and the response to members' opinion

Meeting Date (Term)	Mater to be discussed	Resolution	The response to members' opinion
Mar.19, 2019 The 2 <sup>nd</sup> meeting of the 4th term	To discuss and approve the 2018 Directors' remuneration and employees' compensation of the Company.	Approved by all attending members without objection.	The proposal is submitted to Board of Directors, and approved by all attending.
Mar. 27, 2020 The 4 <sup>th</sup> meeting of the 4th term	To discuss and approve the 2019 Directors' remuneration and employees' compensation of the Company.		

**4.5 The state of the company's performance of social responsibilities, any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance:**

Evaluation Criteria	Implementation Status			Deviations from “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and Reasons									
	Yes	No	Summary										
(1)Does the Company conduct the risk assessment of the environment, society and corporate governance linking to Company’s operation in accordance with the principle of materiality, and stipulate relative risk management policies or strategies?	✓		1. The Company has long adopted a sound risk management mechanism to identify risks and threats based on the principle of materiality of corporate social responsibility, and have established responsible committees and departments to manage and control such risks, so as to ensure that the Company is actively engaged in the development of various businesses under the risk management system, reducing the impact of business activities on the environment, society and corporate governance, and preventing the recurring issues.	No material difference									
			2. All types of risks are managed at first line through management procedure defined by internal responsible departments in the organization. The Company is able to identify, evaluate, monitor, and control risks through unified standards when conducting various businesses. The internal audit office also periodically conducts audit activities and projects to ensure the risk management system is effectively operated by all departments. The internal audit office periodically reports annual audit plan and quarterly audit reports to the Board of Directors.										
			3. From the perspective of "systematic risk" and "non-systematic risk", Far Eastern Department Stores regularly assess the risk changes that an enterprise may face in its operation. The management and countermeasures of six risk types, namely “food safety risk, mall operation risk, human resource risk, financial management risk, legal compliance risk, and personal information management risk”, are listed as follows. For details, please refer to the Company’s Corporate Social Responsibility Report.										
			<table><tr><th>Type of Risk</th><th>Explanation of Risk</th><th>Countermeasures</th></tr><tr><td>Food safety risk</td><td>With the increasing attention paid to food safety issues by customers, the proportion of catering counters in the department store has also gradually increased. Food safety incidents will have great impact on the Company's operation and corporate image.</td><td><ul style="list-style-type: none"><li>Define clear specifications and requirements in contracts with suppliers and request them to follow those requirements.</li><li>Regular inspections and irregular project inspections are conducted to ensure food safety.</li><li>Conduct preventive food, beverage, kitchen safety, and hygiene inspection.</li></ul></td></tr><tr><td>Mall operation risks</td><td>There are always big crowds in department stores. An unsafe environment can easily lead to public</td><td><ul style="list-style-type: none"><li>Strengthening incident notification and handling mechanism.</li><li>Regular</li></ul></td></tr></table>	Type of Risk	Explanation of Risk	Countermeasures	Food safety risk	With the increasing attention paid to food safety issues by customers, the proportion of catering counters in the department store has also gradually increased. Food safety incidents will have great impact on the Company's operation and corporate image.	<ul style="list-style-type: none"><li>Define clear specifications and requirements in contracts with suppliers and request them to follow those requirements.</li><li>Regular inspections and irregular project inspections are conducted to ensure food safety.</li><li>Conduct preventive food, beverage, kitchen safety, and hygiene inspection.</li></ul>	Mall operation risks	There are always big crowds in department stores. An unsafe environment can easily lead to public	<ul style="list-style-type: none"><li>Strengthening incident notification and handling mechanism.</li><li>Regular</li></ul>	
Type of Risk	Explanation of Risk	Countermeasures											
Food safety risk	With the increasing attention paid to food safety issues by customers, the proportion of catering counters in the department store has also gradually increased. Food safety incidents will have great impact on the Company's operation and corporate image.	<ul style="list-style-type: none"><li>Define clear specifications and requirements in contracts with suppliers and request them to follow those requirements.</li><li>Regular inspections and irregular project inspections are conducted to ensure food safety.</li><li>Conduct preventive food, beverage, kitchen safety, and hygiene inspection.</li></ul>											
Mall operation risks	There are always big crowds in department stores. An unsafe environment can easily lead to public	<ul style="list-style-type: none"><li>Strengthening incident notification and handling mechanism.</li><li>Regular</li></ul>											

Evaluation Criteria	Implementation Status			Deviations from “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	
	✓		<p>accidents. While government regulations have become increasingly stringent on safety requirements for business premises, any violation might cause penalties and impair customers' desire to visit and shop.</p> <p>inspection of various equipment and conduct maintenance such as clean, maintain and upgrades.</p> <ul style="list-style-type: none"> <li>• Two to four fire safety drills and training sessions are conducted annually to enhance disaster prevention knowledge and skills.</li> <li>• Enhance the promotion of electricity safety and establish daily inspection checklist.</li> <li>• Amend the contractor management rules and strengthen the safety and health management of outsourcing working environment.</li> </ul>	No material difference
			<p><b>Human resource risk</b></p> <p>Competitors have been actively increasing locations and expanding premises, which led to a large demand for labor in the service industry. However, the character of long working hours and work shifts in holidays makes it difficult to attract new hires.</p> <ul style="list-style-type: none"> <li>• Increase recruitment channels and recruit talents.</li> <li>• Initiate retention mechanism and design a motivative compensation package that is superior to competitors.</li> <li>• Enrich benefit package to enhance employee's sense of well-being so employees can work at ease.</li> <li>• Implementing talent cultivation and training program for management trainees.</li> </ul>	
			<p><b>Financial management risk</b></p> <p>Sufficient cash flow is necessary to support the operational growth and store expansion. The emergence of</p> <ul style="list-style-type: none"> <li>• Set up a financial risk management team to swiftly respond to changes in the capital and currency markets.</li> </ul>	

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
	✓		<div>outlets, new players in the industry, and the carved market share by e-commerce might affect revenue and profitability.</div> <div>Legal compliance risk Failure in complying with laws and regulations during operation may result in additional property and goodwill losses.</div> <div>Personal information management risk In the informatization era, both the scope and frequency of using personal information increased, so personal information must be properly managed and used to ensure personal information security.</div> <div> <ul style="list-style-type: none"> <li>• Drive productivity improvement programs to improve efficiency of organizational manpower and physical resources.</li> <li>• Set up KPIs to control operating expenses and reduce operating costs.</li> <li>• Organize risk training courses annually to enhance risk management awareness.</li> <li>• Provide weekly updates on law changes to enable all employees get hold of regulatory changes all the time.</li> <li>• The Company has established management measures to strengthen personal information protection and management.</li> <li>• Implement ISO 27001 Information Security Management System.</li> <li>• Conduct regular training for information security personnel.</li> </ul> </div>	No material difference
(2) Has the Company established a dedicated (or non-dedicated) unit to promote CSR, which is authorized to handle senior management level affairs by the Board of Directors, and sends feedback on its handling to the Board?	✓		<ol style="list-style-type: none"> <li>1. Since 2015, the Company set up the "Corporate Social Responsibility Committee", in which the President serves as the chairman of the committee, and the Chief Financial Officer serves as the chief executive officer of the committee. Moreover, an executive office has also been set up to implement strategy development, offer event proposals and prepare CSR reports.</li> <li>2. A total of eight functional committees have been formed under the CSR Committee. These committees meet regularly every month to report and track the progress of various projects.</li> <li>3. Major CSR decisions and the implementation of these decisions are regularly reported to the Board of Directors in the quarterly Board of Directors' meeting. In 2019, the Board of Directors has passed a total of 21 resolutions.</li> </ol>	No material difference
(3). Environmental Topic				

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
(a) Has the Company established an appropriate environmental management system according to its industry characteristics	✓		The Company and its subsidiaries are actively promoting various energy management and energy-saving goals including (1) water chiller switch control (2) back stage lighting reduction control (3) elevator reduction control during off-peak time (4) adding frequency conversion automatic deceleration device for escalators, so as to respond to government policies, mitigate global climate change, and fulfill corporate social responsibilities to protect the global environment.	No material difference
(b) Is the Company committed to enhancing the effectiveness of utilizing various resources and consuming recycled materials as feedstock to minimize the adverse impact on the environment?	✓		In order to properly protect the natural environment, the Company actively promotes the implementation of the code of practice, and strives to improve the efficiency of the use of various resources. When conducting any operating activity, ecological impacts have to be considered to reduce environmental impact.	No material difference
(c) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	✓		Due to the global warming effect, the annual average temperature gradually rises. The Company's energy team has planned and implemented action plans for the relevant risks and opportunities after approval, and set up the "internal control table for indoor air temperature limits" and "internal control table for air-conditioning unit switch" for a standard indoor temperature range and the air-conditioning unit switch time based on season, climate, temperature, as well as daily operating hours, business areas, and business types of each branch company. In 2017, the Company's Headquarter Building and Mega City Banqiao store took the lead in implementing ISO 50001 energy management system. In 2019, ISO 14064-1: 2018 was implemented in Hualien Branch to conduct greenhouse gas inventory. The above actions were taken to achieve the management goal of improving energy performance and carbon emissions.	No material difference
(d) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	✓		The Company integrates relevant utility usage on quarterly basis and conducts internal reviews, formulates various energy management indicators and reduction standards to control various energy consumption. Since 2012, the Company has maintained a downward electricity consumption trend for eight consecutive years, saving 38.5 million kWh in total, with a cumulative power saving rate of 18.3%. In 2019, the total electricity consumption of the ten stores in Taiwan was 187,696 thousand kWh, which was 1.5% less than that of 2018 and 1.5% reduction of carbon emissions. In 2020, the goal for the Company is 1% saving in electricity.	No material difference
<b>(4). Social Topic</b>				
(a) Has the Company set up management policies and procedures according to related laws and regulations as well as the International Bill of Human Rights?	✓		In order to protect employees' basic human rights and create an environment to protect employees' human rights, the Company recognizes the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labor Organization, the OECD Guidelines for Multinational Enterprises, the United Nations Universal Declaration of Human Rights and the principles and spirit of the United Nations Global Compact. The Company has established various labor policy and rules according to	No material difference

Evaluation Criteria	Implementation Status			Deviations from “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	
	✓		<p>related laws such as Labor Law and Act of Gender Equality in Employment. Monthly self-checks are conducted to ensure compliance with laws and regulations.</p> <p>In order to ensure good labor relations, labor-management meetings are held on regular basis. Any employee related matter may be determined after thorough communication between both parties. At the same time, in order to inspire employees' morale and protect employees' legal rights and interests to promote harmonious labor relations, the Company has formulated the Measures for Handling Employees' Opinions. Any infringement of employees' right or unfair matters can be reported.</p> <p>The Company complies with the Occupational Safety and Health Act and related regulations. Top management has signed the Declaration of Occupational Safety and Health Policy to demonstrate the Company's determination to promote occupational safety and health management. The Occupational Safety and Health Committee meeting is held periodically on quarterly basis to discuss and review matters related to safety and health management and work rules, management regulations, amendments to occupational safety and health management plans of the Company and prepare records.</p>	No material difference
(b) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	✓		<p>The Company's annual reports and official website disclose the Company's Articles of Incorporation, which clearly specifies the allocation of employee remuneration, stating that: "If the Company posts a profit for a particular year, the Company shall allocate 2% to 3.5% of its profit as employee remuneration... Employee remuneration may be distributed in the form of shares or cash. The actual distribution ratio, amount and method, as well as the number of shares involved therein shall be approved by the Board of Directors, and reported to the shareholders' meeting before implementation."</p> <p>In addition to establishing the “Remuneration Committee” to enhance corporate governance and strengthen the compensation system, the Company also formulates a reasonable employee compensation policy with reference to the pay standards set by the same industry and public companies, which clearly specifies that the Company's incentive bonus systems, such as monthly performance evaluation bonus, anniversary event target achievement bonus and year-end bonus, which are distributed according to personal or departmental performance, so as to enhance the Company's overall business performance. Supervisors at all levels are required to assess the knowledge, conduct, skills and performance of their subordinates at all times.</p> <p>Meanwhile, the Company also accelerates the promotion of key talents through annual performance appraisal, salary increase, and performance improvement. Average employee salary increase was around 3% to 5% in 2019. Other labor conditions, such as leave and other welfare benefits, are granted in accordance with law or even superior to statutory requirements to protect employees' legitimate and reasonable welfare.</p>	No material difference

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
(c) Has the Company offered a safe and healthy work environment and routinely implements safety and health education for its employees?	✓		<ol style="list-style-type: none"> <li>1. With the implementation of self-management and automatic inspection programs, the Company's Head Office regularly visits each branch to examine the implementation and performance of the occupational safety and health management program, and carry out on-site safety and health inspection.</li> <li>2. The Company regularly implement the operating environment monitoring plan every six months, and carry out operating environment monitoring (carbon dioxide and noise) once, in order to ensure the safety and health conditions at the workplace, and provide the excellent working and shopping environment for the employees and customers.</li> <li>3. Drinking water quality inspection (plate colony count and coliform group) is conducted regularly on quarterly basis. The test results showed that drinking quality met the standards, so employees can drink water with relief.</li> <li>4. New coworkers are required to undergo safety and health training. The Company formulates education and training plans to educate employees on safety and health issues at the workplace, and organizes professional training and regular retraining for personnel with the relevant certifications and licenses (including occupational safety and health management personnel, nursing staff in charge of labor health services, emergency rescue personnel, fire prevention personnel, dedicated personnel for indoor air quality maintenance and management, etc.).</li> <li>5. The Company regularly conducts health checkups for employees, and implements health tracking management in line with physical and mental health protection programs (including muscle and bone damage prevention, overwork prevention, workplace violence prevention and maternal health protection). Besides, the Company offers on-the-spot health services by hiring doctors in order to provide our coworkers with health consultation and management services, so as to carry out strict examination for the healthy of coworkers by the Company and doctors.</li> <li>6. The Company regularly conducts fire drills once every six months, and regularly conducts Group A personnel drills every month, so that coworkers are familiar with handling firefighting tasks and emergency response.</li> <li>7. The Company has emergency personnel and first-aid kits in place, in order to provide initial treatment for injuries during workplace accidents.</li> <li>8. The Company establishes health station for providing propaganda material of healthy announcement, sphygmomanometer, body fat monitor, ear thermometer, first aid kit, mask, and alcohol for disinfection.</li> <li>9. The Company has set up automated external defibrillators (AED). AED managers regularly undergo retraining, while over 70% of our coworkers regularly undergo AED and CPR training. In 2019, the Company's stores, including Paoching Store, Banqiao Store, Panhsin Store, Taoyuan Store, Hsinchu Store, Taichung Store, Chiayi Store, Tainan Chenkung Store, Tainan Gongyuan Store, Kaohsiung Store and Hualien Store, have obtained the "AED Certification" from the Ministry of Health and Welfare.</li> </ol>	No material difference

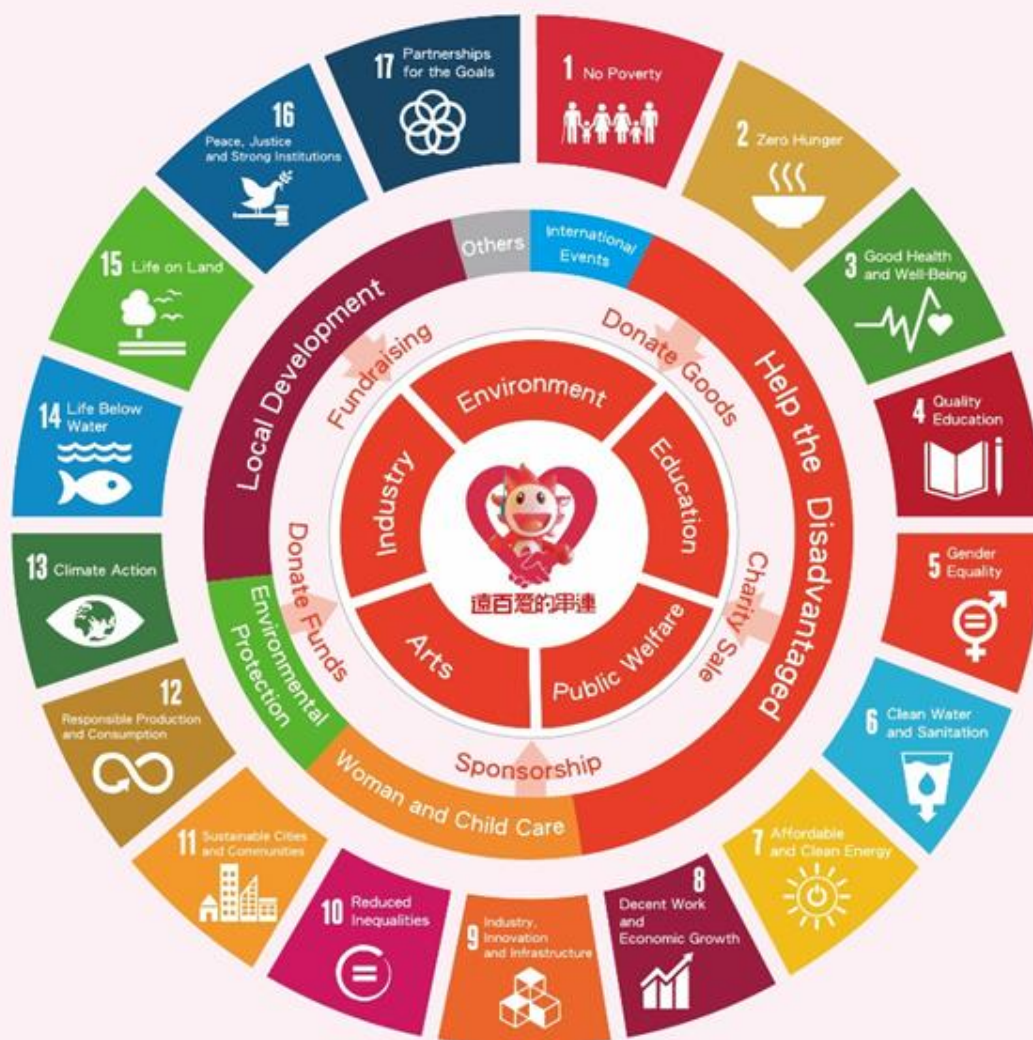


Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
	✓		<p>10.The Company has implemented smoke prevention management and health management to protect coworkers' physical and mental health. In 2019, the Company's Head Office, Paoching Store, Panhsin Store, Banqiao Store, Taoyuan Store, Hsinchu Store, Taichung Store, Chiayi Store, Tainan Chenggong Store, Kaohsiung Store, and Hualien Store have obtained the "Accredited Healthy Workplace-Smokefree and Health Promotion Badge" from the Ministry of Health and Welfare.</p> <p>11.The Company holds at least 6 lectures of health. Their material of lecture is plentiful and various. The coworkers can participate with free by their interest.</p> <p>12.The Company continues to create a zero-accident workplace. In 2019, Banqiao Store, Taoyuan Store, Tainan Chenggong Store, and Hualien Store were awarded the "Zero-Accident Time Record Certification" from the Ministry of Labor.</p> <p>13.Information related to health and safety is delivered from time to time, and posters are posted in pantries to provide employees with the latest news and related knowledge.</p> <p>14.The human rights related education and training held in 2019 includes labor related, labor safety, and health management. 3,382 persons participated and 4,909 hours were held in total.</p>	No material difference
(d) Has the Company established an effective career developmental plan for its employees?	✓		The Company provides a diverse range of learning channels and development resources according to personal job needs, performance evaluation results and career development needs, and is committed to creating a learning environment, including on-the-job training, classroom training, job guidance and job rotation, so that employees can move toward personal career development and company development, and continue to learn happily.	No material difference
(e) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' rights and consumer appeal procedures?	✓		Products are provided by ethical counters which are run legitimately, and exhibit the terms of use, country of origin, and inspection marks which indicate that the products comply with national standards. All products comply with laws and regulations. The Company attaches great importance to the protection of each consumer's personal information and privacy. The Company internally controls the use of consumers' personal information through information security management procedures, and externally announces consumers' personal information protection clause. The consumers' personal information deletion request and complaint channel are handled by designated personnel, who helps consumers to alleviate concerns or delete data. Irregular inspections are done in accordance with the aforementioned controls and procedures to implement the protection of consumers' personal information. If customers meet the problem of damage of their right or interest, then can reflect to the customer center of each branch, customer service and the email of customer service. They will receive response within three days.	No material difference
(f) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation	✓		In order to ensure that suppliers comply with social and ethical standards, understand and comply with laws, actively respond to environmental protection and social related issues, take up corporate social responsibility and continue to improve, the Company has stipulated "The regulations of management for contractors" to request suppliers' operation in occupational safety and health. The Company has also gradually promoted the signing of the "Supplier Corporate Social Responsibility	No material difference

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Summary	
status?	✓		<p>Commitment Statement" by the Company's contract suppliers since October 2016. Contract suppliers shall continuously pay attention to "labor and human rights, health and safety, environment protection, commercial code of ethics", which is one of the criteria for supplier selection.</p> <p>The Company has formulated "Contractor Management Rules" to comply with safety and health related regulations, fulfill the obligation of hazard notification, implement safety and health management and effectively perform safety and health work, reduce disaster occurrence rate and ensure personal safety.</p> <p>The contracts between the Company and suppliers have listed in detail regarding management of building environment, mall management, merchandize quality, mall security, personnel management, bookkeeping, customer service in order to mutually achieve the goal of social responsibility. Actions will be taken according to law in case suppliers violate the contracts.</p>	No material difference
(5). Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquire 3rd certification party verification or statement of assurance?	✓		<ol style="list-style-type: none"> <li>1. The Corporate Social Responsibility Report is compiled in accordance with the GRI Standards published by the Global Reporting Initiative and adopts a core option to expose the principles.</li> <li>2. The report is verified by a third-party verification unit to confirm compliance with the core options of the GRI Standards. And AA1000 Type 1 Moderate Level.</li> </ol>	No material difference
<p>(6) If the company has set up the principles based on "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies", please illustrate the implementation progress and any difference:</p> <p>The Company has established the "Corporate Social Responsibility Policy", while actively fulfilling our role as a corporate citizen. The Company regularly publishes CSR reports every year to illustrate the implement status of CSR information and to continuously enhance the transparency of CSR information disclosure, the Company also formulates corporate sustainability visions through the CSR Committee to achieve goals such as "implementing corporate governance, developing a sustainable environment, and maintaining social welfare", which becomes a positive force in driving sustainability, thereby welcoming a better life with the society.</p>				

Evaluation Criteria	Implementation Status			Deviations from “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Summary	

(7) Please state any other important information that would facilitate better understanding of the Company’s status in fulfilling corporate social responsibilities:



Types of Social Welfare Events Organized by FEDS



**4.6 The state of the company's performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance**

Evaluation Criteria	Implementation Status (Note 1)			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
<b>(1). Establishment of Business Conduct policy and plans</b>				
(a) Does the Company establish the business conduct policy approved by the Board of Directors, and demonstrate business conduct policy and practice in the corporate guidelines and external documents? Have the Board of Directors and management committed to actively implement such policy?	✓		The Board of Directors of the Company has approved to establish the "Code of Ethics" and the "Best Practice Principles of Ethical Corporate Management", which specify that employees of the Company shall adhere to the best practice principles of ethical corporate management while conducting various business activities. Besides, the Company clearly specifies matters related to the code of conduct, including "prohibition of offering and receiving bribes", "prohibition of providing illegal political contributions", "prohibition of improper charitable donations or sponsorships", "prohibition of unreasonable gifts, hospitality or other illegitimate interests", etc., where the scope of application for the "Best Practice Principles of Ethical Corporate Management" applies to subsidiaries of the Company. To ensure the implementation of these rules and regulations, the Company shall clearly specify in its annual report the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities. Besides, the ideas and beliefs behind the Code of Ethics and the Best Practice Principles of Ethical Corporate Management have been promoted and incorporated into the daily work of employees via various channels, including the Company's website ( <a href="http://www.feds.com.tw">http://www.feds.com.tw</a> ), internal publications, and various types of meetings. In addition, the Company's stakeholders are also reminded to follow and respect the Company's moral and ethical standards.	No material difference
(b) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly? Does the prevention programs include at least the precautionary measures based on Paragraph 2 in Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"?	✓		With respect to business activities with high risk of unethical conduct, the Company has established effective accounting and internal control systems without establishing external accounts or keeping confidential accounts/ The Company also conducts review at any time to ensure that the design and implementation of these systems are continuously effective.	No material difference
(c) Has the Company established and implemented an unethical conduct prevention plan, which stipulates operational processes, provides guidelines for conduct, discipline for violations of rules, and an appeal system in each case, and regularly review and revise the plan above?	✓		In order to implement the ethical corporate operation policy, the "Procedures for Ethical Management and Guidelines for Conduct" has been formulated to specify matters for attention when the Company's personnel conducts business, to establish a system of disciplinary action for violations and whistle-blower systems, to announce internal and external independent whistle-blower mailbox, in order to curb dishonest conduct and implement the honest operating policy.	No material difference

Evaluation Criteria	Implementation Status (Note 1)			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
<b>(2). Implementation of the Code of Business Conduct</b>				
(a) Does the Company evaluate the ethical conduct records of its counterparties and specify "Ethical Clauses" in business contracts?	✓		<p>Because the Company has developed and built a strong presence in Taiwan for years by adhering to our founding spirit of "Sincerity, Diligence, Thrift, Prudence and Innovation" as the highest guiding principles for business development, the Company requires all stakeholders with commercial dealings with us, including suppliers, contractors or other collaborators, to comply with the same moral and ethical standards as our managers and coworkers. For instance, since October 2016, the Company has gradually required suppliers, contractors or other collaborators to sign the "Supplier Corporate Social Responsibility Commitment Statement " in service contracts, and to be committed to complying with the items specified in the statement of undertaking, and also takes the opportunity continuously to communicate with stakeholders and continuously remind them of our ethical standards, so as to prevent unethical conduct.</p>	No material difference
(b) Has the Company established a dedicated unit under the supervision of the Board of Directors to promote corporate ethical management and unethical conduct prevention plan which regularly (at least once a year) report to the Board on their implementation status?	✓		<p>Before conducting business with suppliers, the Company will request suppliers to provide product inspection records and carefully assess the suppliers' past information. The contracts between the Company and suppliers set out various management practices with the objective of achieving mutually beneficial operations. Articles of breach of contract, termination, and confidentiality are all specified in the contract. Actions will be taken according to law in case suppliers violate the contracts.</p> <p>The terms of ethical conduct have been specified in all significant contracts between the Company and its suppliers. Otherwise the suppliers are requested to sign the Supplier Social Responsibility Commitment Statement, which includes the terms of ethical conduct.</p>	No material difference
(c) Does the Company promulgate policies to prevent conflicts of interests and offer appropriate channels for reporting conflicts of benefits?	✓		<p>To improve the management of integrity operation, the Company's corporate governance officer who reports to Board of Directors and human resource department are responsible for the formulation and supervision of integrity operation policies and preventive measures, and report to the Board on periodic basis (at least once a year). At the same time, internal auditors also include the implementation of ethical corporate management into the scope of audit to perform annual self-assessment, and report these matters to the Board of Directors.</p>	No material difference
			<p>When Directors, managers, or other persons of the Company discover, in the course of conducting the Company's business, conflict of interests with themselves, the legal persons or stakeholders they represent, they shall abstain</p>	No material difference

Evaluation Criteria	Implementation Status (Note 1)			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
			<p>from voting at the meeting of the Board, and the other persons shall report the relevant matters to their direct supervisors and the designated department of the Company, and the direct supervisors shall provide proper guidance.</p> <p>The Company has established "Procedures for Ethical Management and Guidelines for Conduct" and the "Whistleblower and Disciplinary Measures Against Violations of Ethical Conduct and Ethical Corporate Management". Any personnel who violates the best practice principles of ethical corporate management shall be punished based on the seriousness of the violation. The Company has set up a grievance system to provide violators with a route to seek help in accordance with the relevant rules and regulations.</p>	
(d) Does the Company establish an effective operation of the accounting and internal control systems, and its internal audit unit devise relevant audit plans based on the results of assessment of the risk of involvement in unethical conduct, and examine accordingly the compliance with the prevention programs, or engage a certified public accountant to carry out the audit?	✓		The Company's internal auditors examine compliance with the Company's accounting and internal control systems from time to time based on these systems, and prepare audit reports, which are to be submitted to the Board of Directors.	No material difference
(e) Does the Company periodically conduct internal and external training on ethical management?	✓		The Company has published these rules and regulations on the Company's website in order to promote these rules and regulations. Other than requiring new employees to learn about the code of ethics and ethical corporate management, the Company also implements methods such as establishing internal regulations, internal management requirements, as well as education and training, in order to implement ethical corporate management policies. In 2019, a total of 331 people attended a total of 327 hours of internal and external trainings on issues related to ethical corporate management (including courses related to compliance with ethical corporate management regulations, accounting system, internal control system, etc.).	No material difference
<b>(3). Establishment of Reporting Channels for Violations of the Code Of Business Conduct.</b>				
(a) Has the Company established a specific complaints and rewards system through convenient channels for lodging complaints? And does the Company assign dedicated personnel to attend to the matter?	✓		The Company has stipulated the relevant provisions in the "Code of Ethics", the "Best Practice Principles of Ethical Corporate Management", "Procedures for Ethical Management and Guidelines for Conduct" and the "Whistleblower and Disciplinary Measures Against Violations of Ethical Conduct and Ethical Corporate Management".	No material difference
(b) Has the Company established standard operating procedures for investigating and adopting follow-up measures after investigations of cases, and handling complaints in a confidential manner?	✓		If an employee at the Company discovers a violation of provisions related to ethical corporate management, the employee shall take the initiative to file a whistleblower complaint to the Audit Committee, managers, the Chief Audit Executive, the chief corporate governance officer, the Human Resources Department or	No material difference

Evaluation Criteria	Implementation Status (Note 1)			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
(c) Does the Company adopt measures to protect whistleblowers from reprisals for having filed the complaint report?	✓		other appropriate supervisors. In case of violations of provisions related to ethical corporate management, the Company shall carry out punishment based on the seriousness of the violation in accordance with the disciplinary measures. The Company will keep the whistleblower's identity and complaint confidential, and promise to protect whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.	No material difference
<b>(4). Improvements in Information Disclosure</b> Does the Company disclose the principle and the practice of business conduct related information on the corporate website and M.O.P.S. website operated by the Taiwan Stock Exchange?	✓		To implement the "Code of Ethics", the "Best Practice Principles of Ethical Corporate Management", and the "Whistleblower and Disciplinary Measures Against Violations of Ethical Conduct and Ethical Corporate Management", these rules and regulations are disclosed on MOPS and the Company's website ( <a href="http://www.feds.com.tw">http://www.feds.com.tw</a> ) for every personnel at FEDS to comply with.	No material difference
<b>(5).If the Company has established its own guidelines for the "Code of Business Conduct" according to Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please state the discrepancies (if any) between actual operation and policy:</b> None				
<b>(6)Other important information revealing the Company's ethical operations (e.g. review and revision of the Company's code of business conduct):</b> The Company complies with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, public listing-related rules and regulations, and other business conduct practices. Besides, the Company inspects our internal regulations at all times to ensure the implementation of ethical corporate management.				

#### **4.7 If the Company has established the Corporate Governance Principles and the related regulations, it shall disclose the inquiry method:**

**4.7.1** The Company Website : <http://www.feds.com.tw>

**4.7.2** Market Observation Post System : <http://mops.twse.com.tw>

#### **4.8 Other information relating to corporate governance:**

**4.8.1** To manage the "Procedures for Handling Material Inside Information" formulated by the Company, all the directors, managers and employees have been notified of the procedures, which have also been published on the Company's website (<http://www.feds.com.tw>) for all coworkers to comply with, so as to prevent insider trading or violations of related matters.

**4.8.2** Newly appointed directors and managers at the Company are given the latest edition of the "Regulations and Directions Governing Insiders' Equity at TWSE Listed Companies" formulated by TWSE for insiders to comply with.

**4.8.3** The Company educates insiders about information regarding insider trading published on the website of TWSE

**4.8.4.** Intellectual Property Management Plan and its Execution: The Company expects to establish a trademark management system for registered trademarks in Taiwan by the end of 2020 and report the management policies, targets and systems to the Board. The Company has planned and implemented a continuous improvement mechanism starting from 2021 to ensure the operating and performance of the trademark management system are in line with the Company's expectation.

## 4.9 Implementation of Internal Control System

### 4.9.1. The declaration of internal control system

**Far Eastern Department Stores Co., Ltd.**  
**The Declaration of Internal Control System**

Date: 27 March 2020

1. Based on the self-examination results of the internal control system for the year of 2019, Far Eastern New Century Corporation (the Company) therefore declares the following:
2. Board of Directors and the management of the Company understand that it is their responsibility to establish, implement, and maintain an internal control system, and such a system has been established. The purpose to establish the aforesaid system is to reasonably assure (1) the operating results and operating efficiencies (including profit, performance, and the safeguard of assets); (2) the reliability, instantaneity and transparency of the financial reports, and (3) the compliance of the relevant laws and regulations.
3. An internal control system, regardless how perfectly the system is being designed, can have its defects. A system that can reasonably assure the achievements of the three purposes mentioned in the preceding paragraph is considered as effective and useful. In addition, changes in the business environment and situation may, as a result, hinder the effectiveness of an adequate system. However, the internal control system of the Company has included a self-examination mechanism; the Company will make immediate corrections considering the materiality when material errors are detected.
4. The evaluation of effectiveness of the internal control system design and implementation is made in accordance with "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to exam the following five items during the internal control process: (1) Control Environment, (2) Risk Evaluation and Management, (3) Control Activities, (4) Information and Communication, and (5) Monitoring processes. Details of each area being examined can be found in the Guidelines °
5. Based on the items mentioned in the preceding paragraph, the Company has evaluated the design of the internal control system and the effectiveness of the implementation of the aforesaid system. °
6. The Company management declares that the internal control system (including Subsidiary Governance) as of 31 Dec. 2019 has effectively assured that the following objectives have been reasonably achieved during the assessment period:  
(1) The effectiveness and efficiency of business operations; (2) The reliability, timeliness, transparency, and regulatory compliance of the financial reports; (3) The compliance of the relevant laws/regulations. °
7. This Declaration is a significant content in the annual report and prospectus of the Company, and it is available to the general public. If it contains false information or conceals any material contents, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the ROC Securities and Exchange Act °
8. The Board of Directors has approved the Declaration of Internal Control System in the board meeting held on 27 March 2020. All of 8 Directors present consented to the Declaration, and no dissenting opinion was expressed.

**Far Eastern Department Stores Ltd**

Chairman: Douglas Tong Hsu

President: Nancy Hsu

**4.9.2. The special audit of the Company's internal control systems conducted by CPA retained by the company: None.**



**4.10 If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the prospectus publication date, where the result of such penalty could have a material effect on shareholder equity or securities prices, the prospectus shall disclose the penalty, the main shortcomings, and the condition of improvement : None.**

#### **4.11 From last year up to the Annual Report being published, major resolution and execution status of Shareholder's Meetings and Board Meetings**

##### **4.11.1 Resolutions in the Annual Shareholders' Meeting**

**Date:** June 25, 2019

**Location:** Taipei Hero House, No. 20, Sec. 1, Changsha St., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)

<b>Resolutions of Shareholders' Meeting</b>	
<b>Matters Reported</b>	<ol style="list-style-type: none"> <li>1. 2018 business operation report</li> <li>2. 2018 financial statement</li> <li>3. The Audit Committee's review report of 2018 business operations and financial statements</li> <li>4. 2018 employees' compensation and Directors' remuneration</li> </ol>
<b>Matters Approved</b>	<ol style="list-style-type: none"> <li>1. 2018 business report and financial statements of the company  <b>Resolution:</b> The number of approval weights has exceeded the statutory amount.  The resolution was approved.</li> <li>2. The proposal for distribution of 2018 profits of the company  <b>Resolution:</b> The number of approval weights has exceeded the statutory amount.  The resolution was approved.  <b>Execution:</b> 21 July 2019 was settled as the ex-dividend date, and cash dividend was NT\$0.85 per share and distributed on 9 August 2019</li> </ol>
<b>Discussions</b>	<ol style="list-style-type: none"> <li>1. The amendment to "Procedure for Acquisition and Disposal of Assets" of the company  <b>Resolution:</b> The number of approval weights has exceeded the statutory amount.  The resolution was approved.  <b>Execution:</b> It was execute according to the resolution of the shareholders' meeting and published on the company's website.</li> </ol>
	<ol style="list-style-type: none"> <li>2. The amendment to "Procedures For Endorsements and Guarantees" of the Company.  <b>Resolution:</b> The number of approval weights has exceeded the statutory amount. The resolution was approved.  <b>Execution:</b> It was execute according to the resolution of the shareholders' meeting and published on the company's website according to the revised procedures.</li> </ol>
	<ol style="list-style-type: none"> <li>3. The amendment to "Procedures for Lending of Capital to Others" of the Company  <b>Resolution:</b> The number of approval weights has exceeded the statutory amount.  The resolution was approved.  <b>Execution:</b> It was execute according to the resolution of the shareholders' meeting and published on the company's website according to the revised procedures.</li> </ol>

#### 4.11.2 Major Resolutions of Board Meetings until the annual report being published

Term	Date	Important Resolutions
<b>4<sup>th</sup> Board Meeting of the 18<sup>th</sup> term</b>	2019/03/20	<ol style="list-style-type: none"> <li>1. Approved 2018 employees' compensation and Directors' remuneration.</li> <li>2. Approved the change of auditing CPA from Deloitte &amp; Touche since 2018 Q4.</li> <li>3. Approved 2018 financial statements (including consolidated &amp; standalone).</li> <li>4. Approved the proposal for distribution of 2018 profits.</li> <li>5. Approved the proposal for 2019 operating budget.</li> <li>6. Approved amending the Company article of "Procedures for Acquisition and Disposition of Assets"</li> <li>7. Approved the declaration of internal control system of the Company.</li> <li>8. Approved the date and proposal of convening 2019 Annual General Shareholders' Meeting.</li> </ol>
<b>5<sup>th</sup> Board Meeting of the 18<sup>th</sup> term</b>	2019/05/03	<ol style="list-style-type: none"> <li>1. Reported 2019 Q1 financial statements.</li> <li>2. Approved 2018 business operations.</li> <li>3. Approved to amend the certain provisions of Corporate Governance Principles 、 Meeting Rules of Board of Directors 、 Audit Committee Charter 、 Remuneration Committee charter.</li> <li>4. Approved the appointment of the company's corporate governance executive.</li> <li>5. Approved the appointment of the members to the company's salary and remuneration committee.</li> <li>6. Approved to amend the certain provisions of the Company's "Procedures For Endorsements and Guarantees".</li> <li>7. Approved to amend the certain provisions of the Company's "Procedures for Lending of Capital to Others".</li> <li>8. Approved the company's registration of Xinyi branch case.</li> </ol>
<b>6<sup>th</sup> Board Meeting of the 18<sup>th</sup> term</b>	2019/08/12	<ol style="list-style-type: none"> <li>1. Reported 2019 Q2 financial statements.</li> </ol>
<b>7<sup>th</sup> Board Meeting of the 18<sup>th</sup> term</b>	2019/11/07	<ol style="list-style-type: none"> <li>1. Reported 2019 Q3 financial statements.</li> <li>2. Approval of the 2020 Audit Plan.</li> <li>3. Approved the acquisition of new common shares of the Company's subsidiary - Ya Tung Department Stores, Ltd.</li> <li>4. Approved to amend the certain provisions of the Company's "Board Performance Evaluation Rule".</li> </ol>
<b>8<sup>th</sup> Board Meeting of the 18<sup>th</sup> term</b>	2020/03/27	<ol style="list-style-type: none"> <li>1. Approved 2019 employees' compensation and Directors' remuneration.</li> <li>2. Approval of the release of competition restriction on accounting officer of the Company. °</li> <li>3. Approved to amend the certain provisions of the Company's "Best Practice Principles Of Ethical Corporate Management"</li> <li>4. Approved to amend the certain provisions of the Company's "Articles of Incorporation"</li> <li>5. Approved 2019 financial statements (including consolidated &amp; standalone).</li> <li>6. Approved the proposal for distribution of 2019 profits.</li> <li>7. Approved the proposal for 2020 operating budget.</li> <li>8. Approval of reiterating to complete the preparing of financial report, and</li> </ol>

		<p>in accordance with amending “Rules Of The Procedures For Preparation Of Financial Statements”, and “Rules For The Management Of Application Of The International Financial Reporting Standards”.</p> <p>9. Approved to amend the certain provisions of the Company’s “Rules Governing The Internal Audit”.</p> <p>10. Approved the declaration of internal control system of the Company.</p> <p>11. Approved to amend the certain provisions of the Company’s “Rules Of Procedure Of Stockholders Meeting”.</p> <p>12. Approved to hold a by-election to fill the vacancy of one independent director.</p> <p>13. Approved the date and proposal of convening 2020 Annual General Shareholders’ Meeting.</p>
<b>9<sup>th</sup> Board Meeting of the 18<sup>th</sup> term</b>	2020/05/05	<p>1. Reported 2020 Q1 financial statements</p> <p>2. Approved 2019 business operations.</p> <p>3. Approved the viewed list of candidate of independent director.</p> <p>4. Approved to amend the certain provisions of the Company’s “Articles of Incorporation”</p>

**4.12 In recent years until the annual report being published, Dissenting Comments On Major Board of Director Resolutions from Directors and Supervisors: None**

**4.13 From last year up to the Annual Report being published, the resignation/dismissal situation of the Officers ( Including Chairman, President, Accounting Manager, Financial Manager, Internal Auditor Manager, Chief Corporate Governance Officer, and R&D Manager ): None**

## 5. Audit Fees

### 5.1 Professional Fees of CPA in Recent Year :

Accounting Firm	Name of CPA		Audit Period	Remark
Deloitte & Touche	Vivian Ye	Gary Cho	2019/01/01-2019/12/31	

Unit: NT\$ thousands

Amount (NTD)		Item	Audit Fees	Non-audit Fees	Total
1	Less than 2,000				
2	2,000 ~ 4,000 (inclusive of 2,000)			✓	
3	4,000 ~ 6,000 (inclusive of 4,000)				
4	6,000 ~ 8,000 (inclusive of 6,000)		✓		
5	8,000 ~ 10,000 (inclusive of 8,000)				✓
6	More than 10,000 (inclusive of 10,000)				

Unit: NT\$ thousands

Accounting Firm	Name of CPA		Audit Fees	Non-audit Fees					Audit Period
				System Design	Registration	Human Resources	Other	Total	
Deloitte & Touche	Vivian Ye	Gary Cho	6,800	0	0	0	2,308	2,308	2019/01/01 -2019/12/31
Note	Non-audit Fees are mainly for introducing system platform.								

**5.2 If the audit fees of the year in which the company changes CPA firm is lower than that of the prior year, specify the amount of audit fee before and after, and the reason: None.**

**5.3 If the audit fee dropped year on year by more than 10%, specify the amount, percentage, and reason for the reduction: None.**

## 6. Information For Change Of CPA:

### 6.1 Regarding the former CPA

Replacement Date	October, 2018		
Replacement reasons and explanations	The original CPA Yeh, Shu-Jyuan and Hong, Guo-Tian were replaced by Yeh, Shu-Jyuan and Jhuo, Ming-Sin accountant for the internal organization adjustment of Deloitte & Touche.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties		
	Status	CPA	The Company
	Termination of appointment	Not Applicable	Not Applicable
	No longer accepted (continued) appointment	Not Applicable	Not Applicable
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	✓	
Other information to be disclosed (to be disclosed according to Article 10.6.1.4 to 10.6.1.7 of the Principles)	None		

### 6.2 Regarding the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	Yeh, Shu-Jyuan and Jhuo, Ming-Sin
Date of appointment	October, 2018
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	Not Applicable
Succeeding CPA's written opinion of disagreement toward the former CPA	Not Applicable

### 6.3 Reply of the former accountant to the provisions of Article 10, paragraph 6, Item 1 and Item 2 of the Guidelines: Not applicable

## 7. The Company's Chairman, President and Managers Responsible for Finance or Accounting Who Have Held a Position in Company's Audit Firm or its Affiliations in the Last Year: None

## 8. Shareholding Transferred or Pledged by Directors, Management, and Major Shareholders Who Holds 10% of the Company Shares or More:

### 8.1 Shareholding Variation

Unit: share

Title	Name	2019		From Jan 1, 2019 to Apr 26, 2020	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Chairman	Douglas Tong Hsu	0	0	0	0
Director	Representative of Ding & Ding Management Consultants Co.	0	0	0	0
	Nancy Hsu	0	0	0	0
	Representative of Far Eastern New Century Corporation	0	0	0	0
	Nicole Hsu &	0	0	0	0
	Chee Ching	0	0	0	0
	Representative of Asia Cement Corporation	0	0	0	0
	Jin Lin Liang	0	0	0	0
	Representative of Yue Li Investment Corporation	0	0	0	0
Independent Director	Philby Lee	0	0	0	0
	Edward Way	0	0	0	0
Manager	Eugene You-Hsin Chien	0	0	0	0
	Nancy Hsu	0	0	0	0
	Chang-Li Lin	0	0	0	0
	Chris Liu	0	0	0	0
	James Tang	0	0	0	0
	Chin-Shih Liao	0	0	0	0
	Lily Y. T. Liu	0	0	0	0
	Cho-Cheng Lan	0	0	0	0
	Chih-Yao Shih	0	0	0	0
	Peter Chen	0	0	0	0
	Hwa-Ling Hsu	0	0	0	0
	Greg Tseng	0	0	0	0
	Tian-Zuo Jiang	0	0	0	0
	Rebecca Chan	0	0	0	0
	Jason Wang	0	0	0	0
	Wei- Hsing Hsu	0	0	0	0
	Chih-Kuo Mao	0	0	0	0
	Shawn Cheng	0	0	0	0
	Sophia Yu	0	0	0	0
Major shareholder with more than 10% shareholding	Far Eastern New Century Corporation	0	0	0	0

### 8.2 Shareholding Transferred: None

### 8.3 Shareholding Pledged: None

## 9. TOP TEN SHAREHOLDERS BEING THE RELATED PARTY AS DEFINED IN STATEMENT OF FINANCIAL ACCOUNTING STANDARDS

April.26, 2020

Name	Current Shareholding		Spouse & Minor Children's Shareholding		Shareholding in Name of Others		Name, relationship of top ten shareholders are Spouses of within 2 degrees of consanguinity to each other		Note
	Shares	%	Shares	%	Share	%	Name	Relationship	
Far Eastern New Century Corporation Representative: Douglas Tong Hsu	241,769,702	17.06	0	0	0	0	Asia Cement Corporation, Yuan Ze University, Yuan Ding Investment Co., Ltd Yuan Tong Investment Co., Ltd	The same Chairman The same Chairman The same Chairman Invested by evaluated by Far Eastern New Century Corporation and evaluated by equity method	N/A
PJ Asset management Co., Ltd. Representative : Chen Hai Lin	109,798,000	7.75	0	0	0	0	N/A	N/A	N/A
Asia Cement Corporation Representative: Douglas Tong Hsu	80,052,950	5.65	0	0	0	0	Far Eastern New Century Corporation Yuan Ze University Yuan Ding Investment Co., Ltd. Yu Yuan Investment Co., Ltd.	The same Chairman The same Chairman The same Chairman Invested by evaluated by Asia Cement Corporation and evaluated by equity method	N/A
Yuan Ding Investment Co., Ltd. Representative: Douglas Tong Hsu	75,472,985	5.33	0	0	0	0	Far Eastern New Century Corporation Asia Cement Corporation Yuan Ze University Yuan Tong Investment Co., Ltd.	The same Chairman The same Chairman The same Chairman Invested by evaluated by Far Eastern New Century Corporation and evaluated by equity method	N/A
Chia Yuan Investment Company Representative : Chu Lie Tang	71,520,000	5.05	0	0	0	0	N/A	N/A	N/A

Yuan Ze University Representative: Douglas Tong Hsu	67,373,794	4.75	0	0	0	0	0	0	0	Far Eastern New Century Corporation Asia Cement Corporation Yuan Ding Investment Co., Ltd.	The same Chairman The same Chairman The same Chairman	N/A
Yuan Tong Investment Co., Ltd Representative: Jian Cheng Wang	51,138,530	3.61	0	0	0	0	0	0	0	Far Eastern New Century Corporation Yuan Ding Investment Co., Ltd	Invested by evaluated by Far Eastern New Century Corporation and evaluated by equity method	N/A
The Norwegian Central Bank Investment Dedicated Account, under custody of CITI Bank	31,964,657	2.26	0	0	0	0	0	0	0	N/A	N/A	N/A
Labor Pension Fund of Far Eastern Department Stores Co., Ltd.	29,926,799	2.11	0	0	0	0	0	0	0	N/A	N/A	N/A
Yu Yuan Investment Co., Ltd. Representative: Chun Ming Chen	29,130,476	2.06	0	0	0	0	0	0	0	Asia Cement Corporation	Invested by evaluated by Asia Cement Corporation and evaluated by equity method	N/A



## 10.The Shareholding Of The Company, Director, Supervisor, Management And The Business That Is Controlled By The Company Directly Or Indirectly On The Invested Company:

12/31/2019      Unit: '000 share; %

Affiliated Company (Note 1)	Investment of the Company		Directors, Supervisors, Managements and Direct or Indirect Investment of the Affiliated company		Consolidated Investment	
	Shares	%	Shares	%	Shares	%
Far Eastern Ai Mai Co., Ltd.	87,744	100	0	0	87,744	100
Bai Ding Investment Co., Ltd.	119,981	67	60,019	33	180,000	100
Bai Yang Investment Co.	924,991	100	0	0	924,991	100
Yu Ming Advent sing agency Co., Ltd	3,500	100	0	0	3,500	100
Ya Tung Department Store Ltd.	41,000	100	0	0	41,000	100
Far Eastern Hon Li Do CO., Ltd.	1,571	56	1,259	44	2,830	100
Asians Merchandise Company	950	100	0	0	950	100
FEDS Development Ltd.	218	54	185	46	403	100
Pacific Liu Tong Investment Co.,Ltd	281,734	35	308,050	38	589,784	73
Far Eastern City Super Ltd.	47,827	96	2	0	47,829	96
Oriental Securities Corporation	140,297	20	373,137	52	513,434	72
Ding Ding Integrated Marketing Services. Ltd.	3,631	10	3,631	10	7,262	20
Yuan Hsin Digital Payment Co., Ltd.	11,651	15	11,651	15	23,302	30

Note 1: Investment accounted for using equity-method.

## IV. Capital Overview

### 1. Capital and Shares

#### 1.1 Issued Shares

Book closure date: April 26, 2020 Unit: NT\$ shares

Month/Year	Par Value (NT\$/share)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
December, 2015	10	1,750,000,000	17,500,000,000	1,416,940,589	14,169,405,890	Capital reduction by treasury shares	None	None

Note : 2015.12.3 MOEA Ruling Reno. 10401255720

Type of Stock	Authorized Capital			Remarks
	Outstanding issued shares	Un-issued Shares	Total Shares	
Common Shares	1,416,940,589	333,059,411	1,750,000,000	None

#### 1.2 Composition of Shareholders

Book closure date: April 26, 2020

Shareholder Structure Amount	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Number	13	18	150	63,926	204	64,311
Number of shares owned	4,309,990	34,378,141	945,623,447	232,662,016	199,966,995	1,416,940,589
% holdings	0.30	2.43	66.74	16.42	14.11	100

### 1.3 Distribution Profile of Share Ownership

Book closure date: 26 April 2020

Shareholder Ownership	Number of Shareholders	Number of shares owned	%
1 - 999	33,811	7,526,298	0.53
1,000 - 5,000	21,702	46,302,642	3.26
5,001 - 10,000	4,415	30,529,490	2.15
10,001 - 15,000	1,684	19,973,647	1.41
15,001 - 20,000	737	12,853,107	0.91
20,001 - 30,000	763	18,321,148	1.29
30,001 - 40,000	316	10,878,209	0.77
40,001 - 50,000	148	6,630,405	0.47
50,001 - 100,000	339	22,949,107	1.62
100,001 - 200,000	181	24,632,200	1.74
200,001 - 400,000	83	22,181,625	1.57
400,001 - 600,000	34	16,452,241	1.16
600,001 - 800,000	12	8,289,541	0.59
800,001 - 1,000,000	14	12,760,534	0.90
1,000,001 - 999,999,999	72	1,156,660,395	81.63
Total	64,311	1,416,940,589	100

### 1.4 Major Shareholders

Book closure date: April 26, 2020

Shares	Shares	%
<b>Major Shareholders</b>		
Far Eastern New Century Corporation	241,769,702	17.06
PJ Asset management Co., Ltd.	109,798,000	7.75
Asia Cement Corporation	80,052,950	5.65
Yuan Ding Investment Co., Ltd.	75,472,985	5.33
Chia Yuan Investment Company	71,520,000	5.05
Yuan-Ze University	67,373,794	4.75
Yuan Tong Investment Co., Ltd	51,138,530	3.61
The Norwegian Central Bank Investment Dedicated Account, under custody of CITI Bank	31,964,657	2.26
Labor Pension Fund of Far Eastern Department Stores Ltd.	29,926,799	2.11
Yu Yuan Investment Co., Ltd.	29,130,476	2.06

## 1.5 Net Worth, Earnings, Dividends, and Market Price Per Common Share

Item		Year	2018	2019	From Jan 1 2020 to Mar 31 2020
Market Price per Share	High		20.10	27.10	26.15
	Low		14.85	15.40	20.20
	Average		17.03	20.80	23.67
Net Value per Share	Before distribution		20.96	21.85	21.27(Note1)
	After distribution		20.10	(Note2)	(Note2)
Earnings per Share	Weighted Average Shares (thousand shares)		1,408,734	1,408,734	1,408,734
	Earnings per share	Before adjustment	0.94	1.26	0.06(Note1)
		After adjustment	0.94	(Note2)	-
Dividends per Share (Note 3)	Cash dividend		0.85	0.80	-
	Stock dividend	Distribution of surplus	-	-	-
		Additional Paid-In Capital	-	-	-
	Accumulated un-distributed dividend (NT\$'000)		31,379	33,017	35,572
Return on Investment Analysis	Price/Earnings Ratio (Note 4)		18.12	16.51	394.5
	Price/Dividend Ratio (Note 5)		20.04	26.00	-
	Cash dividend yield (Note 6)		4.99	3.85	-

Note 1 : The numbers is calculated based on 2020Q1 financial report reviewed by CPA.

Note 2 : Earnings distribution shall be resolved by Shareholders' Meeting in the subsequent year.

Note 3 : Distribution of profit generated from the preceding year.

Note 4 : Price/Earnings Ratio = Average closing share price of the period/Earnings per share.

Note 5 : Price/Dividend Ratio = Average closing share price of the period/Cash dividend per share.

Note 6 : Cash dividend yield = Cash dividend per share/average closing share price of the year.

## 1.6 Dividend Policy and Implementation Status

### 1.6.1. Dividend Policies under the Articles of Incorporation

If the company's annual final accounts have a surplus, after paying the income tax on profit-making business, it should first make up for the losses in previous years. If there is still a surplus, after denouncing the statutory surplus reserve of 10%, and submitting the special surplus reserve according to the law, together with the accumulated undistributed surplus of the previous year, as a surplus available for distribution. However, depending on the business situation, it is possible to decide whether to retain a portion of the shares, and distribute the shareholder dividends on the basis of all the shares. However, when the capital is increased, the dividends to be distributed for the new shares in the current year shall be handled in accordance with the resolution of the shareholders' meeting. °

The distribution of shareholders' dividend shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Shareholders' dividend shall be distributed aimed at maintaining the stability of shareholders' dividend distributions. Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing shareholders' dividend, which is not less than 50% of the final surplus of after-tax profit in same year to withhold accumulated losses, legal reserve and special reserve, and the cash dividend is not less than 10% of the shareholders' dividend distributed in the same year.

Taking the Company's pay-out dividends over past three years as example, the dividend payout ratios from 2017 to 2019 were 91%, 90% and 63% respectively. All dividend payout ratios are all in accordance with the Articles of Incorporation of FEDS that outline that the cash dividend declared by

the Company shall be no less than 10% of the total dividends distributed that year. Please see the below table for details:

Year	EPS (A)	Cash Dividend (B)	Stock Dividend (C)	Dividend Per Share (D=B+C)	Payout Ratio (D/A)	Cash Payout Ratio (B/D)
2017	1.09	1.00	0.00	1.00	91%	100%
2018	0.94	0.85	0.00	0.85	90%	100%
2019	1.26	0.80	0.00	0.80	63%	100%

**1.6.2. Dividend Allocation proposed to be approved at the Annual Shareholders' meeting:**

Cash dividend of NT\$ 0.8 per share is proposed to be distributed.

**1.7 Effects on Business Performance and EPS Resulting from Stock Dividend Distribution Proposed by 2020 Annual General Shareholders' Meeting:**

Unit: NT\$

Item		Year	2020 ( Estimate )
Paid-in Capital (beginning of the year)			14,169,405,890
Stock & Cash Dividend Distribution	Cash Dividend (NT\$/per share)		0.80
	Stock Dividend from Retained Earnings		0.00
	Stock Dividend from Capital Surplus		0.00
Variance in Business Performance	Operating Income		not applicable (note)
	% Change in Operating Income		
	Net Income		
	% Change in Net Income		
	Earnings Per Share		
	% Change in EPS		
	Average Return on Investment (%) (Reciprocal of Average P/E Ratio)		
Pro Forma EPS & P/E Ratio	If Retained Earnings Pro Forma Earnings Per Share Distributed in Cash Dividend	Pro Forma Earnings Per Share	
		Pro Forma Average Yearly Return on Investment	
	If Capital Surplus not Distributed in Stock Dividend	Pro Forma Earnings Per Share	
		Pro Forma Average Yearly Return on Investment	
	If Retained Earnings & Capital Surplus Distributed in Cash Dividend rather than Stock Dividend	Pro Forma Earnings Per Share	
		Pro Forma Average Yearly Return on Investment	

Note: \* As we do not disclose our financial forecast information of 2020, in compliance with relevant Government regulations, there is no need to provide this information.

## **1.8 Remuneration to Employees and Directors**

### **1.8.1. Description regarding compensation for employees and Directors in the Articles of Incorporation:**

The standard is set according to Articles of Incorporation of the Company: "If there is profit for the current year, the Company shall set aside 2%~3.5% of it as compensation for employees and, shall set aside not more than 2.5% of it as compensation for Directors. If there is accumulated loss on the books of the Company, portion of the profit equaling the loss shall first be set aside to cover the latter.

The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-third of the total number of Directors, determine the actual ratio, amount, form (in the form of shares or in cash) and the number of shares of the profit distributable as employees' compensation, and, in addition, thereto report of such distribution shall be submitted to the shareholders' meeting. The actual ratio and amount of the profit distributable as Directors' remuneration shall also be determined by Board of Directors, and a report of such distribution shall be submitted to the shareholders' meeting.

### **1.8.2. The accounting treatment for the differences between actual and accrued amount of compensation for employees and Directors:**

The estimated amount of compensation for employees and directors is based on the employee's remuneration and director's remuneration from 2% to 3.5% and not more than 2.5%, respectively, prior to the pre-tax benefit of the deduction of staff and directors' compensation. The 2019 annual estimates are based on 3.2% and 2.4% of the pre-tax benefits mentioned above. These amounts were allotted in cash on March 27, 2020. If the amount of the annual financial report is significantly changed by the resolution of the Board of Directors before the date of issuance, the change will be adjusted to the original annual cost. If the amount of the annual financial report still changes after the date of publication, it will be adjusted according to the accounting estimate and adjusted in the next year.

### **1.8.3. Proposed employees' compensation and Directors' remuneration:**

The 2019 employees' compensation and Directors' remuneration was resolved on 27 March 2020 by 8<sup>th</sup> Board Meeting of the 18<sup>th</sup> term. The amounts and forms are listed below:

(1) the amount of employees' compensation and Directors' remuneration in cash or in shares:

The Board of Directors of the Company resolved to distribute employees' compensation of NT\$74.392 million in 2019 and directors' compensation is NT\$55.794 million. These amounts are not different from the amount recognized in the 2019 accounts.

(2) Proposed employee compensation by shares as percentages of net income and total employee compensation: None

### **1.8.4. Remuneration to employees and Directors of Year 2018. The discrepancy, if there is any, between the total amount being actually paid as employees' compensation, remuneration for Directors for 2017 (including number of shares, dollar amount, and share price) and the amount of such compensation and remuneration being recognized should be stated, and the reason for such discrepancy:**

(1) The Board of Directors resolved to allot 2018 employees for NT\$55.384 million and actually issued NT\$55.08 million.

(2) The Board of Directors resolved to allot 2018 directors' compensation for NT\$41.538 million and actually issued NT\$45.5 million.

The number of differences will be released in the following years or supplemented with the remaining years of the previous year.

## **1.9 Shares buyback by the Company: The Company did not buy back share during year 2019 until the annual report being published.**

## **2. Corporate Bonds :**

- (1) Corporate Bond Issued and Outstanding : None
- (2) Convertible Bond : None
- (3) Exchangeable Bond : None
- (4) Shelf Registrations for Issuing Corporate Bonds : None
- (5) Bond with Warrants : None

## **3. Preferred Shares : None**

## **4. Issuance of Overseas Depositary Receipts : None**

## **5. Employee Stock Options : None**

## **6. Employee Restricted Stock Options : None**

## **7. Share Issued for Merger or Acquisition : None**

## **8. Fund Utilization Plans and Status**

**8.1 Plan :** Uncompleted bond issues, private placement of securities, completed bond issues or private placement of securities in recent 3 years whose return of investment has not emerged:  
None

**8.2 Implementation Status :** None

## V. Operational Highlights

### 1. Business Activities

#### 1.1 Business Scope

##### 1.1.1. Sales Breakdown of Main Business Segments :

The company and its subsidiaries are single industries that operate retail department stores and supermarkets.

##### 1.1.2. Current Products and Services Provided by the Company and Subsidiaries : Please refer to page 78

Sales Volume and Revenue in Recent Two Years

##### 1.1.3. Products and Services Planned to be Developed and Launched by the Company and Subsidiaries :

None

#### 1.2 Business Environment

##### 1.2.1. Current Industry Situation and Prospects

In 2019, the overall sales volume in Taiwan's department store market grew by 4.4%, with its turnover amounting to NT\$355.2 billion. This market has been growing for the tenth consecutive year. However, the sales volume in department stores grew at a higher rate than convenience stores (3.1% growth rate), supermarkets (4.6% growth rate), and hypermarkets (5.3% growth rate) due to various factors, including the development of e-commerce, the diversification of retail channels, and changes in consumers' shopping habits.

Department store operations have experienced a slowdown in its revenue growth due to the increasing number of rational consumption, increasing demand for variety, and the fast and convenient online shopping. According to the survey by the Department of Statistics, Ministry of Economic Affairs, the "ever-changing customer demand" takes up the highest percentage of major plights that department stores encounter in recent three years, reaching 72.3% in this year. The second highest is "e-commerce takes up market share", which increased to 51.1% comparing to last year. As a result, in response to the strong competition from e-commerce, department stores have been actively transforming. Apart from the continuous modification and adjustment of counters to introduce popular food and lifestyle products, family parks have also been set up to capture business opportunities in families. All kinds of theme events are held to celebrate holidays and festivals. Hopefully number of visitors and overall revenue growth can be increased through diversification.

In order to provide consumers with a more convenient shopping journey and increase consumer shopping adhesion, all department store brands have introduced multiple payment tools. In addition, the Company has actively upgraded its own app in 2019 to further provide more convenient services and mobile payment. Through its self-owned mobile payment system, customers are encouraged to bind their exclusive membership app for convenient parking, promotional information, and enjoy greater discounts such as e-vouchers and bonus points so as to collect user information, understand consumer preferences, and further analyze consumer groups to achieve precision marketing. Furthermore, the implementation of online shopping system enables consumers to enjoy an online and offline, 24-hour and zero time difference shopping environment through the integration of virtual and physical channels so as to create an all-channel and convenient consumption model.

Digital technology deeply influences the retail business. The traditional retail business model has been challenged, while the relationships among shopping malls, customers and products have also been redefined.



Physical department stores have successively moved toward digitization, which reshapes consumption model digitally, thereby establishing a complete, high-quality shopping journey and brand experience. Digitized physical department stores not only have heavily invested in digital technology as their operational infrastructure, but also utilize smart technology, including large numbers of mobile devices, Big Data, Internet of Things (IoT), artificial intelligence (AI), augmented reality (AR) and virtual reality (VR), in order to increase the efficiency of shopping mall operations and service, and enhance customer's shopping convenience and experience, while significantly increasing customer satisfaction and stickiness.

#### 1.2.2 Correlation among the Upstream, Midstream and Downstream Sectors of the Industry

According to the definition of the industry classification, department stores belong to retail sale in non-specialized stores, which refers to the business model of engaging in a wide range of products and retailing by department. Therefore, the upstream, midstream and downstream sectors of the department store industry are correlated mainly in the following manner: The upstream sector consists of product manufacturers (or counters), and the midstream sector is composed of department stores which offer sales locations, while the downstream sector comprises consumers who purchase products. Various factors, including the location of department stores, the characteristics of business district, the consumer crowd, and convenience in public transportation, are closely related to the performance of department stores.

#### 1.2.3 Industry Development Trends and Competition

As a result of the e-commerce boom, the traditional retail business model has been greatly challenged. The relationship among shopping malls, customers and merchandise has been redefined, and department stores have to continuously create unique services and products that are different from e-commerce to attract consumers. In recent years, the frequency of physical channel visits, including department stores, supermarkets, and whole sale stores, etc., has shown a downward trend. According to analysis of "elements that consumers care about physical channels", the top one element is parking convenience. Attractiveness of food and beverages and variety of leisure spaces also ranked in top 5. This reveals that physical channel is no longer a choice for "purchase" purpose to customers. "Entertainability" has rather become an important consideration when customers choose physical channels. Department stores have to meet consumers' needs in experience aside from shopping, whether through events or renovation, so as to leave customer memories apart from shopping so as to increase loyalty.

In 2019, all department stores have actively developed their own online shopping system and promoted a one-stop fast consumption model based on the advantage of product diversity in the department store retail industry with a high level of consumer trust. By using big data to clearly understand the characteristics and needs of consumers, department stores provide convenient new services, market in precision, and in the end generate new revenue.

In 2019, three major department store chains, including FEDS, Far Eastern Sogo, and Shin Kong Mitsukoshi jointly created NT\$168.5 billion worth of sales, and occupied a market share of approximately 47%, indicating a relatively obvious trend of the development of large department store operators. As channel is a key factor king, resource-rich chain groups have a major advantage in terms of attracting investments, and operation. The competition situation, in which department stores move toward the large-scale and chain store model, is set to continue for a while, and will not change easily.

### 1.3 Technology and Research & Development Overview

In response to different professional needs, Far Eastern Department Stores have planned

comprehensive courses for its employees to enable employees' continuous growth in professions. In 2019, total number of educational training hours was 15,620 hours, including three major categories in basic staff training, core business training, and development training. Foreign professionals were hired to design corporate English training courses to strengthen employees' English language skills. 64 executives were sent abroad to visit well-known overseas department stores and large shopping malls to understand the local business model and consumption trends in the hope of enhancing managers' management ability and vision. In the future, we will continue to increase the investment in and design of education and training resources to improve the professional knowledge and competitiveness of our employees.

The Company, as a leading company in the domestic department store industry, is the only one representative in Taiwan as a membership of IGDS( International Group of Department Stores), and has joined over 56 department store industry trade associations and other related trade associations and societies, including the Retailers Association of Chinese Taipei, the Taiwan Council of Shopping Centers, the Chinese National Association of Industry and Commerce, and the Center for Corporate Sustainability, in hopes of promoting the vigorous development of the domestic department store retailing industry and enhancing our self-management and business management capabilities, so as to contribute to the prosperity and development of the industry, and to lay a good foundation for becoming a sustainable enterprise.

## **1.4 Long-term and Short-term Business Development Plans**

### **1.4.1 Short-term:**

- (1) Increasing growth momentum, where each branch continues to adjust brand lineup and business segments in response of market trends and the characteristics of business districts, in order to enhance the product strength and features of shopping malls.
- (2) Managing social medial platforms, enhancing social marketing, and getting close to customer's consumption needs and preferences by integrating big data analysis, in order to provide more refined and smart personal services.
- (3) Optimizing APP digital tools, strengthening social marketing, combining data analysis to provide customers with warm service and experiences, and through CRM Big Data, conducting more delicate in-depth segmentation, designing various unique experience activities, and providing more refined and intelligent personal services.
- (4) Embracing digital technology, developing smart retail, constructing an omni-channel consumption model, and optimizing a smart shopping experience, thereby moving toward innovative and smart retail.
- (5) Cross-industry integration and joint efforts with industry players to launch a series of merchandise or exhibitions to create topics and increase the mall's customer retention rate.

### **1.4.2 Long-term:**

- (1) Building a strong presence domestically, continuing to create new forms of shopping malls, and expanding the scale of operations and growth niches.
- (2) Expanding market in China, adjusting the business directions of stores in China, and developing new store locations.
- (3) Establishing technology-based and eco-friendly smart shopping malls, creating trends exclusively for customers, becoming a leading retail brand which incorporates sustainable management, and fulfilling CSR.

## **2. Market, Production and Sales Overview**

### **2.1 Market Analysis**

#### 2.1.1 Sales (or provision) locations for the Company's main products (or services):

Taiwan and Mainland China.

#### 2.1.2 Domestic market share (KPI) for main products:

The Company's market share in the Taiwanese market (including Far Eastern Sogo and Ya Tung Department Store) is 25%.

#### 2.1.3 Future market supply and demand conditions and growth:

In the next three years, the department store market continuously welcomes the opening of new shopping malls, which will become the driving force to boost market revenue; however, it is also expected to intensify market competition. According to a report published by NDC, it is estimated that Taiwan's output growth rate in 2019 will not be as good as the previous year due to the weakening of global economic growth momentum, and domestic demand will be the main driving force of economic growth. Meanwhile, the Executive Yuan has also passed the adoption of domestic expansion plan to reduce the burden of the people through the tax system, with a view to increasing disposable income and eventually improving the purchasing power of the people. In addition, Taiwan government implements various incentive measures to increase consumption, such as promoting domestic tourism, organizing large events, and encouraging the purchase of energy-saving and low-carbon products, which is expected to drive the continuous growth of market performance.

#### 2.1.4 Major competitors:

Shin Kong Mitsukoshi Department Store Co., Ltd.

#### 2.1.5 Competitive niches, favorable and unfavorable factors for development prospects, and response measures:

##### A. Competitive niches

- (1) Professional industry knowledge and experience accumulated over the past.
- (2) Decent, pragmatic, forward-looking and innovative business philosophy and strategies.
- (3) Excellent management team and loyal customer base.
- (4) Good company reputation, with full support and cooperation from suppliers.

##### B. Favorable factors for development prospects

- (1) Continuous store expansion in both Taiwan and Mainland China to expand market scale, thereby increasing revenue and profit.
- (2) Abundant resources at the Group, in combination with the development of smart retail at affiliated companies, to move toward omni-channel operations.

##### C. Unfavorable factors for development prospects

- (1) Strong growth of E-Commerce and TV shopping.
- (2) Heavy spending on promotion due to a large number of competitors, thereby significantly increasing operating costs.
- (3) Continuous opening of large shopping malls and outlet stores, thereby increasing market competition.

##### D. Response measures

- (1) Adjust product structure, and screen target customer based on the conditions of business district in which each store is located, in order to carry out differentiated marketing.
- (2) Enhance experiential marketing by creating more interactive and experiential shopping services

- (3) Develop mobile shopping by innovating mobile marketing with the Group, in order to provide a more convenient consumer experience.
- (4) Expand online-to-offline (O2O) integration, and move toward O2O operations, thereby developing a high-quality O2O model.
- (5) Create management efficiency, expand income sources and economize on expenditures, as well as reduce costs.

**2.2 Main Features and Production Process of Major Products:** Not applicable °

**2.3 Supply of Raw Material:** Not applicable °

**2.4** It is necessary to disclose the name of the customer who has accounted for more than 10% of the total amount of goods sold in the past two years and the amount and proportion of the goods to be sold, and explain the reasons for the increase or decrease. Due to the contractual agreement, the customer name or the transaction object, such as an individual and a non-relevant person, may not be disclosed.

1. Suppliers : None °

2. Customers : None °

**2.5 Production Volume for the Recent 2 Years:** Not applicable.

**2.6 Sales Volumes for Recent 2 Years**

Unit: NT\$ thousands

Year Item	2018		2019	
	Revenue	Weighting (%)	Revenue	Weighting (%)
Sales revenue	23,704,953	61	22,794,827	60
Commission revenue	12,250,426	31	11,803,340	31
Advertising revenue	890,598	2	803,134	2
Rent revenue	1,584,523	4	1,656,803	5
Others	812,051	2	837,958	2
Total	39,242,551	100	37,896,062	100

Note: The figures disclosed above are on consolidated basis

### 3. Employee Information in Recent 2 Years up to the Annual Report being Published

Year		2018		2019		2020/03/31	
		The company	Companies in the Consolidated Financial Report	The company	Companies in the Consolidated Financial Report	The company	Companies in the Consolidated Financial Report
Number of Employees	Managers	419	1,431	437	1,414	431	1,401
	Others	915	4,372	1,002	4,167	983	4,092
	Total	1,334	5,803	1,439	5,581	1,414	5,493
Average Age		38.0	38.8	37.4	39.2	37.5	39.4
Average Years of Service		12.3	10.8	11.6	11.1	11.7	11.3
Breakdown of Educational Level (%)	Ph.D.	0	0	0	0	0	0
	Master	4.7%	3.0%	5.4%	3.4%	5.4%	3.4%
	College	77.3%	66.0%	78.0%	67.0%	77.7%	67.0%
	Senior High School	17.5%	29.0%	16.1%	27.7%	16.3%	27.7%
	Below High School	0.5%	2.0%	0.5%	1.9%	0.6%	1.9%

#### 4. Environmental Protection Expenditure

Total amount of losses and penalties incurred due to environmental pollution in the most recent fiscal year up to the publication date of this annual report:

None (Merged companies belong to a single industry which engages in the retail business in department stores and supermarkets, and are not manufacturing business units).

#### 5. Employee Relations

##### 5.1 Existing Employee Welfare Measures and System:

###### 5.1.1. Employee Welfare Measures

###### (1) The Company:

- The Company has established the Employee Welfare Committee, and contributes to the employee welfare fund to implement various employee welfare measures, where employees not only enjoy various types of rewards, including dividends, year-end bonus, and festive bonus, but are also entitled to various welfare measures, including birthday allowance, wedding subsidy, childbirth subsidy, hospitalization subsidy, funeral subsidy, child enrollment allowance, and employee travel subsidy.
- Employees are entitled to discounts while shopping at the Company and our affiliated companies.
- The Company purchases group insurance for employees to protect employees' lives and safety.

###### (2) Affiliated companies:

Our affiliated companies have planned various employee welfare measures according to the Group's spirit of labor-management harmony, in order to provide employees with a safety and secure working environment.

###### 5.1.2 Employee Training:

###### (1) The Company:

- In order to meet the work requirements of various positions and at all levels, the Company plans internal professional training courses related to operations management, marketing services and product information, in order to satisfy the needs of or coworkers at work. In 2019, a total of 41,125 people attended 56,099 hours of training in these courses.
- The Company selects and sends suitable coworkers to attend various types of workshops organized by the FEG Human Resources Development Center every year, in line with personal development potential according to coworkers' duties and work requirements. In 2019, a total of 144 people attended 1,029 hours of training in these workshops.
- To enhance our coworkers' professional competencies, the Company acquires the latest information to increase work efficiency, and sends our coworkers to attend various professional courses organized by professional institutions. In 2019, a total of 199 people attended 1,244 hours of training in these courses.

In 2019, each coworker attended 13.9 hours of training on average, with a total of NT\$1,248 thousand spent on training.

###### (2) Affiliated companies:

Our affiliated companies plan complete and diversified training courses based on their business management needs, in order to cultivate various professional and career development skills in employees.

###### 5.1.3. Retirement system:

###### (1) The Company:

The Company has formulated the Regulations Governing Employee Retirement, and has set up the Supervisory Committee of Employee Pension Reserve Fund in accordance with the Labor Standards Act. According to the old system, the Company contributes 2% of each employee's monthly salary into the pension reserve fund, and deposits this amount into the employee pension reserve fund account at Bank of Taiwan. After the implementation of the new Labor Pension Act, the Company contributes

6% of each employee's monthly salary into the pension reserve fund, and deposits this amount into the Bureau of Labor Insurance account. Every year, the Company appoints a consulting firm to carry out actuarial calculation of retirement pension reserve so as to protect the pension rights of all employees.

(2) Affiliated companies:

Our affiliated companies handle matters with respect to contributions to employee pension funds and related payments in accordance with the Labor Standards Act, the Labor Pension Act and local laws and regulations, or any regulation that prevails over the abovementioned regulations.

5.2 The Company's administrative and management measures strive to be fair and reasonable. Should different opinions arise, coworkers can communicate their opinions through various grievance channels, including suggestion mailbox and e-mail. Both the employer and employees can build a virtuous cycle of mutual benefit between both parties based on the principle of harmony and rational communication.

5.3 Losses suffered due to labor disputes in the most recent fiscal year up to the publication date of this annual report:

Company	Disposition dates	Disposition reference numbers	The articles of law violated	The substance of the legal violations	The content of the dispositions
Far Eastern Ai Mai Co., Ltd.	108.01.18	Fu-She-Lao-No. 1080012718	The Article 24.1 of Labor Standards Act	Part time employees were required to work on the rest days, and the rest day overtime wages were not reimbursed. (Improved)	Administrative fine: NT\$20,000
Ya Tung Department Store Ltd.	108.02.25	Taipei-Lao-Dong-No. 10760922141	The Article 24.1 of Labor Standards Act	Although employees have individually agreed to flexible working hours in four weeks, a labor-management meeting was not held in advance to complete the statutory procedures. Therefore employees who worked with flexible working hours were considered as working overtime without being reimbursed with overtime wages. (The labor-management meeting has been held to complete the statutory procedures and is held regularly once every three months.)	Administrative fine: NT\$20,000
Pacific SOGO Department Store. Co., Ltd.	108.03.12	Taipei-Lao-Dong-No. 10860094441	The Article 24.2 of Labor Standards Act	Wages for working on the rest days were not paid to employees as required by law. (The Company has modified the way of duty arrangement and examination, and has paid the rest day wages accordingly.)	Administrative fine: NT\$20,000
Far Eastern City Super Ltd.	108.11.07	Fu-Lao-Jian-No. 1080281527	The Article 30.6 of Labor Standards Act	Staff attendance records in minutes should be recorded on daily basis. (Improved)	Administrative fine: NT\$20,000

## 6. Important Contracts And Agreements

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
Commercial Real Estate Lease Contract	The Company and Taoyuan City Farmers Association	2018.05~2033.05	<p>To expand our business locations, and increase our market share, the Company invested in the Taoyuan County Farmers' Association to construct and operate a commercial building in front of the Taoyuan County Farmers' Association Station, where the address of the exact construction location is B3-12F, No. 20, Zhongzheng Road, Taoyuan City. This commercial building opened on October 26, 1999.</p> <p>As the original contract expired in May 2018, the Company and Taoyuan City Farmers' Association (where the previous Taoyuan County Farmers' Association was renamed Taoyuan City Farmers' Association as Taoyuan County was upgraded to a municipality on December 25, 2014) signed a new lease contract, with a lease period of 15 years.</p>	None
	The Company and Far Eastern Ai Mai Co., Ltd.	2009.10~2029.10	The Company rented the storage areas on the first floor underground and third floor of the building located at No 581, Heping Road, Guofeng Village, Hualien City, to Far Eastern Ai Mai Co., Ltd. for the purpose of running a hypermarket and retail business. The building was officially opened on October 28, 2009.	None
	The Company and FEDS Asia Pacific Development Co., Ltd.	2016.10~2036.10	The 5 <sup>th</sup> floor underground to the 18 <sup>th</sup> floor of the building located at No. 21, Sanduo 4 <sup>th</sup> Road, Kaohsiung City, was leased to run a department store, a supermarket and other businesses.	None
	The Company and Ministry of Education	2006.04~2027.4	To expand our business locations, and increase our market share, the Company successfully obtained the right to lease pieces of state-owned school land located in Parcel No. 89 and 91, Huiguo Section, Xitun District, Taichung City from the Ministry of Education via tender on November 28, 2005. In the second quarter of 2006, the Company signed an official lease contract with the Ministry of Education. According to the contract, the lease period was 20 years. However, the Company was given a one-year rent-free planning period; thus, the rent was calculated beginning April 6, 2007. After the expiration of the lease period, the Company may apply for contract renewal once for a lease period of 20 years. The rent for the first year was NT\$140,288 thousand, and the rent shall be adjusted once every three years from the start of the lease contract. The Company has completed the construction of the building and officially put the building into operation at the end of 2011. Besides, the Company entrusted the building on the ground to Land Bank of Taiwan.	None

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
Commercial Real Estate Lease Contract	Pacific SOGO Department Store. Co., Ltd. and Department of Rapid Transit Systems Taipei City Government, Taipei City Department of Finance, and Hung Ton Development Corporation	2007.01 Signed	<p>Pacific Sogo Department Stores Co., Ltd. signed a public real property lease contract with the Department of Rapid Transit Systems of Taipei City Government, the Department of Finance of Taipei City Government, and Hung Ton Development Corporation for the joint development building at Zhongxiao Fuxing Station (BR4) along the Taipei Metro Muzha Line. According to the contract, Pacific Sogo shall pay a fixed monthly rent of NT\$12,701 thousand to the Department of Rapid Transit Systems of Taipei City Government and the Department of Finance of Taipei City Government for a period of 9 years and 6 months from the official opening of Fuxing Store. Beginning 2014, the fixed monthly shall be increased to NT\$13,125 thousand. On the other hand, the rent shall be calculated based on the annual turnover of Fuxing Store (BR4).</p> <p>Before the expiration of the lease period, Pacific Sogo renewed the lease contract in June 2016, with a lease period of 9 years and 6 months, in which the monthly rent in the first year is NT\$20,263 thousand, and shall be adjusted beginning the second year in accordance with the lease contract.</p> <p>To obtain the right to lease the joint development building at Fuxing Store (BR4), Pacific Sogo made an advance payment to the holder of the development rights for Fuxing Store (BR4) - Hung Ton Development Corporation, and signed a lease contract with Hung Ton Development Corporation in December 2006 to lease the land and the building for Fuxing Store (BR4) owned by Hung Ton Development Corporation. This contract stipulated that when Pacific Sogo has paid an amount exceeding the rent payable, the overpaid amount shall be regarded as prepaid rent paid by Pacific Sogo Department Stores Co., Ltd., which shall be deducted from future monthly rent payable.</p>	None
	Far Eastern Ai Mai Co., Ltd. and Far Eastern Construction Co. Ltd.	109.03 Signed	Far Eastern Ai Mai Co., Ltd. signed a real property lease contract with Far Eastern Construction Co. Ltd. According to the contract, Far Eastern Construction Co. Ltd. shall provide the land for construction, whereas Far Eastern Ai Mai Co., Ltd. shall construct the hyper store. The annual rent shall be calculated based on sum of fixed rent and the annual turnover of hyper store. The lease period is 20 years beginning on the date the building receives usage license and is delivered to lessee.	None
	Far Eastern Ai Mai Co., Ltd. and Hsin Chu Chemical Industrial Co., Ltd.	2001.11 Signed	In November 2001, Far Eastern Ai Mai Co., Ltd. signed a real property lease contract with Hsinchu Chemical Co., Ltd. According to the contract, Hsinchu Chemical Co., Ltd. shall provide the land for the construction of a hypermarket. Funds for the construction of the building	None



Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
			was contributed by Hsinchu Chemical Co., Ltd. and FEDS in the ratio of 1 to 2, where the contribution made by Far Eastern Ai Mai Co., Ltd. (including pre-development expenses) shall be regarded as prepaid lease payment, which is amortized on average based on the remaining contractual years (19 years and 3 months) from the opening of the hypermarket.	
Establishment of Superficies for Land	FEDS Asia Pacific Development Ltd. and Asia Cement Corporation	1998.01 Signed	FEDS Asia Pacific Development Co., Ltd. signed a contract with Asia Cement Corporation to invest in the construction and operation of the Asia Plaza Tri-Tower Complex in Kaohsiung (Far Eastern Asia Pacific Shopping Mall). According to the contract, Asia Cement Corporation shall provide the land for construction, whereas FEDS Asia Pacific Development Ltd. shall construct the commercial building. FEDS Asia Pacific Development Ltd. may use the land for 50 years from the date of signing the contract, and shall pay NT\$1,073,000 thousand as surface rights fee, which shall be amortized on average according to the period of use. In addition, the company shall pay 5% of the announced land value as land rent every November from the date of signing the contract. This building was completed in October 2001. The cost of investing in the construction of the commercial building shall be calculated based on the total contract price of the construction project, and shall be amortized on average during the period of use (From October 2001 to December 2047).	None
	The Company and Taipei City Government	2003.10 Signed	The Company obtained surface rights of city-owned land in Taipei Xinyi Special District No. A13 of Taipei City Government in September 2003, where the total surface rights fee is NT\$3,196,888 thousand. The setting of surface rights was completed in October 2003. According to the contract, the duration of the surface rights is 50 years from the date on which the registration of surface rights is completed. In addition, the monthly rent is NT\$3,771 thousand from the date of signing the contract, and shall be adjusted together with the announced land value.	None
	Chubei New Century Shopping Mall Co., Ltd and Hsinchu County Government	2015.7 Signed	On July 8, 2015, Chubei New Century Shopping Mall Co., Ltd signed the "Investment Contract for the Commissioning of the Private Sector to Participate in the Construction of Parking Lot No. 8 in Zhubei City, Hsinchu County" with Hsinchu County Government, where the total surface rights fee is NT\$10,000 thousand. The setting of surface rights was completed in September 2015. According to the contract, the surface rights shall take effect from the date of signing the investment contract for a period of 50 years, including the construction and operation period. On the other hand, from the date of signing the contract, the land rent shall	None

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
			be 1% of the total declared land value during the construction period, and 3% of the total declared land value during the operation period. The land rent shall be adjusted together with the announced land value.	
Joint Venture Contract	The Company And Malaysia City Super Limited	2004.07 Signed	To develop the integrity of the retail system for food and daily life products.	None
Covenant to Manage Buildings held in division	The company and Far Eastern Construction Co.,Ltd	2011.06.14~2026.12.31	The Company and Far Eastern Construction., Co., Ltd. jointly own the 13 <sup>th</sup> floor and the 4th floor underground of the building located on Parcel No. 8, 9, 10, 14, and 14-1 in Subsection 2, Xinban Section, Banqiao District, New Taipei City, as well as the 3 <sup>rd</sup> floor and the 1 <sup>st</sup> floor underground of the newly constructed building on Parcel No. 8 in Subsection 2, Xinban Section, Banqiao District, New Taipei City. Both parties agree to hand over all the subject matters of the contract to the Company for use and management, where these subject matters will be used by the Company as department stores or rented out to third parties for commercial use. The Company shall pay rent to Far Eastern Construction., Co., Ltd. according to the contract, with the lease period ending on December 31, 2026. If the Company wishes to renew the contract upon expiration of the contract, the Company shall submit a written notice 6 months before the expiration of the contract. Both parties shall launch negotiations to formulate a new contract before the expiration of the contract, where the renewal period shall be 15 years.	None

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
Far Eastern Department Stores Ltd. Long-Term Borrowing Contract	Mega International Commercial Bank	2019.09 - 2021.09	Bank Loans	None
	Bank Of Taiwan	2018.01 - 2021.01		
	Hua Nan Commercial Bank	2019.07 - 2021.07		
	CTBC	2019.11 - 2021.10		
	Bank of China	2019.07 - 2021.07		
	KGI Bank	2018.06 - 2020.06	Bank Loans	None
Bai Yang Investment Co.,Ltd Long-Term Borrowing Contract	Taishin International Bank	2019.05 - 2021.05	Bank Loans	None
Chubei New Century Shopping Mall Co.,Ltd Long-Term Borrowing Contract	Management Bank: Hua Nan Commercial Bank	2018.02 - 2023.02	Bank Loans	None
Pacific Sogo Department Stores Co., Ltd. Long-Term Borrowing Contract	Hua Nan Commercial Bank	2019.12 - 2021.12	Bank Loans	None
	Chang Hwa Commercial Bank	2019.05 - 2021.05		
	Bank of China	2019.07 - 2021.07		
	Mega International Commercial Bank	2019.08 - 2021.08		
	Sumitomo Mitsui Banking Corporation	2019.08 - 2021.08		
	Mizuho Bank	2019.09 - 2021.09		

## VI. Financial Information

### 1. Financial Summary for The Last Five Years and Independent Auditors' Report

#### 1.1 Condensed Balance Sheets & Statements of Comprehensive Income

##### 1.1.1. Condensed Consolidated Balance Sheets

Unit: NT\$ thousands

Year		Five-Year Financial Summary					Mar 31, 2020
Item		2015	2016	2017	2018	2019	
<b>Current Assets</b>		18,077,296	21,741,067	25,311,692	25,052,856	20,746,075	18,716,897
<b>Property, plant and equipment</b>		45,612,886	43,626,582	43,699,225	43,532,941	34,323,257	34,084,522
<b>Intangible assets</b>		7,240,992	6,244,854	5,059,516	3,449,258	2,477,815	2,525,041
<b>Other assets</b>		35,406,312	34,583,107	31,638,018	31,711,286	72,963,958	72,075,698
<b>Total assets</b>		106,337,486	106,195,610	105,708,451	103,746,341	130,511,105	127,402,158
<b>Current liabilities</b>	<b>Before distribution</b>	44,141,119	48,187,858	51,115,648	46,630,770	47,667,701	45,533,565
	<b>After distribution</b>	45,558,059	49,179,716	52,532,588	47,835,170	—	—
<b>Non-current liabilities</b>		25,344,496	21,564,950	17,734,625	19,425,181	43,939,597	43,766,022
<b>Total liabilities</b>	<b>Before distribution</b>	69,485,615	69,752,808	68,850,273	66,055,951	91,607,298	89,299,587
	<b>After distribution</b>	70,902,555	70,744,666	70,267,213	67,260,351	—	—
<b>Equity attributed to owners of parent</b>		29,246,999	28,630,571	28,998,718	29,523,906	30,790,406	29,963,103
<b>Common stock</b>		14,169,406	14,169,406	14,169,406	14,169,406	14,169,406	14,169,406
<b>Capital surplus</b>		3,315,420	3,319,868	3,315,931	3,315,420	3,327,466	3,327,474
<b>Retained earnings</b>	<b>Before distribution</b>	7,863,493	7,443,007	7,931,970	7,904,938	8,095,475	8,173,366
	<b>After distribution</b>	6,446,553	6,451,149	6,515,030	6,700,538	—	—
<b>Other equity</b>		3,995,790	3,795,400	3,678,521	4,231,252	5,295,169	4,389,967
<b>Treasury stocks</b>		(97,110)	(97,110)	(97,110)	(97,110)	(97,110)	(97,110)
<b>Non-controlling interests</b>		7,604,872	7,812,231	7,859,460	8,166,484	8,113,401	8,139,468
<b>Total equity</b>	<b>Before distribution</b>	36,851,871	36,442,802	36,858,178	37,690,390	38,903,807	38,102,571
	<b>After distribution</b>	35,434,931	35,450,944	35,441,238	36,485,990	—	—

### 1.1.2. Condensed Consolidated Statements of Comprehensive Income

Unit: NT\$ thousands, except earnings per share

Item \ Year	Five-Year Financial Summary (Note 1)					2020/01/01~03/31
	2015	2016	2017	2018	2019	
Operating Revenues	44,998,319	43,496,489	41,166,982	39,242,551	37,896,062	8,634,165
Gross Profit	22,740,386	21,901,122	20,493,375	20,150,967	19,642,613	4,231,913
Operating Profit	2,928,831	3,161,116	3,086,724	4,187,329	4,538,651	650,175
Total Non-Operating Income And Expenses	485,842	(1,039,835)	(387,882)	(1,638,214)	(1,435,713)	(351,825)
Profit Before Income Tax	3,414,673	2,121,281	2,698,842	2,549,115	3,102,938	298,350
Net Profit For The Year	2,153,301	1,495,558	1,845,022	1,650,495	2,152,269	102,882
Other Comprehensive (Loss) Income For The Year, Net Of Income Tax	(2,264,467)	(289,010)	(159,208)	907,277	1,237,650	(904,126)
Total Comprehensive Income For The Year	(111,166)	1,206,548	1,685,814	2,557,772	3,389,919	(801,244)
Owners Of The Company	1,714,770	1,134,252	1,535,986	1,318,150	1,781,843	77,891
Non-Controlling Interests	438,531	361,306	309,036	332,345	370,426	24,991
Owners Of The Company	(530,347)	797,192	1,363,957	2,029,426	3,044,048	(827,311)
Non-Controlling Interests	419,181	409,356	321,857	528,346	345,871	26,067
EPS (NT\$/Share)	1.20	0.81	1.09	0.94	1.26	0.06

### 1.1.3. Condensed Balance Sheets (Stand-alone)

Unit: NT\$ thousands

Year \ Item		2015	2016	2017	2018	2019
Current assets		1,814,999	1,892,513	1,886,095	2,519,024	2,061,664
Property, plant and equipment		26,098,891	25,385,789	25,020,048	25,314,067	18,724,837
Intangible assets		12,553	24,189	50,001	50,207	55,892
Other assets		31,982,528	31,059,094	33,934,933	33,674,667	58,596,823
Total assets		59,908,971	58,361,585	60,891,077	61,557,965	79,439,216
Current liabilities	Before distribution	14,924,730	17,806,328	20,999,068	18,588,427	20,207,931
	After distribution	16,341,670	18,798,186	22,416,008	19,792,827	—
Non-current liabilities		15,737,242	11,924,686	10,893,291	13,445,632	28,440,879
Total liabilities	Before distribution	30,661,972	29,731,014	31,892,359	32,034,059	48,648,810
	After distribution	32,078,912	30,722,872	33,309,299	33,238,459	—
Common stock		14,169,406	14,169,406	14,169,406	14,169,406	14,169,406
Capital surplus		3,315,420	3,319,868	3,315,931	3,315,420	3,327,466
Retained earnings	Before distribution	7,863,493	7,443,007	7,931,970	7,904,938	8,095,475
	After distribution	6,446,553	6,451,149	6,515,030	6,700,538	—
Other equity		3,995,790	3,795,400	3,678,521	4,231,252	5,295,169
Treasury stocks		(97,110)	(97,110)	(97,110)	(97,110)	(97,110)
Total equity attributable to owners of the Company	Before distribution	29,246,999	28,630,571	28,998,718	29,523,906	30,790,406
	After distribution	27,830,059	27,638,713	27,581,778	28,319,506	—

#### 1.1.4. Condensed Statements of Comprehensive Income (Stand-alone) – IFRSs

Unit: NT\$ thousands, except earnings per share

Year Item	2015	2016	2017	2018	2019
Operating Revenues	10,348,566	10,524,713	10,581,149	10,781,588	10,614,744
Gross Profit	6,637,882	6,680,975	6,483,723	6,496,456	6,445,982
Operating Profit	1,531,132	1,844,302	1,882,157	2,089,339	2,125,167
Total Non-Operating Income And Expenses	568,193	(457,339)	(100,506)	(455,490)	69,386
Profit Before Income Tax	2,099,325	1,386,963	1,781,651	1,633,849	2,194,553
Net Profit For The Year	1,714,770	1,134,252	1,535,986	1,318,150	1,781,843
Other Comprehensive (Loss) Income For The Year, Net Of Income Tax	(2,245,117)	(337,060)	(172,029)	711,276	1,262,205
Total Comprehensive Income For The Year	(530,347)	797,192	1,363,957	2,029,426	3,044,048
EPS (NT\$/Share)	1.20	0.81	1.09	0.94	1.26

#### 1.2 Names and Opinions of Independent Auditors in Recent Five Years

Year Auditor	2015	2016	2017	2018	2019
Deloitte & Touche	Gary Cho Hung Bin Yu	Vivian Yeh Kenny Hong	Vivian Yeh Kenny Hong	Vivian Yeh Gary Cho	Vivian Yeh Gary Cho
Opinions	Modified Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion

## 2. Financial Ratio Analysis for Recent Five Years

### 2.1 Financial Ratio Analysis (Consolidated)

Year (Note 1) Item (Note 2)		Five-Year Financial Summary					2020/01/01~ 2020/03/01
		2015	2016	2017	2018	2019	
Financial structure	Ratio of liabilities to assets (%)	65.34	65.68	65.13	63.67	70.19	70.09
	Ratio of long-term capital to property, plant and equipment (%)	136.35	132.96	124.92	131.20	241.36	240.19
Liquidity analysis	Current ratio (%)	40.95	45.11	49.51	53.72	43.52	41.10
	Quick ratio (%)	31.98	37.17	42.62	45.59	36.62	33.59
	Interest coverage ratio (times)	8.4	5.95	7.05	6.82	4.71	2.33
Operating ability	Receivables turnover(times)	63.21	52.79	37.63	26.32	28.62	45.43
	Average collection period (days)	5.77	6.91	9.69	13.86	12.75	8.03
	Inventory turnover (times)	7.47	7.37	7.6	7.03	6.49	6.16
	Payables turnover (times)	1.26	1.28	1.16	1.03	1.08	1.44
	Average sales days (days)	48.86	49.52	48.02	51.92	56.24	59.25
	Property, plant and equipment turnover (times)	0.96	0.97	0.94	0.89	1.11	1.00
	Total assets turnover (times)	0.41	0.40	0.38	0.37	0.28	0.26
Profitability analysis	Return on total assets (%)	2.32	1.74	2.09	1.91	2.14	0.87
	Return on equity	5.64	4.08	5.03	4.42	5.67	1.06
	Pre-tax income to paid-in capital (%) (Note 6)	24.09	14.97	19.04	17.99	21.89	2.10
	Ratio of net income to sales (%)	4.78	3.43	4.48	4.20	5.67	1.19
	EPS (NT\$/share)	1.20	0.81	1.09	0.94	1.26	0.06
Cash flow	Cash flow ratio (%)	9.38	11.41	14.02	9.62	16.54	—
	Cash flow adequacy ratio (%)	105.47	115.74	148.24	148.96	166.06	176.39
	Cash reinvestment ratio (%)	3.35	6.70	10.82	4.92	7.82	—
Leverage	Operating leverage	2.17	2.05	1.98	1.65	2.23	3.26
	Financial leverage	1.19	1.16	1.17	1.11	1.22	1.52

Analysis of variations exceeding 20% of the numbers in previous year for 2018 and 2019:

- 1.The increase in ratio of long-term capital to property, plant and equipment mainly due to the increase in liabilities after adopting IFRS 16.
- 2.The decrease in quick ratio mainly due to the increase in current liabilities after adopting IFRS 16.
- 3.The decrease in interest coverage ratio mainly due to the increase in interest expenses after adopting IFRS 16.
- 4.The increase in property, plant and equipment turnover mainly due to the decrease in property, plant and equipment after adopting IFRS 16.
- 5.The decrease in total assets turnover mainly due to the increase in total assets after adopting IFRS 16.
- 6.The increase in return on equity, pre-tax income to paid-in capital, and ratio of net income to sales and EPS mainly due to the increase in net income.
- 7.The increase in cash flow ratio and cash reinvestment ratio mainly due to the increase in pre-tax income and the effect after adopting IFRS 16.
- 8.The increase in operating leverage mainly due to the decrease in variable operating costs and expense.

## 2.2 Financial Ratio Analysis (Stand-alone)

Item ( Note 2 )		Year	2015	2016	2017	2018	2019
Financial structure	Ratio of liabilities to assets (%)		51.18	50.94	52.37	52.03	61.24
	Ratio of long-term capital to property, plant and equipment (%)		172.36	159.75	159.44	169.74	316.32
Liquidity analysis	Current ratio (%)		12.16	10.62	8.98	13.55	10.20
	Quick ratio (%)		7.67	6.98	6.29	10.16	6.27
	Interest coverage ratio (times)		10.19	7.85	9.94	10.66	6.80
Operating ability	Receivables turnover(times)		38.63	30.29	23.00	16.79	17.60
	Average collection period (days)		9.44	12.05	15.86	21.73	20.73
	Inventory turnover (times)		8.79	9.45	10.97	11.54	8.89
	Payables turnover (times)		1.03	1.09	0.93	0.81	0.91
	Average sales days (days)		41.52	38.62	33.27	31.62	41.05
	Property, plant and equipment turnover (times)		0.38	0.40	0.41	0.42	0.58
	Total assets turnover (times)		0.16	0.17	0.17	0.17	0.13
Profitability analysis	Return on total assets (%)		3.10	2.20	2.85	2.37	2.70
	Return on equity		5.63	3.91	5.33	4.50	5.96
	Pre-tax income to paid-in capital %(Note 6)		14.81	9.78	12.57	11.53	15.48
	Ratio of net income to sales (%)		16.57	10.77	14.51	12.22	16.78
	EPS (NT\$/share)		1.20	0.81	1.09	0.94	1.26
Cash flow	Cash flow ratio (%)		22.25	15.84	22.23	14.93	13.62
	Cash flow adequacy ratio (%)		112.10	114.26	142.52	146.46	140.45
	Cash reinvestment ratio (%)		4.18	3.46	9.21	3.16	2.61
Leverage	Operating leverage		1.85	1.70	1.63	1.49	1.79
	Financial leverage		1.17	1.12	1.11	1.08	1.21

Analysis of variations exceeding 20% of the numbers in previous year for 2018 and 2019:

1. The increase in ratio of long-term capital to property, plant and equipment mainly due to the increase in non-current liabilities after adopting IFRS 16.
2. The decrease in current ratio and quick ratio mainly due to the increase in current liabilities after adopting IFRS 16.
3. The decrease in interest coverage ratio mainly due to the increase in interest expenses after adopting IFRS 16.
4. The decrease in inventory turnover and the increase in average sales days mainly due to the increase in average inventory.
5. The increase in property, plant and equipment turnover mainly due to the decrease in property, plant and equipment after adopting IFRS 16.
6. The decrease in total assets turnover mainly due to the increase in average total assets after adopting IFRS 16.
7. The increase in all items of profitability analysis mainly due to the increase in net income.
8. The increase in operating leverage mainly due to the decrease in variable operating costs and expense.

Note 1 : The numbers is calculated based on 2020Q1 financial report reviewed by CPA. °

Note 2 : At the end of the annual report, the following formula should be listed. :

### 1. Financial structure

(1) Liabilities to assets ratio = Total liabilities / Total assets

(2) Long-term capital to fixed assets ratio = (Total shareholders' equity + Long-term liabilities) / Net fixed assets

### 2. Liquidity analysis

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities

(3) Interest coverage ratio = Net income before income tax and interest expenses / Interest expenses



### 3. Operating ability

- (1) Receivables turnover (including accounts and notes receivable) = Net sales / Average accounts receivable (including accounts and notes receivable)
- (2) Average collection days = 365 / Accounts receivable turnover
- (3) Inventory turnover = Costs of goods sold / Average inventory
- (4) Average sales days = 365 / Inventory turnover
- (5) Payables turnover (including accounts and notes payable) = Costs of goods sold / Average accounts payable (including accounts and notes payable)
- (6) Fixed assets turnover ratio = Net sales / Net fixed assets
- (7) Total assets turnover ratio = Net sales / Total assets

### 4. Profitability analysis

- (1) Return on total assets = [Net income + Interest expenses × (1 - Tax rate)] / Average total assets
- (2) Return on shareholders' equity = Net income / Average shareholders' equity
- (3) Net income to sales ratio = Net income / Net sales
- (4) Earnings per share = (Net income - Preferred stock dividend) / Weighted-average number of outstanding shares.

### 5. Cash flow

- (1) Cash flow ratio = Cash flows from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditures + Increase in inventory + Cash dividends) for the past 5 years
- (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross fixed assets + Long-term Investment + Other assets + Working capital)

### 6. Leverage

- (1) Operating leverage = (Net sales - Variable operating costs and expenses) / Operating income
- (2) Financial leverage = Operating income / (Operating income - Interest expenses)

### **3. The Audit Committee's Review Report**

#### **The Audit Committee's Review Report**

To the 2020 General Shareholders' Meeting of Far Eastern Department Stores Ltd,

In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we have examined the Business Report, Financial Statements, and the Resolution for Allocation of Surplus Profit submitted by the Board of Directors for the year ending 2019 which had been audited by Deloitte & Touche, and found them in order.

The Convener of the Audit Committee: Edward Wei

5 May, 2020

**4.Impact of the Financial Distress Occurred to the Company and Affiliates in Recent Years until the Annual Report Being Published : None**

## **5. 2019 FINANCIAL REPORT (CONSOLIDATED)**

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Far Eastern Department Stores, Ltd.

#### **Opinion**

We have audited the accompanying consolidated financial statements of Far Eastern Department Stores, Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

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, 2019 and 2018, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. 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.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

#### **Evaluation of Impairment Loss of Goodwill**

As of December 31, 2019, the goodwill of the Group was NT\$2,206,898 thousand, accounting for 2% of total consolidated assets. Under IAS 36, management must test impairment annually.

The goodwill of the Group mainly derives from the merger and acquisition of operating segments in mainland China. When testing goodwill for impairment, management should evaluate whether the recoverable amount is higher than the carrying amount. In determining the recoverable amount, management should estimate the future cash flows from operating segments in mainland China and determine the optimal discount rate. Significant assumptions involve both judgments made by management and material estimation uncertainty. Thus, the evaluation of impairment loss of goodwill is considered a key audit matter. For the accounting policy related to impairment loss of the goodwill, refer to Notes 4(j), 5(a) and 17 to the accompanying consolidated financial statements.

The key audit procedures that we performed in respect of the impairment loss of goodwill are as follows:

1. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure their objectivity and assignment were not influenced or restricted and we verified the methodology conducted conform to regulations.
2. We understood the process of management's estimation of the future sales growth rate and profit margin predicted by the operating segments in mainland China.
3. As a consideration for the assessment reliability for year 2020 and succeeding years, we compared the 2019 budget and the actual operating results of the operating segments in mainland China and evaluated the accuracy of management's historical forecast.
4. We confirmed the appropriateness of the discount rate used by management to assess goodwill impairment by using the same evaluation model to calculate the weighted average cost of capital ratio and whether the weighted average cost of capital used by management was significantly different.

#### Fair Value Evaluation of Investment Properties

As of December 31, 2019, the carrying amount of investment properties of NT\$9,086,641 thousand, accounting for 7% of total consolidated assets, is material to the consolidated financial statements. The Group's investment properties are subsequently measured using the fair value model. The fair value evaluation involved management's significant accounting estimation and judgment. Therefore, the fair value evaluation of investment property is considered to be a key audit matter. Refer to Notes 4(i), 5(c) and 16 to the accompanying consolidated financial statements for the relevant detailed information.

The key audit procedures that we performed in respect of the fair value of investment properties are as follows:

1. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure that their objectivity and assignment were not influenced or restricted and we verified the methodology conducted conform to regulations.
2. We reviewed significant lease contracts and compared relevant market rental prices to assess the reasonableness of future cash flow forecasts.
3. We assessed the reasonableness of the valuer's assumptions and methods used in the valuation.

#### **Others Matter**

We have also audited the parent company only financial statements of Far Eastern Department Stores, Ltd. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

## **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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect 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, including members of the audit committee, are responsible for overseeing the Group's financial reporting process.

## **Auditors' 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 auditors' 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 the 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 auditors' 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 and appropriate audit evidence regarding the financial information of 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 remain solely responsible for our audit opinion.

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 for the year ended December 31, 2019 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-Chuan Yeh and Ming-Hsing Cho.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 27, 2020

#### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 13,424,223	10	\$ 14,594,847	14
Financial assets at fair value through profit or loss - current (Note 7)	457,256	1	437,747	-
Financial assets at fair value through other comprehensive income - current (Notes 8 and 33)	297,456	-	244,785	-
Financial assets at amortized cost - current (Notes 9 and 33)	1,443,974	1	2,077,919	2
Notes receivable (Note 10)	1,132	-	2,287	-
Trade receivables (Note 10)	744,436	1	1,582,273	2
Trade receivables from related parties (Notes 10 and 32)	161,935	-	155,942	-
Other receivables (Notes 10 and 32)	915,309	1	2,159,355	2
Current tax assets (Note 27)	10,812	-	5,655	-
Inventories (Note 11)	2,780,889	2	2,729,234	3
Prepayments (Notes 18 and 32)	398,558	-	977,014	1
Other current assets (Notes 19 and 32)	110,095	-	85,798	-
Total current assets	<u>20,746,075</u>	<u>16</u>	<u>25,052,856</u>	<u>24</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 33)	5,030,564	4	3,960,014	4
Financial assets at amortized cost- non-current (Notes 9 and 33)	146,000	-	227,400	-
Investments accounted for using the equity method (Notes 13 and 33)	10,107,165	8	8,678,647	8
Property, plant and equipment (Notes 14, 32 and 33)	34,323,257	26	43,532,941	42
Right-of-use assets (Note 15)	44,764,810	34	-	-
Investment properties (Notes 16 and 33)	9,086,641	7	8,690,640	8
Intangible assets (Note 17)	2,477,815	2	3,449,258	3
Deferred tax assets (Note 27)	589,225	-	772,100	1
Net defined benefit assets (Note 23)	234,035	-	-	-
Long-term prepayments for lease (Notes 18 and 32)	1,060,658	1	7,704,464	8
Other non-current assets (Notes 19 and 32)	1,944,860	2	1,678,021	2
Total non-current assets	<u>109,765,030</u>	<u>84</u>	<u>78,693,485</u>	<u>76</u>
<b>TOTAL</b>	<u>\$ 130,511,105</u>	<u>100</u>	<u>\$ 103,746,341</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 20, 32 and 33)	\$ 9,630,896	7	\$ 12,957,612	13
Short-term bills payable (Notes 20 and 33)	3,622,993	3	3,480,365	3
Contract liabilities - current (Notes 25 and 32)	7,770,828	6	7,525,468	7
Notes payable	3,184	-	3,683	-
Trade payables	15,120,910	11	17,579,453	17
Trade payables to related parties (Note 32)	93,455	-	104,999	-
Other payables (Notes 21, 24 and 32)	3,971,660	3	3,687,578	4
Current tax liabilities (Note 27)	772,780	1	609,796	1
Provisions - current (Note 22)	3,000	-	6,592	-
Lease liabilities - current (Notes 15 and 32)	3,381,049	3	-	-
Advance receipts (Note 32)	440,970	-	354,277	-
Current portion of long-term borrowings (Notes 20 and 33)	2,540,000	2	-	-
Other current liabilities (Notes 21 and 32)	315,976	-	320,947	-
Total current liabilities	<u>47,667,701</u>	<u>36</u>	<u>46,630,770</u>	<u>45</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 20 and 33)	14,999,757	12	15,090,000	15
Provisions - non-current (Note 22)	24,823	-	24,909	-
Deferred tax liabilities (Note 27)	2,312,954	2	2,114,362	2
Lease liabilities - non-current (Notes 15 and 32)	25,406,473	19	-	-
Net defined benefit liabilities (Note 23)	738,431	1	808,480	1
Other non-current liabilities (Notes 21 and 32)	457,159	-	1,387,430	1
Total non-current liabilities	<u>43,939,597</u>	<u>34</u>	<u>19,425,181</u>	<u>19</u>
Total liabilities	<u>91,607,298</u>	<u>70</u>	<u>66,055,951</u>	<u>64</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital				
Ordinary shares	14,169,406	11	14,169,406	14
Capital surplus	3,327,466	3	3,315,420	3
Retained earnings				
Legal reserve	3,298,695	3	3,166,880	3
Special reserve	2,865,351	2	2,656,286	2
Unappropriated earnings	1,931,429	1	2,081,772	2
Total retained earnings	8,095,475	6	7,904,938	7
Other equity	5,295,169	4	4,231,252	4
Treasury shares	(97,110)	-	(97,110)	-
Total equity attributable to owners of the Company	30,790,406	24	29,523,906	28
<b>NON-CONTROLLING INTERESTS</b>	<u>8,113,401</u>	<u>6</u>	<u>8,166,484</u>	<u>8</u>
Total equity	<u>38,903,807</u>	<u>30</u>	<u>37,690,390</u>	<u>36</u>
<b>TOTAL</b>	<u>\$ 130,511,105</u>	<u>100</u>	<u>\$ 103,746,341</u>	<u>100</u>

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

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 25 and 32)	\$ 37,896,062	100	\$ 39,242,551	100
OPERATING COSTS (Notes 11, 26 and 32)	<u>18,253,449</u>	<u>48</u>	<u>19,091,584</u>	<u>49</u>
GROSS PROFIT	<u>19,642,613</u>	<u>52</u>	<u>20,150,967</u>	<u>51</u>
OPERATING EXPENSES (Notes 23, 26 and 32)				
Selling and marketing expenses	891,625	2	923,663	2
General and administrative expenses	14,211,781	38	15,056,030	39
Expected credit loss (gain)	<u>556</u>	<u>-</u>	<u>(16,055)</u>	<u>-</u>
Total operating expenses	<u>15,103,962</u>	<u>40</u>	<u>15,963,638</u>	<u>41</u>
OPERATING PROFIT	<u>4,538,651</u>	<u>12</u>	<u>4,187,329</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 26)	376,748	1	530,849	1
Other losses (Notes 14, 17, 26 and 32)	(1,035,197)	(3)	(1,743,179)	(4)
Finance costs (Notes 26 and 32)	(835,329)	(2)	(437,280)	(1)
Share of profit of associates accounted for using the equity method	<u>58,065</u>	<u>-</u>	<u>11,396</u>	<u>-</u>
Total non-operating income and expenses	<u>(1,435,713)</u>	<u>(4)</u>	<u>(1,638,214)</u>	<u>(4)</u>
PROFIT BEFORE INCOME TAX	3,102,938	8	2,549,115	6
INCOME TAX EXPENSE (Note 27)	<u>950,669</u>	<u>2</u>	<u>898,620</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,152,269</u>	<u>6</u>	<u>1,650,495</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (Notes 23, 24 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	1,118,564	3	534,199	2
Remeasurement of defined benefit plans	230,902	-	(50,328)	-
Share of other comprehensive (loss) income of associates accounted for using the equity method	(61,630)	-	409,335	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(46,260)</u>	<u>-</u>	<u>23,366</u>	<u>-</u>
	<u>1,241,576</u>	<u>3</u>	<u>916,572</u>	<u>3</u>

(Continued)



# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2019</u>		<u>2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ 53,578	-	\$ (14,562)	-
Share of other comprehensive (loss) income of associates accounted for using the equity method	<u>(57,504)</u>	<u>-</u>	<u>5,267</u>	<u>-</u>
	<u>(3,926)</u>	<u>-</u>	<u>(9,295)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>1,237,650</u>	<u>3</u>	<u>907,277</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,389,919</u>	<u>9</u>	<u>\$ 2,557,772</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,781,843	5	\$ 1,318,150	3
Non-controlling interests	<u>370,426</u>	<u>1</u>	<u>332,345</u>	<u>1</u>
	<u>\$ 2,152,269</u>	<u>6</u>	<u>\$ 1,650,495</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 3,044,048	8	\$ 2,029,426	5
Non-controlling interests	<u>345,871</u>	<u>1</u>	<u>528,346</u>	<u>2</u>
	<u>\$ 3,389,919</u>	<u>9</u>	<u>\$ 2,557,772</u>	<u>7</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 1.26</u>		<u>\$ 0.94</u>	
Diluted	<u>\$ 1.26</u>		<u>\$ 0.93</u>	

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

(Concluded)

# **FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										Non-controlling Interests (Note 24)	Total	Total Equity
	Share Capital (Note 24)	Capital Surplus (Note 24)	Retained Earnings (Note 24)			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain on Property Revaluation	Treasury Shares (Note 24)			
BALANCE AT JANUARY 1, 2018	\$ 14,169,406	\$ 3,315,931	Legal Reserve	Special Reserve	Unappropriated Earnings	\$ 86,048	\$ 1,421,503	\$ -	\$ 2,170,970	\$ (97,110)	\$ 7,859,460	\$ 28,998,718	\$ 36,858,178
Effect of retrospective application and retrospective restatement	-	-	-	-	92,444	-	(1,421,503)	1,242,300	-	-	-	(86,759)	(86,759)
BALANCE AT JANUARY 1, 2018 AS RESTATEMENT	<u>14,169,406</u>	<u>3,315,931</u>	<u>3,013,281</u>	<u>2,643,743</u>	<u>2,367,390</u>	<u>86,048</u>	<u>-</u>	<u>1,242,300</u>	<u>2,170,970</u>	<u>(97,110)</u>	<u>7,859,460</u>	<u>28,911,959</u>	<u>36,771,419</u>
Appropriation of 2017 earnings	-	-	153,599	-	(153,599)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	12,543	(12,543)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(1,416,940)	-	-	-	-	-	-	(1,416,940)	(1,416,940)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	(220,697)	(220,697)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,416,940)	(1,416,940)
BALANCE AT JANUARY 1, 2019 AS RESTATEMENT	<u>14,169,406</u>	<u>3,315,931</u>	<u>3,166,880</u>	<u>2,656,286</u>	<u>1,496,326</u>	<u>86,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(220,697)</u>	<u>1,318,150</u>	<u>1,650,495</u>
Net profit for the year ended December 31, 2018	-	-	-	-	1,318,150	-	-	-	-	-	332,345	1,650,495	1,650,495
Other comprehensive (loss) income for the year ended December 31, 2018, net of income tax	-	-	-	-	(24,850)	4,606	-	731,520	-	-	196,001	711,276	907,277
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,293,300	4,606	-	731,520	-	-	528,346	2,029,426	2,557,772
Adjustments resulting from investments in associates accounted for using the equity method	-	(511)	-	-	(28)	-	-	-	-	-	(625)	(539)	(1,164)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	4,192	-	-	(4,192)	-	-	-	-	-
BALANCE AT DECEMBER 31, 2018	<u>14,169,406</u>	<u>3,315,420</u>	<u>3,166,880</u>	<u>2,656,286</u>	<u>2,081,772</u>	<u>90,654</u>	<u>-</u>	<u>1,969,628</u>	<u>2,170,970</u>	<u>(97,110)</u>	<u>8,166,484</u>	<u>29,523,906</u>	<u>37,690,390</u>
Effect of retrospective application and retrospective restatement	-	-	-	-	(588,446)	-	-	-	-	-	(159,751)	(745,197)	(745,197)
BALANCE AT JANUARY 1, 2019 AS RESTATEMENT	<u>14,169,406</u>	<u>3,315,420</u>	<u>3,166,880</u>	<u>2,656,286</u>	<u>1,496,326</u>	<u>90,654</u>	<u>-</u>	<u>1,969,628</u>	<u>2,170,970</u>	<u>(97,110)</u>	<u>8,006,733</u>	<u>28,938,460</u>	<u>36,945,193</u>
Special reserve under Rule No. 103006415 issued by the FSC	-	-	-	135,735	(135,735)	-	-	-	-	-	-	-	-
Appropriation of 2018 earnings	-	-	131,815	-	(131,815)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	73,330	(73,330)	-	-	-	-	-	-	(1,204,400)	(1,204,400)
Special reserve	-	-	-	-	(1,204,400)	-	-	-	-	-	-	(239,203)	(239,203)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	(1,204,400)	(1,204,400)
Cash dividends distributed by subsidiaries	-	-	-	-	(1,409,545)	-	-	-	-	-	-	(1,443,603)	(1,443,603)
BALANCE AT JANUARY 1, 2019	<u>14,169,406</u>	<u>3,327,466</u>	<u>3,298,695</u>	<u>2,865,351</u>	<u>1,931,429</u>	<u>65,325</u>	<u>-</u>	<u>3,058,874</u>	<u>2,170,970</u>	<u>(97,110)</u>	<u>8,113,401</u>	<u>30,790,406</u>	<u>38,903,807</u>
Net profit for the year ended December 31, 2019	-	-	-	-	1,781,843	-	-	-	-	-	370,426	2,152,269	2,152,269
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	198,288	(25,329)	-	1,089,246	-	-	(24,555)	1,237,650	1,237,650
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,980,131	(25,329)	-	1,089,246	-	-	345,871	3,389,919	3,389,919
Adjustments resulting from investments in associates accounted for using the equity method	-	12,046	-	-	252	-	-	-	-	-	-	12,298	12,298
BALANCE AT DECEMBER 31, 2019	<u>14,169,406</u>	<u>3,327,466</u>	<u>3,298,695</u>	<u>2,865,351</u>	<u>1,931,429</u>	<u>65,325</u>	<u>-</u>	<u>3,058,874</u>	<u>2,170,970</u>	<u>(97,110)</u>	<u>8,113,401</u>	<u>30,790,406</u>	<u>38,903,807</u>

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

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 3,102,938	\$ 2,549,115
Adjustments for:		
Depreciation expenses	5,555,195	2,355,319
Amortization expenses	60,149	51,903
Expected credit loss recognized (reversed) on receivables	556	(16,055)
Net gain on financial assets or liabilities at fair value through profit or loss	(691)	(10,443)
Finance costs	835,329	437,280
Interest income	(90,449)	(128,124)
Dividend income	(286,299)	(152,720)
Share of profit of associates accounted for using the equity method	(58,065)	(11,396)
Loss on disposal of property, plant and equipment	84,473	26,487
Loss on disposal of investment properties	-	90,621
Loss on disposal of intangible assets	1,435	-
Gain on disposal of right-of-use assets	(678)	-
Gain on disposal of investments	(291)	-
Impairment loss recognized on intangible assets	1,095,884	1,630,000
Impairment loss recognized on property, plant and equipment	-	38,047
Unrealized gain on physical and slow-moving inventories	(9,418)	(18,415)
Loss (gain) on changes in fair value of investment properties	151,597	(43,045)
Amortization of prepayments	12,544	5,582
Amortization of prepayments for leases	-	337,503
Reversal of unrealized purchase discounts	(400)	433
Net changes in operating assets and liabilities		
(Increase) decrease in financial assets mandatorily classified as at fair value through profit or loss	(18,527)	69,151
Notes receivable	1,155	(1,156)
Trade receivables	836,753	(465,119)
Trade receivables from related parties	(3,995)	(26,163)
Other receivables	8,008	(319,715)
Inventories	(41,837)	(127,977)
Prepayments	90,044	36,461
Other current assets	(24,297)	(16,730)
Contract liabilities - current	245,360	361,734
Notes payable	(499)	612
Trade payables	(2,458,543)	(705,652)
Trade payables to related parties	(11,544)	(22,881)
Other payables	(519,160)	(718,428)
Provisions	(4,050)	(2,045)
Advance receipts	226,939	120,205
Other current liabilities	(4,971)	56,402
Net defined benefit liabilities	(125,339)	(191,239)
Cash generated from operations	8,649,306	5,189,552
Dividends received	317,922	290,342

(Continued)

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Interest paid	\$ (854,447)	\$ (436,417)
Interest received	109,832	115,480
Income tax returned	2,191	194
Income tax paid	<u>(337,318)</u>	<u>(672,202)</u>
Net cash generated from operating activities	<u>7,887,486</u>	<u>4,486,949</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(4,744)	-
Purchase of financial assets amortized at cost	-	(163,931)
Proceeds from sale of financial assets at amortized cost	715,345	-
Acquisition of investments accounted for using the equity method	(1,605,034)	-
Decrease in prepaid long-term investments	25,383	49,288
Payments for property, plant and equipment	(1,801,799)	(2,257,557)
Proceeds from disposal of property, plant and equipment	39,189	606
Decrease in other receivables	1,225,948	-
Payments for intangible assets	(173,406)	(63,726)
Proceeds from disposal of intangible assets	139	-
Payments for investment properties	(8,015)	-
Increase in other non-current assets	<u>(1,924,566)</u>	<u>(82,785)</u>
Net cash used in investing activities	<u>(3,511,560)</u>	<u>(2,518,105)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	139,427,113	174,720,516
Repayments of short-term borrowings	(142,602,371)	(174,820,679)
Proceeds from short-term bills payable	36,935,184	26,313,358
Repayments of short-term bills payable	(36,792,556)	(25,347,693)
Repayments of bond payables	-	(1,000,000)
Proceeds from long-term borrowings	79,279,757	75,821,898
Repayments of long-term borrowings	(76,830,000)	(77,490,000)
Repayment of the principal portion of lease liabilities	(3,386,357)	-
Decrease in other non-current liabilities	(36,410)	(26,346)
Dividends paid to owners of the Company	(1,202,733)	(1,414,847)
Dividends paid to non-controlling interests	<u>(198,624)</u>	<u>(256,698)</u>
Net cash used in financing activities	<u>(5,406,997)</u>	<u>(3,500,491)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(139,553)</u>	<u>10,010</u>
		(Continued)

# **FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**

## **CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)**

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	<b>2019</b>	<b>2018</b>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (1,170,624)	\$ (1,521,637)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>14,594,847</u>	<u>16,116,484</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 13,424,223</u>	<u>\$ 14,594,847</u>

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

(Concluded)

# **FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **1. GENERAL INFORMATION**

Far Eastern Department Stores, Ltd. (the “Company” or “FEDS”) was incorporated in the Republic of China (ROC) in August 31, 1967, and operates a nationwide chain of department stores. The Company’s shares have been listed on the Taiwan Stock Exchange since October 11, 1978.

The consolidated financial statements of the Company and its subsidiaries, collectively referred to as the “Group”, are presented in the Company’s functional currency, the New Taiwan dollars.

### **2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company’s board of directors on March 27, 2020.

### **3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

#### **1) IFRS 16 “Leases”**

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

#### **Definition of a lease**

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

### The Group as lessee

The Group recognizes right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights were recognized as prepayments for leases. The difference between the actual payments and the expenses, as adjusted for lease incentives, was recognized as other payables and other non-current liabilities. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Except for the leasehold investment properties mentioned below, lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedient which is applied, the Group applies IAS 36 to all right-of-use assets.

Part of leases which was previously accounted for as an operating lease under IAS 17, qualifies as an investment property. A lease liability for that leasehold building is recognized and measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Related right-of-use assets are presented as investment properties and measured at fair value on that date. Any difference will be recognized under retained earnings, and a special reserve will be appropriated under Rule No. 1030006415 issued by the FSC. No adjustment is made for leasehold, which was previously accounted for as an investment property.

The Group also applies the following practical expedients:

- a) The Group accounts for those leases for which the leases term ends on or before December 31, 2019 as short-term leases.
- b) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- c) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.71%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 33,561,329
Less: Recognition exemption for short-term leases	(284,235)
Less: Recognition exemption for leases of low-value assets	(512)
Less: Commitment on lease contract before commencement date of the lease	<u>(3,474,768)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 29,801,814</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 27,031,697
Add: Finance lease liabilities on December 31, 2018	91,331
Add (Less): Adjustments as a result of a different treatment of extension and termination options	<u>3,234,724</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 30,357,752</u>

#### The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Prepayments	\$ 977,014	\$ (367,914)	\$ 609,100
Investments accounted for using the equity method	8,678,647	(46)	8,678,601
Property, plant and equipment	43,532,941	(9,643,083)	33,889,858
Right-of-use assets	-	39,649,690	39,649,690
Investment properties	8,690,640	537,429	9,228,069
Long-term prepayments for leases	7,704,464	(1,659,632)	6,044,832
Other assets - non-current	1,678,021	<u>120,557</u>	1,798,578
Total effect on assets		<u>\$ 28,637,001</u>	
Lease liabilities - current	-	\$ 3,360,326	3,360,326
Other payables	3,687,578	(81,693)	3,605,885
Lease liabilities - non-current	-	26,997,426	26,997,426
Other liabilities - non-current	1,387,430	<u>(893,861)</u>	493,569
Total effect on liabilities		<u>\$ 29,382,198</u>	
Retained earnings	7,904,938	\$ (585,446)	7,319,492
Non-controlling interests	8,166,484	<u>(159,751)</u>	8,006,733
Total effect on equity		<u>\$ (745,197)</u>	



2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority has full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group assesses the possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group’s financial position and financial performance and will disclose these other impacts when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments, investment properties which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of the plan assets.

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and the entities controlled by the Group (i.e., its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

See Note 12 and Table 8 for details on subsidiaries, including the percentages of their ownership and main businesses.

Refer to Table 1 for the diagram of intercompany relationships of the consolidated financial statements for the year ended December 31, 2019.

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including the subsidiaries and associates in other countries or subsidiaries which use currencies that are different from the Group) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (as appropriate attributed to owners of the Group and non-controlling interests, respectively).

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories are stated at the lower of cost or net realizable value, using the retail method. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

g. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method of accounting to recognize its investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and is adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates attributable to the Group.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus-changes in the Group's share of equity of associates. If the Group's ownership interest is reduced due to the additional subscription of new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transact with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Before January 1, 2019, property, plant and equipment also included assets held under finance leases.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. For assets which were held under finance leases before January 1, 2019, if their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of the property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss for the year.

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Beginning January 1, 2019, investment properties include right-of-use assets and properties under construction if the definition of investment properties is met; before January 1, 2019, investment properties included properties under construction, properties held under finance leases and property interests under operating leases if the definition of investment properties was met. Investment properties also include land held for a currently undetermined future use.

Freehold investment properties are measured initially at cost, including transaction costs. Beginning January 1, 2019, investment properties acquired through leases are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. With respect to the initial recognition of investment properties acquired through leases before January 1, 2019, refer to Note 16 for the accounting policies for finance leases. All investment properties are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Investment properties under construction, of which the fair value is not reliably measurable, are measured at cost less accumulated impairment loss until such time as either the fair value becomes reliably measurable or construction is completed (whichever comes earlier).

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of an item of property for subsequent accounting is its fair value at the commencement of owner-occupation.

For a transfer of classification from property, plant and equipment to investment properties at the end of owner-occupation, any difference between the fair value of an item of property at the transfer date and its previous carrying amount is recognized in other comprehensive income.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis during their expected useful life. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

When the Group has a right to charge for the usage of concession infrastructure (as a consideration for providing construction services in a service concession arrangement), it recognizes this as an intangible asset. The intangible asset is subsequently measured at cost less accumulated amortization and any accumulated impairment loss.

## 2) Derecognition of intangible assets

On derecognition of the intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss for the year.

### 1. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine any indication of impairment loss on these assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. The impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (deducting amortization or depreciation) that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

### m. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

#### 1) Financial assets

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

##### a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

##### i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31: Financial Instruments.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.



Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

n. Provisions

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

o. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods are recognized as revenue when the goods are shipped or delivered because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

When other party participates providing in goods or services to customers, the Group obtains control of the specified goods or services before they are transferred to the customers and, therefore, is acting as a principal in the transaction. On the contrary, the other party is acting as an agent. As the principal, the total amount of the consideration that is expected to be obtained in exchange for the transfer of goods or services is recognized as income. As an agent, the amount of any fees or commissions that the other party expected to obtain in exchange for the provision of goods or services, recognized as income. The charge or commission of the Group may be the net amount of the consideration. The income retained by the Group in exchange for goods or services is the amount retained after payment to the other party.

Customer Loyalty Program, the Group offers award credits which can be used for future purchases when the customer shops. The award credits provides a material right to the customer. The transaction price allocated to the award credits is recognized as a contract liability when collected and will be recognized as revenue when the award credits is redeemed or has expired.

p. Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets, except for those that meet the definition of investment properties. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, refer to Note 9 for the accounting policies for investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

## 2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### 1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

Lease incentives included in an operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis. Lease incentives included in a finance lease are recognized as a reduction of minimum lease payments.

Contingent rentals are recognized as income in the period in which they are incurred.

## 2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

Lease incentives received under operating leases are recognized as liabilities. The aggregate benefit of incentives is recognized as a reduction of rental expenses on a straight-line basis. Lease incentives received under a finance lease are recognized as a reduction of minimum lease payments.

Contingent rentals are recognized as expenses in the period in which they are incurred.

## 3) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Lessee. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

## q. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

## r. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expenses when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses (the effect of the changes to the asset ceiling) and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income (loss) is reflected immediately in retained earnings and will not be reclassified subsequently to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's income tax expenses.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which utilize the benefit of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### 3) Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### a. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

### b. Impairment assessment of tangible and intangible assets other than goodwill

For impairment tests of assets, the Group evaluates and decides the independent cash flows of certain assets, useful lives of those assets and their probable future profit or loss based on subjective judgment, asset-usage models and department store industry characteristics. Any change in national and local economic conditions or the Group's strategy may cause a significant impairment loss.

### c. Fair value measurements and valuation processes of the investment properties

Third-party qualified valuers were engaged to perform the fair value evaluation of the Group's investment properties using the appropriate valuation techniques for fair value measurements.

The valuers of the Group determined the appropriate inputs by referring to the analyses of the financial position and the operation results of investees, recent transaction prices and prices of the same equity instruments not quoted in active markets in the vicinity of the Group's investment properties. If there are changes in the actual inputs in the future which differ from expectation, the fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of the fair value measurement.

Information on the valuation techniques and inputs used in determining the fair value of investment properties is disclosed in Note 16.

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand and revolving funds	\$ 176,112	\$ 343,068
Checking accounts and demand deposits	4,334,916	5,816,392
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	3,856,673	6,608,013
Commercial papers	<u>5,056,522</u>	<u>1,827,374</u>
	<u>\$ 13,424,223</u>	<u>\$ 14,594,847</u>

The market rate intervals of deposits in bank and commercial papers at the end of the reporting period were as follows:

	December 31	
	2019	2018
Deposits in bank	0.001%-2.500%	0.010%-3.201%
Commercial papers	0.540%-0.590%	0.550%-0.630%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
	2019	2018
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Beneficiary certificates	\$ 346,330	\$ 344,481
Listed and over-the-counter (OTC) shares	<u>110,926</u>	<u>93,266</u>
	<u>\$ 457,256</u>	<u>\$ 437,747</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
<u>Investments in equity instruments at FVTOCI</u>		
Domestic investments		
Listed and OTC shares	\$ 4,736,737	\$ 3,631,653
Unlisted shares	<u>574,766</u>	<u>564,243</u>
	5,311,503	4,195,896
Foreign investments		
Unlisted shares	<u>16,517</u>	<u>8,903</u>
	<u>\$ 5,328,020</u>	<u>\$ 4,204,799</u>

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current	\$ 297,456	\$ 244,785
Non-current	<u>5,030,564</u>	<u>3,960,014</u>
	<u>\$ 5,328,020</u>	<u>\$ 4,204,799</u>
		(Concluded)

- a. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.
- b. Refer to Note 33 for information relating to investments in equity instruments at FVTOCI pledged as security.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Time deposits with original maturities of more than 3 months	\$ 1,390,974	\$ 2,024,919
Pledged deposits	199,000	280,000
Money Lodged at Courts	<u>-</u>	<u>400</u>
	<u>\$ 1,589,974</u>	<u>\$ 2,305,319</u>
Current	\$ 1,443,974	\$ 2,077,919
Non-current	<u>146,000</u>	<u>227,400</u>
	<u>\$ 1,589,974</u>	<u>\$ 2,305,319</u>
Gross carrying amount	\$ 1,589,974	\$ 2,305,319
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 1,589,974</u>	<u>\$ 2,305,319</u>

- a. The credit risk of financial instruments such as bank deposits is measured and monitored by the accounting department. The Group chooses the transaction object and the other party performs good credit with the bank.
- b. The ranges of interest rates for financial assets at amortized cost were approximately 0.30%-2.40% and 0.30%-2.10% per annum as of December 31, 2019 and 2018, respectively.
- c. Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.



# **10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES (INCLUDING RELATED PARTIES)**

## a. Notes receivable

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating	\$ 1,132	\$ 776
Non-operating	1,794	3,305
Less: Allowance for impairment loss	<u>(1,794)</u>	<u>(1,794)</u>
	<u>\$ 1,132</u>	<u>\$ 2,287</u>

## December 31, 2019

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>Over 90 Days</b>	<b>Total</b>
Expected credit loss rate	0.0600%	0.0000%	100%	100%	100%	
Gross carrying amount	\$ 1,129	\$ 3	\$ -	\$ -	\$ 1,794	\$ 2,926
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,794)</u>	<u>(1,794)</u>
Amortized cost	<u>\$ 1,129</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,132</u>

## December 31, 2018

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>Over 90 Days</b>	<b>Total</b>
Expected credit loss rate	0.0002%-0.0200%	100%	100%	100%	100%	
Gross carrying amount	\$ 2,287	\$ -	\$ -	\$ -	\$ 1,794	\$ 4,081
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,794)</u>	<u>(1,794)</u>
Amortized cost	<u>\$ 2,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,287</u>

## b. Trade receivables

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
At amortized cost		
Gross carrying amount	\$ 1,034,999	\$ 1,867,787
Less: Allowance for impairment loss	<u>(128,628)</u>	<u>(129,572)</u>
	<u>\$ 906,371</u>	<u>\$ 1,738,215</u>

The Group's trade receivables pertained to revenue on credit cards and goods coupons. The average credit period for revenue from credit cards was 2 to 3 days, and for goods coupons, 15 days.

In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowances for impairment loss were recognized against trade receivables based on estimated irrecoverable amounts determined with reference to past default experience of the counterparties and an analysis of their current financial position.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2019

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.0700%	2.1600%	6.7200%	8.8200%	100%	
Gross carrying amount	\$ 880,024	\$ 25,259	\$ 1,685	\$ 84	\$ 127,947	\$ 1,034,999
Loss allowance (Lifetime ECL)	<u>(168)</u>	<u>(499)</u>	<u>(7)</u>	<u>(7)</u>	<u>(127,947)</u>	<u>(128,628)</u>
Amortized cost	<u>\$ 879,856</u>	<u>\$ 24,760</u>	<u>\$ 1,678</u>	<u>\$ 77</u>	<u>\$ -</u>	<u>\$ 906,371</u>

December 31, 2018

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.0003%- 0.0300%	0.0076%- 0.1500%	0.2200%- 0.3703%	1.0321%- 1.2200%	100%	
Gross carrying amount	\$ 1,651,442	\$ 84,940	\$ 1,976	\$ 41	\$ 129,388	\$ 1,867,787
Loss allowance (Lifetime ECL)	<u>(78)</u>	<u>(101)</u>	<u>(4)</u>	<u>(1)</u>	<u>(129,388)</u>	<u>(129,572)</u>
Amortized cost	<u>\$ 1,651,364</u>	<u>\$ 84,839</u>	<u>\$ 1,972</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 1,738,215</u>

The movements of the loss allowance of trade receivables were as follows:

	2019	2018
Balance at January 1	\$ 129,572	\$ 132,938
Less: Impairment losses reversed	(914)	(3,366)
Less: Amounts written off	<u>(30)</u>	<u>-</u>
Balance at December 31	<u>\$ 128,628</u>	<u>\$ 129,572</u>

c. Other receivables

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>At amortized cost</u>		
Gross carrying amount		
Receivables	\$ -	\$ 1,225,948
Others	1,199,138	1,228,049
Less: Allowance for impairment loss	<u>(283,829)</u>	<u>(294,642)</u>
	<u>\$ 915,309</u>	<u>\$ 2,159,355</u>

FEDS Development agrees to offer a one-year loan to FENC (China) with a credit of RMB216,700 thousand and also provides an unsecured and interest-free loan to YDEC (Shanghai) with a credit of RMB81,377 thousand. Revolving lines of credit are allowed. As of December 31, 2018, FENC (China) made a drawdown of RMB216,560 thousand and YDEC (Shanghai) made a drawdown of RMB57,377 thousand. The actual borrowing amounts of these loans were recognized as other receivables within the Group. As of December 31, 2019, the whole amount of loan were repaid.

The Group postulated that the potential benefits of the investment will exceed the prospective interest incomes arising from the loan. Thus, the loan's terms of conditions were not regarded only as an independent transaction; the prospective benefits of the Group's investment plans were also taken into consideration. Moreover, as the ultimate parent company of the borrowers is Far Eastern New Century Ltd. (FENC), the Group believes that the borrowers are able to repay the debts without offering pledges in terms of their financial positions.

The following table details the loss allowance of other receivables based on the Group's provision matrix.

December 31, 2019

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>Over 90 Days</b>	<b>Total</b>
Expected credit loss rate	0.0600%	1.4700%	5.2800%	7.1300%	100%	
Gross carrying amount	\$ 915,188	\$ 130	\$ -	\$ -	\$ 283,820	\$ 1,199,138
Loss allowance (Lifetime ECL)	<u>(7)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>(283,820)</u>	<u>(283,829)</u>
Amortized cost	<u>\$ 915,181</u>	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 915,309</u>

December 31, 2018

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>Over 90 Days</b>	<b>Total</b>
Expected credit loss rate	0.0002%- 0.0200%	0.0063%- 0.1200%	0.1800%- 0.3046%	0.8361%- 0.9300%	100%	
Gross carrying amount	\$ 2,159,325	\$ 34	\$ -	\$ -	\$ 294,638	\$ 2,453,997
Loss allowance (Lifetime ECL)	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(294,638)</u>	<u>(294,642)</u>
Amortized cost	<u>\$ 2,159,321</u>	<u>\$ 34</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,159,355</u>

The movements of the loss allowance of other receivables were as follows:

	2019	2018
Balance at January 1	\$ 294,642	\$ 395,653
Add: Impairment losses recognized	1,470	-
Less: Impairment losses reversed	-	(12,689)
Less: Amounts written off	(2,504)	(83,966)
Foreign exchange gains and losses	<u>(9,779)</u>	<u>(4,356)</u>
Balance at December 31	<u>\$ 283,829</u>	<u>\$ 294,642</u>

## 11. INVENTORIES

	December 31	
	2019	2018
Merchandise	\$ 2,780,889	\$ 2,729,234
Allowance for inventory devaluation	\$ 70,908	\$ 80,831
Allowance for losses on physical inventory	\$ 23,292	\$ 22,787
Allowance for unrealized purchase discounts	\$ 3,037	\$ 3,437

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were \$17,900,994 thousand and \$18,697,764 thousand, respectively.

The cost of goods sold includes:

	For the Year Ended December 31	
	2019	2018
Reversed unrealized loss on physical inventory and slow-moving inventory	\$ 9,418	\$ 18,415
Reversed (recognized) unrealized purchase discounts	\$ 400	\$ (433)

## 12. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

The detailed information of the subsidiaries at the end of reporting period are as follows:

Investor	Investee	Main Businesses	Proportion of Ownership (%)		Remark
			December 31		
			2019	2018	
Far Eastern Department Stores, Ltd.	Far Eastern Ai Mai Co., Ltd.	Hypermarket	100	100	
	Bai Yang Investment Co., Ltd.	Investment	100	100	
	Bai Ding Investment Co., Ltd.	Investment	67	67	
	Yu Ming Advertising Agency Co., Ltd.	Advertising and importation of certain merchandise	100	100	
	Far Eastern Hon Li Do Co., Ltd.	Building rental	56	56	
	FEDS Development Ltd.	Investment	54	54	
	Ya Tung Department Stores, Ltd.	Department store	100	100	
	Far Eastern CitySuper Co., Ltd.	Hypermarket	96	96	
	Pacific Liu Tong Investment Co., Ltd.	Investment	35	35	
	Asians Merchandise Company	Trading	100	100	

(Continued)

Investor	Investee	Main Businesses	Proportion of Ownership (%)		Remark
			December 31		
			2019	2018	
Bai Yang Investment Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	2	2	1)
	FEDS Asia Pacific Development Co., Ltd.	Shopping mall	70	70	
	Bai Ding Investment Co., Ltd.	Investment	33	33	
	FEDS New Century Development Co., Ltd.	Shopping mall	100	100	
	FEDS Development Ltd.	Investment	46	46	
	Pacific China Holdings (HK) Limited	Investment	40	40	
	Far Eastern Big City Shopping Malls Co., Ltd.	Department store	40	40	
Bai Ding Investment Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	13	13	
	Pacific Sogo Department Stores Co., Ltd.	Department store	1	1	
	Far Eastern Hon Li Do Co., Ltd.	Building rental	44	44	
	Far Eastern CitySuper Co., Ltd.	Hypermarket	-	-	
Yu Ming Advertising Agency Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	-	-	
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	-	-	
FEDS Development Ltd.	Shanghai Bai Ding Consultant & Management Co., Ltd.	Consulting service	100	100	
	Chongqing FEDS Co., Ltd.	Department store	100	100	
Ya Tung Department Stores, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	1	1	
FEDS Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	2	2	
FEDS New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	2	2	1)
	Chubei New Century Shopping Mall Co., Ltd.	Department store	100	100	
Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Department store	79	79	
Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings (HK) Limited	Investment	60	60	
	Far Eastern Big City Shopping Malls Co., Ltd.	Department store	60	60	
Pacific China Holdings (HK) Limited	Pacific China Holdings Ltd.	Investment	100	100	
Pacific China Holdings Ltd.	Shanghai Pacific Department Stores Co., Ltd.	Department store	73	73	
	Chengdu Quanzheng Mansion Pacific Department Store Co., Ltd.	Department store	100	100	5)
	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Department store	100	100	
	Chongqing Pacific Consultant & Management Co., Ltd.	Consulting service	100	100	
	Bai Fa China Holdings (HK) Ltd.	Investment	100	100	2)
	Pacific (China) Investment Co., Ltd.	Investment	100	100	
Pacific (China) Investment Co., Ltd.	Chengdu FEDS Co., Ltd.	Department store	100	100	4)
	Chengdu Beicheng FEDS Co., Ltd.	Department store	-	-	3)
	Dalian Pacific Department Store Co., Ltd.	Department store	100	100	

(Concluded)

(Concluded)

- 1) As of December 31, 2019, they were still in the startup period.
  - 2) Bai Fa China Holdings (HK) Ltd. applied to discontinue operations in June 2017 due to non-operating plans in the short-term.
  - 3) The board of directors approved to end operations in April 2017, and went into liquidation on October 23, 2018.
  - 4) Considering market demand and supply, Chengdu FEDS Co., Ltd. (Chengdu FEDS) decided to reconstruct and transform the business operating scheme to improve effectiveness. Therefore, Chengdu FEDS has ended their operations since December 23, 2017.
  - 5) The board of directors approved to end operations in April 2019.
- b. Subsidiaries excluded from the consolidated financial statements

Investor	Investee	Main Businesses	Proportion of Ownership		Remark
			(%)		
			December 31		
			2019	2018	
Pacific Sogo Department Stores Co., Ltd.	Pacific Sogo Investment Co., Ltd.	Investment	-	-	1)
	Lian Ching Investment Co., Ltd.	Investment	50	50	2)

- 1) In November 2008, Pacific Sogo Department Stores Co., Ltd. (SOGO) applied to the Taiwan Taipei District Court (TTDC) for PSIC to be declared bankrupt, and the TTDC ruled PSIC bankrupt on December 30, 2010. On April 8, 2011, PSIC convened the first creditors' meeting. Assets of PSIC had been sold successively since August 22, 2012, and the bankruptcy manager had consecutively completed the allocation of assets of PSIC. The TTDC also ruled that the bankruptcy proceedings be terminated and announced to the public on November 11, 2015. Three years from the date of the announcement, Pacific Sogo Investment Co., Ltd. is regarded as the legal personality eradication on November 11, 2018.
- 2) The amount of Lian Ching Investment Co., Ltd. had been written off to zero, no liabilities were undertaken by the Group and the accounts are not disclosed in the consolidated financial statements.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

#### Investments in Associates

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates that are not individually material	<u>\$ 10,107,165</u>	<u>\$ 8,678,647</u>

Aggregate information of associates that are not individually material:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
The Group's share of:		
Profit from continuing operations	\$ 58,065	\$ 11,396
Other comprehensive (loss) income	<u>(119,134)</u>	<u>414,602</u>
Total comprehensive (loss) income for the year	<u>\$ (61,069)</u>	<u>\$ 425,998</u>

FEDS Development Ltd., Far Eastern New Century (China) Investment Co., Ltd. (FENCI (China)) (subsidiary of FENC) and Oriental Holdings Co., Ltd. (subsidiary of Asia Cement Corporation) jointly invested in Yuan Ding Enterprise (Shanghai) Limited (YDEL (Shanghai)) in order to hold and undertake the real estate development and construction of a commercial building in the Shanghai World Expo district. The investment agreement was already signed.

In February and December 2019, respectively, Yuan Ding Enterprise (Shanghai) Limited (YDEL (Shanghai)) undertook the registration of a capital increase, which resulted in an increase of RMB250,000 thousand (NT\$1,138,000 thousand) and RMB107,880 thousand (NT\$467,034 thousand), respectively, in the Group's investment account in YDEL (Shanghai). In addition, the proportion of ownership is 20%, with a total investment amount 1,605,034 thousand.

In July 2019 and November 2018, Yuan Hsin Digital Payment Co., Ltd. (YHDP) undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease of 7,324 thousand and 6,806 thousand shares, respectively, in the Group's equity in YHDP.

In June 2018, Ding Ding Integrated Marketing Service Co., Ltd. (DDIM) undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease in the Group's equity in DDIM of 7,080 thousand shares.

Chongqing Pacific Consultant & Management Co., Ltd. (CPCM) invested RMB75,000 thousand in Chengdu Baiyang Industry Co., Ltd. (CDBI) and acquired 33% of the voting rights of CDBI. CPCM signed a contract to ensure long-term cooperation with its Joint Venture Partner, Chengdu Department Emporium Group Co., Ltd. (CDEG), and they agreed that CPCM would pay CDBI a security deposit of RMB425,000 thousand. Under the cooperation contract, the allocation of retained earnings of CDBI to CPCM will be at certain percentages stated in the contract and not at their respective percentages of ownership. The contract further states that CDBI should not be liquidated and CPCM should not transfer its equity (including voting rights) in CDBI to any party. The security deposit of RMB425,000 thousand can be transferred in stages as capital of CDBI and recognized as a long-term investment prepayment. When the percentage of the allocation of retained earnings, which had been requested by CDEG, exceeds a certain percentage of the allocation of retained earnings as stated in the contract, CPCM may simultaneously request to get back 50% of the allocated retained earnings and the security deposit. As of December 31, 2019, CDBI had returned RMB108,308 thousand to CPCM.

The investments in associates accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were based on the associates' financial statements audited for the same years by other auditors.

Refer to Note 33 for the information on the carrying amounts of investments in associates accounted for using the equity method that were pledged as security.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Buildings and Facilities	Decorative Facilities	Equipment under Finance Leases	Plant, Transportation and Miscellaneous Equipment	Construction in Progress	Total
<b>Cost</b>								
Balance at January 1, 2018	\$ 13,720,139	\$ 21,783,720	\$ 9,624,537	\$ 12,543,518	\$ 10,461,166	\$ 3,257,979	\$ 3,267,791	\$ 74,658,850
Additions (deductions)	-	-	245,549	342,640	-	179,365	1,506,880	2,274,434
Disposals	-	-	(54,828)	(208,224)	(3,268,803)	(109,054)	-	(3,640,909)
Reclassification	-	-	101,027	28,026	450,373	28,418	(471,573)	136,271
Effect of exchange differences	-	(24,875)	-	(36,967)	-	(1,664)	(31)	(63,537)
Balance at December 31, 2018	<u>\$ 13,720,139</u>	<u>\$ 21,758,845</u>	<u>\$ 9,916,285</u>	<u>\$ 12,668,993</u>	<u>\$ 7,642,736</u>	<u>\$ 3,355,044</u>	<u>\$ 4,303,067</u>	<u>\$ 73,365,109</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2018	\$ -	\$ (7,329,757)	\$ (6,490,671)	\$ (9,877,985)	\$ (4,945,329)	\$ (2,315,883)	-	\$ (30,959,625)
Disposals	-	-	48,386	188,937	3,268,803	107,203	-	3,613,329
Impairment losses	-	(20,203)	(12,049)	(4,104)	-	(1,691)	-	(38,047)
Reclassification	-	(465,749)	(656,425)	(847,195)	(284,787)	(243,050)	-	(2,497,206)
Depreciation expense	-	-	(38)	38	-	(8,631)	-	(8,631)
Effect of exchange differences	-	23,396	-	33,306	-	1,310	-	58,012
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ (7,792,313)</u>	<u>\$ (7,110,797)</u>	<u>\$ (10,507,003)</u>	<u>\$ (1,961,313)</u>	<u>\$ (2,460,742)</u>	<u>\$ -</u>	<u>\$ (29,832,168)</u>
Carrying amount at December 31, 2018	<u>\$ 13,720,139</u>	<u>\$ 13,966,532</u>	<u>\$ 2,805,488</u>	<u>\$ 2,161,990</u>	<u>\$ 5,681,423</u>	<u>\$ 894,302</u>	<u>\$ 4,303,067</u>	<u>\$ 43,532,941</u>
<b>Cost</b>								
Balance at January 1, 2019	\$ 13,720,139	\$ 21,758,845	\$ 9,916,285	\$ 12,668,993	\$ 7,642,736	\$ 3,355,044	\$ 4,303,067	\$ 73,365,109
Adjustments on initial application of IFRS 16	-	-	-	-	(7,642,736)	-	(3,961,660)	(11,604,396)
Balance at January 1, 2019 (restated)	13,720,139	21,758,845	9,916,285	12,668,993	-	3,355,044	341,407	61,760,713
Additions (deductions)	-	-	391,558	592,886	-	224,958	1,263,413	2,472,815
Disposals	-	(232,324)	(700,814)	(712,248)	-	(562,426)	-	(2,207,812)
Reclassification	-	-	1,008,145	512,721	-	92,503	(1,488,361)	125,008
Effect of exchange differences	-	(55,844)	-	(78,727)	-	(3,421)	(25)	(138,017)
Balance at December 31, 2019	<u>\$ 13,720,139</u>	<u>\$ 21,470,677</u>	<u>\$ 10,615,174</u>	<u>\$ 12,983,625</u>	<u>\$ -</u>	<u>\$ 3,106,658</u>	<u>\$ 116,434</u>	<u>\$ 62,012,707</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2019	\$ -	\$ (7,792,313)	\$ (7,110,797)	\$ (10,507,003)	\$ (1,961,313)	\$ (2,460,742)	-	\$ (29,832,168)
Adjustments on initial application of IFRS 16	-	-	-	-	1,961,313	-	-	1,961,313
Balance at January 1, 2019 (restated)	-	(7,792,313)	(7,110,797)	(10,507,003)	-	(2,460,742)	-	(27,870,855)
Disposals	-	232,324	656,798	685,239	-	509,433	-	2,083,794
Depreciation expense	-	(455,231)	(654,825)	(701,007)	-	(219,664)	-	(2,030,727)
Reclassification	-	-	-	45	-	-	-	45
Effect of exchange differences	-	52,831	-	72,710	-	2,752	-	128,293
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (7,962,389)</u>	<u>\$ (7,108,824)</u>	<u>\$ (10,450,016)</u>	<u>\$ -</u>	<u>\$ (2,168,221)</u>	<u>\$ -</u>	<u>\$ (27,689,450)</u>
Carrying amount at December 31, 2019	<u>\$ 13,720,139</u>	<u>\$ 13,508,288</u>	<u>\$ 3,506,350</u>	<u>\$ 2,533,609</u>	<u>\$ -</u>	<u>\$ 938,437</u>	<u>\$ 116,434</u>	<u>\$ 34,323,257</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	17-56 years
Buildings and facilities	5-20 years
Decorative facilities	3-20 years
Equipment under finance leases	15-50 years
Plant, transportation, and miscellaneous equipment	3-12 years

AIMAI evaluated the prospective profits in 2018. The impairment tests were applied to the property, plant and equipment of both branches based on their recoverable amounts, and \$38,047 thousand was recognized as an impairment loss.

Refer to Note 33 for the information on the carrying amounts of property, plant and equipment that were pledged as collateral for long/short-term borrowings.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Land	\$ 11,367,407
Buildings	33,396,243
Plant, transportation, and miscellaneous equipment	<u>1,160</u>
	<u>\$ 44,764,810</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 2,101,626</u>
Depreciation charge for right-of-use assets	
Land	\$ 344,220
Buildings	3,318,910
Plant, transportation, and miscellaneous equipment	<u>1,228</u>
	<u>\$ 3,664,358</u>

### b. Lease liabilities - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 3,381,049</u>
Non-current	<u>\$ 25,406,473</u>



Range of discount rate for lease liabilities was as follows:

	<b>December 31, 2019</b>
Land	1.09%-1.75%
Buildings	0.90%-4.35%
Plant, transportation, and miscellaneous equipment	0.92%-1.15%

c. Material lease-in activities and terms

The Group leases certain property and equipment for its retail business with a lease term of 1 to 50 years. In addition to fixed payments, a part of the lease contract also specifies variable lease payments with different conditions. Some stores are leased by acquiring land use rights to build buildings and transfer buildings to lessor unconditionally at the end of the lease terms.

d. Other lease information

2019

	<b>For the Year Ended December 31, 2019</b>
Expenses relating to short-term leases	<u>\$ 182,955</u>
Expenses relating to low-value asset leases	<u>\$ 69,461</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 227,668</u>
Total cash outflow for leases	<u>\$ (6,106,960)</u>

The Group has elected to apply the recognition exemption for short-term leases and low-value assets leases and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	<b>December 31, 2018</b>
Not later than 1 year	\$ 3,724,940
Later than 1 year and not later than 5 years	12,542,437
Later than 5 years	<u>17,293,952</u>
	<u>\$ 33,561,329</u>

The lease payments and sublease payments recognized in profit or loss were as follows:

	<b>For the Year Ended December 31, 2018</b>
Minimum lease payments	\$ 3,934,059
Contingent rental payments	170,442
Sublease payments	<u>(61,751)</u>
	<u><b>\$ 4,042,750</b></u>

## 16. INVESTMENT PROPERTIES

	<b>Land</b>	<b>Buildings and Facilities</b>	<b>Investment Properties under Construction</b>	<b>Right-of-use Assets</b>	<b>Total</b>
Balance at January 1, 2018	\$ 5,670,238	\$ 3,067,978	\$ -	\$ -	\$ 8,738,216
Disposals	-	(90,621)	-	-	(90,621)
Gain (loss) on changes in the fair value of investment properties	<u>84,608</u>	<u>(41,563)</u>	<u>-</u>	<u>-</u>	<u>43,045</u>
Balance at December 31, 2018	5,754,846	2,935,794	-	-	8,690,640
Adjustments on initial application of IFRS 16	<u>-</u>	<u>-</u>	<u>-</u>	<u>537,429</u>	<u>537,429</u>
Balance at January 1, 2019 (restated)	5,754,846	2,935,794	-	537,429	9,228,069
Additions	-	45	7,970	-	8,015
Reclassification	-	-	2,154	-	2,154
Loss on changes in the fair value of investment properties	<u>(34,068)</u>	<u>(69,685)</u>	<u>-</u>	<u>(47,844)</u>	<u>(151,597)</u>
Balance at December 31, 2019	<u><b>\$ 5,720,778</b></u>	<u><b>\$ 2,866,154</b></u>	<u><b>\$ 10,124</b></u>	<u><b>\$ 489,585</b></u>	<u><b>\$ 9,086,641</b></u>

The investment properties located in the Hualien area were affected by the earthquake which occurred on February 6, 2018, which caused significant damage to the investment properties. The Group demolished the building in March 2018 and recognized loss on disposal of investment properties of \$90,621 thousand in 2018.

Right-of-use assets included in investment properties which are units of office spaces located in Taoyuan and subleased under operating leases to others.

Some of the Group's investment properties were leased out for 1 to 20 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

Except for the minimum lease payments, some of the lease contracts also indicate that the lessees should make variable payments which shall be determined at the Consumer Price Index.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2019 is as follows:

	<b>December 31, 2019</b>
Year 1	\$ 764,587
Year 2	698,985
Year 3	638,463
Year 4	494,165
Year 5	487,403
Year 6 onwards	<u>4,359,943</u>
	<u><u>\$ 7,443,546</u></u>

The future minimum lease payments of non-cancellable operating lease commitments at December 31, 2018 are as follows:

	<b>December 31, 2018</b>
Not later than 1 year	\$ 825,529
Later than 1 year and not later than 5 years	2,269,991
Later than 5 years	<u>3,468,739</u>
	<u><u>\$ 6,564,259</u></u>

The fair values of the investment properties as of December 31, 2019 and 2018 were based on the valuations carried out at those dates, on a recurring basis by independent qualified professional valuers, Hong-Kai Chang, Yi-Chih Chang, Yu-Fen Yeh and Kuang-Ping Tai from Savills Real Estate Appraiser Office, a member of certified ROC real estate appraisers.

Except for undeveloped lands, the fair values of investment properties were measured using the income approach and the significant assumptions used are the increase in the estimated future net cash inflows, or the decrease in discount rates that would result in increases in the fair values.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expected future cash inflows	\$ 21,454,628	\$ 21,577,513
Expected future cash outflows	<u>3,020,664</u>	<u>2,895,472</u>
Expected future cash inflows, net	<u><u>\$ 18,433,964</u></u>	<u><u>\$ 18,682,041</u></u>
Discount rate	3.845%-4.345%	3.845%-4.345%

The market rentals in the area where the investment properties are located were between \$1 thousand and \$2 thousand per ping (i.e., per 3.3 square meters). The market rentals for comparable properties were between \$1 thousand and \$4 thousand per ping (i.e., per 3.3 square meters).

The expected future cash inflows generated by investment properties referred to rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the existing lease contracts of the Group and comparative market rentals covering 5-11 years, taking into account the annual rental growth rate. The interest income on rental deposits was extrapolated by the one-year average deposit interest rate, and the disposal value was determined by the direct capitalization method under the income approach. The expected future cash outflows on investment properties included expenditures such as

property taxes, insurance premiums, management fees, maintenance costs and replacement allowances. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustments to the government-announced land value, the tax rate promulgated under the Construction Cost Index and the House Tax Act and construction costs.

The discount rate was determined with reference to the interest rate for two-year time deposits of Chunghwa Post Co., Ltd. plus 0.75% and the risk premium of investment properties of 2%-2.5%.

Part of the land owned by the Group, where is located in the east of Taiwan, was not developed yet. The fair value of the undeveloped land area was measured by the land development analysis approach. The increase in the estimated total sales price, the increase in the rate of return, or the decrease in the overall capital interest rate would result in increase in the fair value. The significant assumptions used are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Estimated total sales price	<u>\$ 1,511,974</u>	<u>\$ 1,965,503</u>
Rate of return	18%-20%	16%-20%
Overall capital interest rate	1.56%-3.08%	1.49%-3.90%

The total sales price is estimated on the basis of the most effective use of land or property available for sale after development is completed, taking into account the related regulations, optimism of domestic macroeconomic prospects, local land use, and comparable market prices.

Refer to Note 33 for the information on the carrying amounts of investment properties pledged as collateral for borrowings.

## 17. INTANGIBLE ASSETS

	<b>Goodwill</b>	<b>Computer Software</b>	<b>Franchise</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2018	\$ 7,631,973	\$ 373,329	\$ -	\$ 8,005,302
Additions	-	34,784	28,942	63,726
Disposals	-	(210)	-	(210)
Reclassification	-	8,105	-	8,105
Effect of exchange differences	<u>-</u>	<u>(1,130)</u>	<u>-</u>	<u>(1,130)</u>
Balance at December 31, 2018	<u>\$ 7,631,973</u>	<u>\$ 414,878</u>	<u>\$ 28,942</u>	<u>\$ 8,075,793</u>

(Continued)

	<b>Goodwill</b>	<b>Computer Software</b>	<b>Franchise</b>	<b>Total</b>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2018	\$ (2,699,191)	\$ (246,595)	\$ -	\$ (2,945,786)
Impairment losses recognized	(1,630,000)	-	-	(1,630,000)
Amortization expenses	-	(51,903)	-	(51,903)
Disposals	-	210	-	210
Effect of exchange differences	-	944	-	944
Balance at December 31, 2018	<u>\$ (4,329,191)</u>	<u>\$ (297,344)</u>	<u>\$ -</u>	<u>\$ (4,626,535)</u>
Carrying amounts at December 31, 2018	<u>\$ 3,302,782</u>	<u>\$ 117,534</u>	<u>\$ 28,942</u>	<u>\$ 3,449,258</u>
<u>Cost</u>				
Balance at January 1, 2019	\$ 7,631,973	\$ 414,878	\$ 28,942	\$ 8,075,793
Additions	-	48,516	124,890	173,406
Disposals	-	(42,047)	-	(42,047)
Reclassification	-	12,919	-	12,919
Effect of exchange differences	-	(2,246)	-	(2,246)
Balance at December 31, 2019	<u>\$ 7,631,973</u>	<u>\$ 432,020</u>	<u>\$ 153,832</u>	<u>\$ 8,217,825</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2019	\$ (4,329,191)	\$ (297,344)	\$ -	\$ (4,626,535)
Impairment losses recognized	(1,095,884)	-	-	(1,095,884)
Amortization expenses	-	(60,149)	-	(60,149)
Disposals	-	40,473	-	40,473
Effect of exchange differences	-	2,085	-	2,085
Balance at December 31, 2019	<u>\$ (5,425,075)</u>	<u>\$ (314,935)</u>	<u>\$ -</u>	<u>\$ (5,740,010)</u>
Carrying amounts at December 31, 2019	<u>\$ 2,206,898</u>	<u>\$ 117,085</u>	<u>\$ 153,832</u>	<u>\$ 2,477,815</u>

(Concluded)

Goodwill arising on mergers or the acquisition of majority interests in companies is the acquisition cost in excess of the fair value of the identifiable net assets acquired.

The recoverable amount of this cash-generating unit was determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management, a discount rate of 11.8% and 11.3% per annum and the Group reviews the carrying amount of goodwill by comparing its recoverable amount with its carrying amount to determine whether there is any indication that those assets have suffered an impairment loss. The impairment of goodwill which was related to the operation in mainland China amounted to \$1,095,884 thousand and \$1,630,000 thousand for the years ended December 31, 2019 and 2018, respectively.

Cash flows of the financial forecast is prepared and based on estimates of annual revenues, gross profit, capital expenditures and other operating costs. Management believed that any reasonably possible change in the key assumptions on which the recoverable amount was based would not cause the aggregate carrying amount of the cash-generating unit to exceed its aggregate recoverable amount.

The following intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-10 years
Franchise	45 years

## 18. PREPAYMENTS FOR LEASES

	December 31	
	2019	2018
SOGO - BR4 (a)	\$ -	\$ 4,922,241
FEDS - Xinyi Division A13 - land use right (b)	-	2,173,763
FEDS Asia Pacific Development - Kaohsiung land use right (c)	-	622,971
Dalian Pacific Department Store Co., Ltd. (d)	-	157,076
Far Eastern Ai Mai Co., Ltd. - Hsinchu (e)	-	92,934
Shanghai Pacific Department Stores - land use right (f)	-	76,842
Chubei New Century Shopping Mall Co., Ltd. - land use right (g)	<u>1,060,658</u>	<u>14,335</u>
	<u>\$ 1,060,658</u>	<u>\$ 8,060,162</u>
Current (recognized in prepayments)	\$ -	\$ 355,698
Non-current	<u>1,060,658</u>	<u>7,704,464</u>
	<u>\$ 1,060,658</u>	<u>\$ 8,060,162</u>

- a. In January 2007, SOGO constructed a building within the Zhongxiao-Fuxing Station (BR4) of the Muzha line of the Taipei Rapid Transit System under a lease agreement with the Department of Rapid Transit Systems (DRTS), the Department of Finance under the Taipei City Government (TCG) and Hong-Tong Comprehensive Commercial Developing Co., Ltd. (HTCCD) SOGO renewed and signed a new lease agreement before the due date in June 2016. The new lease term is 9 years and 6 months, and the monthly rental for the first year is \$20,263 thousand. From the second year onward, the rental will be adjusted in accordance to the conditions formulated in the new lease agreement.

SOGO paid deposits of \$23,637 thousand to the DRTS under the TCG and \$38,278 thousand to the Department of Finance under the TCG. SOGO also paid operating deposits of \$182,324 thousand to the DRTS under the TCG. SOGO's total refundable deposits were \$244,239 thousand as of December 31, 2019.

In addition, SOGO made other prepayments under development leasehold rights - HTCCD to obtain the right to lease the building housing SOGO's Branch BR4. In December 2006, SOGO entered into a lease agreement with HTCCD. Under this agreement, when the amount paid by SOGO exceeds the rental payable, the premium will be deemed as prepaid rental to be deducted from future rental expenses.

- b. In September 2003, FEDS acquired the land use rights for No. A13 in Xinyi District of Taipei City, which is owned by the TCG. The total amount of the land use rights was \$3,196,888 thousand, and FEDS completed the registration of its acquisition of the land use rights in October 2003. Under the contract, FEDS has the right to use the land for 50 years starting from the completion of the land use rights' registration. The initial monthly rental is \$3,771 thousand, to be adjusted annually in accordance with the assessed and publicly announced land value on the contract date. The construction had been completed and transferred to right-of-use assets in 2019.
- c. On January 1, 1998, FEDS Asia Pacific Development signed a contract with Asia Cement Corporation (ACC) for the construction of the Kaohsiung Asian Business and Finance Building on the land provided by ACC. Under this contract, FEDS Asia Pacific Development will own the leasehold rights for 50 years starting from the date of the contract and should pay ACC \$1,073,000 thousand as the premium for the land use rights. The land use rights are amortized during the land use period. Annual land rental is payable in November of each year for 50 years at 5% of the assessed and publicly announced land value.

The construction was completed in October 2001, and the building was rented out to FEDS and Vieshow Cinemas Co. The construction cost is amortized over the building occupancy period from October 2001 to December 2047.

- d. Owing to the change of business operations of Dalian Pacific Department Store Co., Ltd. (DPDS), DPDS entered into a lease agreement with Dalian Parkland Co., Ltd. and prepaid RMB60,000 thousand to Dalian Parkland Co., Ltd. as rental. The amount of the rental is amortized over the lease term period.
- e. In November 2001, under an agreement, AIMAI will lease a hypermarket from Hsinchu Chemical Industrial Co., Ltd. (HCCI). HCCI will provide the land and build the hypermarket. The related construction expenses will be paid by HCCI and AIMAI at the respective ratio of 1:2. The payment (including the previous development expenses) by AIMAI will be regarded as prepaid rental and amortized over the rental period upon the remaining lease term beginning from the opening day (19 years and 3 months). The Hsinchu branch of AIMAI opened in October 2003.
- f. Shanghai Pacific Department Store obtained land use rights which are amortized over 30 years on the basis of the straight-line method.
- g. On July 8, 2015, Chubei New Century Shopping Mall Co., Ltd. (CBNC) signed a build-operate-transfer (BOT) investment contract with the Hsinchu County Government. The total royalty of this investment contract was \$10,000 thousand, and the registration of the acquisition of the land use rights was completed in September 2015. Under the contract, CBNC has the right to use the land for 50 years (including the construction and operation period) from the date that this agreement was signed by both parties. The respective period's rental amount for the land is based on 1% of the land owners' reported value in the construction period and 3% of the land owners' reported value in the operation period. The rental amount will be adjusted in accordance with the assessed and publicly announced land value.

## 19. OTHER ASSETS

	December 31	
	2019	2018
Refundable deposits	\$ 1,347,547	\$ 1,422,924
Lease incentives	339,350	186,409
Others	<u>368,058</u>	<u>154,486</u>
	<u>\$ 2,054,955</u>	<u>\$ 1,763,819</u>

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current	\$ 110,095	\$ 85,798
Non-current	<u>1,944,860</u>	<u>1,678,021</u>
	<u>\$ 2,054,955</u>	<u>\$ 1,763,819</u>
		(Concluded)

## 20. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Credit loans	\$ 8,814,863	\$ 12,047,612
Secured loans (Note 33)	<u>816,033</u>	<u>910,000</u>
	<u>\$ 9,630,896</u>	<u>\$ 12,957,612</u>
Interest rate intervals are as follows:		
Credit loans	0.9000%- 4.5675%	0.890%- 6.491%
Secured loans	0.9200%- 4.1325%	0.920%- 1.230%

### b. Short-term bills payable

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Commercial papers	\$ 3,624,000	\$ 3,482,000
Less: Unamortized discount on short-term bills payable	<u>1,007</u>	<u>1,635</u>
	<u>\$ 3,622,993</u>	<u>\$ 3,480,365</u>

Outstanding short-term bills payable are as follows:

December 31, 2019

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial papers</u>						
Mega Bills Finance	\$ 924,000	\$ 203	\$ 923,797	0.730%-1.070%	Shares	\$ 678,380
China Bills Finance	850,000	94	849,906	0.500%-1.070%	Shares	119,875
Shanghai Bank	500,000	251	499,749	0.482%	-	-
Grand Finance	400,000	119	399,881	0.900%-1.068%	-	-
International Bills Finance	350,000	223	349,777	0.700%-1.078%	Shares	129,465
Taiwan Bills Finance	200,000	5	199,995	0.700%	-	-
Ta Ching Bill Finance	200,000	38	199,962	0.740%-1.060%	-	-
Taiwan Cooperative Bills Finance	<u>200,000</u>	<u>74</u>	<u>199,926</u>	0.830%	-	-
	<u>\$ 3,624,000</u>	<u>\$ 1,007</u>	<u>\$ 3,622,993</u>			<u>\$ 927,720</u>



## December 31, 2018

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial papers</u>						
Mega Bills Finance	\$ 1,083,000	\$ 374	\$ 1,082,626	0.770%-1.078%	Shares	\$ 662,952
China Bills Finance	925,000	522	924,478	0.490%-1.228%	Shares	84,875
Shanghai Bank	500,000	391	499,609	0.600%	-	-
International Bills Finance	274,000	64	273,936	0.680%-1.078%	Shares	91,665
Grand Finance	200,000	17	199,983	0.880%	-	-
Taiwan Cooperative Bills Finance	200,000	94	199,906	0.860%	-	-
Taiwan Bills Finance	150,000	68	149,932	0.750%	-	-
Ta Ching Bill Finance	<u>150,000</u>	<u>105</u>	<u>149,895</u>	0.910%	-	<u>-</u>
	<u>\$ 3,482,000</u>	<u>\$ 1,635</u>	<u>\$ 3,480,365</u>			<u>\$ 839,492</u>

### c. Long-term borrowings

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Secured loans	\$ 10,100,000	\$ 10,200,000
Credit loans	6,240,000	4,890,000
Revolving commercial papers	<u>1,199,757</u>	<u>-</u>
	17,539,757	15,090,000
Less: Current portion	<u>2,540,000</u>	<u>-</u>
	<u>\$ 14,999,757</u>	<u>\$ 15,090,000</u>

Loan expiry date and interest rate intervals are as follows:

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
loan maturity	2021/1-2022/12	2020/3-2021/12
Interest rate intervals	0.399%-1.720%	0.900%-1.720%

## 21. OTHER LIABILITIES

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Other payables		
Payables for purchases of equipment	\$ 1,151,893	\$ 363,938
Payables for salaries and bonuses	818,122	780,040
Payables for rent	36,445	203,072
Lease incentives	-	970,529
Others	<u>1,965,200</u>	<u>2,263,860</u>
	<u>\$ 3,971,660</u>	<u>\$ 4,581,439</u>

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Other liabilities		
Deposits received	\$ 429,928	\$ 466,168
Others	<u>343,207</u>	<u>348,348</u>
	<u>\$ 773,135</u>	<u>\$ 814,516</u>
Current		
Other payables	<u>\$ 3,971,660</u>	<u>\$ 3,687,578</u>
Other liabilities	<u>\$ 315,976</u>	<u>\$ 320,947</u>
Non-current		
Other liabilities	<u>\$ 457,159</u>	<u>\$ 1,387,430</u>
		(Concluded)

## 22. PROVISIONS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Dismantling obligation	<u>\$ 27,823</u>	<u>\$ 31,501</u>
Current	\$ 3,000	\$ 6,592
Non-current	<u>24,823</u>	<u>24,909</u>
	<u>\$ 27,823</u>	<u>\$ 31,501</u>
		<b>Dismantling Obligation</b>
Balance at January 1, 2019		\$ 31,501
Amount used		(4,307)
Unwinding of discount		<u>629</u>
Balance at December 31, 2019		<u>\$ 27,823</u>

## 23. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Group in ROC of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in mainland China are members of a state-managed retirement benefit plan operated by the local government of mainland China. The Group in mainland China are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by Yu Ming Advertising Agency Co., Ltd. (YMAC), Far Eastern Hon Li Do Co., Ltd. (FEHLD), FEDS, AIMAI, Ya Tung Department Stores, Ltd. (YTDS) and SOGO of the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company and aforementioned subsidiaries contribute amounts equal to 2%-6% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The pension costs of YMAC respectively amounted to \$12 and \$13 thousand in 2019 and 2018, and the accrued pension liabilities on December 31, 2019 and 2018 were both \$486 thousand.

FEHLD terminated sales on July 1, 2000. Thus, the employees of FEHLD became the employees of AIMAI. The length of services of the employees at FEHLD is carried forward to accumulate and calculate the defined benefit plans at AIMAI. If the employees retire, the calculation of pension costs would be based on the length of service at FEHLD. The accrued pension liabilities on December 31, 2019 and 2018 amounted to \$479 and \$778 thousand, respectively. These accrued pension liabilities were provisions for the aforementioned pension.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

	<b>FEDS</b>	<b>AIMAI</b>	<b>YTDS</b>	<b>SOGO</b>
<u>December 31, 2019</u>				
Present value of defined benefit obligation	\$ 690,534	\$ 263,309	\$ 11,215	\$ 664,251
Fair value of the plan assets	<u>(924,569)</u>	<u>(29,769)</u>	<u>(10,105)</u>	<u>(161,435)</u>
Net defined benefit (assets) liabilities	<u>\$ (234,035)</u>	<u>\$ 233,540</u>	<u>\$ 1,110</u>	<u>\$ 502,816</u>
<u>December 31, 2018</u>				
Present value of defined benefit obligation	\$ 667,816	\$ 267,662	\$ 11,337	\$ 636,263
Fair value of the plan assets	<u>(578,815)</u>	<u>(29,626)</u>	<u>(9,517)</u>	<u>(157,904)</u>
Net defined benefit liabilities	<u>\$ 89,001</u>	<u>\$ 238,036</u>	<u>\$ 1,820</u>	<u>\$ 478,359</u>

Movements in net defined benefit liabilities are as follows:

	FEDS			AIMAI		
	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit (Assets ) Liabilities	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	\$ 742,897	\$ (505,389)	\$ 237,508	\$ 258,508	\$ (22,105)	\$ 236,403
Service cost						
Current service cost	7,088	-	7,088	1,740	-	1,740
Net interest expense (income)	9,286	(6,356)	2,930	2,908	(276)	2,632
Recognized in profit or loss	16,374	(6,356)	10,018	4,648	(276)	4,372
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	-	(43,357)	(43,357)	-	(768)	(768)
Actuarial loss						
- changes in demographic assumptions	6,684	-	6,684	16,205	-	16,205
- changes in financial assumptions	8,750	-	8,750	-	-	-
- experience adjustments	33,482	-	33,482	9,176	-	9,176
Recognized in other comprehensive income	48,916	(43,357)	5,559	25,381	(768)	24,613
Contributions from the employer	-	(164,084)	(164,084)	-	(27,352)	(27,352)
Benefits paid	(140,371)	140,371	-	(20,875)	20,875	-
Balance at December 31, 2018	667,816	(578,815)	89,001	267,662	(29,626)	238,036
Service cost						
Current service cost	5,581	-	5,581	1,527	-	1,527
Net interest expense (income)	7,513	(6,544)	969	3,011	(360)	2,651
Recognized in profit or loss	13,094	(6,544)	6,550	4,538	(360)	4,178
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	-	(332,601)	(332,601)	-	(1,036)	(1,036)
Actuarial loss						
- changes in demographic assumptions	10,011	-	10,011	4,567	-	4,567
- changes in financial assumptions	25,992	-	25,992	10,766	-	10,766
- experience adjustments	8,496	-	8,496	6,800	-	6,800
Recognized in other comprehensive income	44,499	(332,601)	(288,102)	22,133	(1,036)	21,097
Contributions from the employer	-	(41,449)	(41,449)	-	(27,491)	(27,491)
Benefits paid	(34,840)	34,840	-	(28,744)	28,744	-
Company account paid	(35)	-	(35)	(2,280)	-	(2,280)
Balance at December 31, 2019	\$ 690,534	\$ (924,569)	\$ (234,035)	\$ 263,309	\$ (29,769)	\$ 233,540
	YTDS			SOGO		
	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	\$ 11,176	\$ (9,005)	\$ 2,171	\$ 641,256	\$ (172,819)	\$ 468,437
Service cost						
Current service cost	90	-	90	4,498	-	4,498
Net interest expense (income)	126	(102)	24	8,015	(2,298)	5,717
Recognized in profit or loss	216	(102)	114	12,513	(2,298)	10,215
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	-	(264)	(264)	-	(6,846)	(6,846)
Actuarial loss						
- changes in demographic assumptions	-	-	-	16,185	-	16,185
- changes in financial assumptions	135	-	135	9,084	-	9,084
- experience adjustments	(107)	-	(107)	1,969	-	1,969
Recognized in other comprehensive income	28	(264)	(236)	27,238	(6,846)	20,392
Contributions from the employer	-	(146)	(146)	-	(20,685)	(20,685)
Benefits paid	-	-	-	(44,744)	44,744	-
Company account paid	(83)	-	(83)	-	-	-
Balance at December 31, 2018	11,337	(9,517)	1,820	636,263	(157,904)	478,359
Service cost						
Current service cost	90	-	90	3,618	-	3,618
Net interest expense (income)	114	(96)	18	7,159	(1,893)	5,266
Recognized in profit or loss	204	(96)	108	10,777	(1,893)	8,884
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	-	(334)	(334)	-	(5,738)	(5,738)
Actuarial loss						
- changes in demographic assumptions	1	-	1	4,221	-	4,221
- changes in financial assumptions	243	-	243	28,266	-	28,266
- experience adjustments	488	-	488	8,956	-	8,956
Recognized in other comprehensive income	732	(334)	398	41,443	(5,738)	35,705
Contributions from the employer	-	(158)	(158)	-	(20,132)	(20,132)
Benefits paid	-	-	-	(24,232)	24,232	-
Company account paid	(1,058)	-	(1,058)	-	-	-
Balance at December 31, 2019	\$ 11,215	\$ (10,105)	\$ 1,110	\$ 664,251	\$ (161,435)	\$ 502,816

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments of the plan assets.
- 3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<b>FEDS</b>	<b>AIMAI</b>	<b>YTDS</b>	<b>SOGO</b>
<u>December 31, 2019</u>				
Discount rates	0.750%	0.750%	0.750%	0.750%
Expected rates of salary increase	2.000%	1.000%	2.000%	2.250%

<u>December 31, 2018</u>				
Discount rates	1.125%	1.125%	1.000%	1.125%
Expected rates of salary increase	2.000%	1.000%	2.000%	2.250%

If probable, reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<b>FEDS</b>	<b>AIMAI</b>	<b>YTDS</b>	<b>SOGO</b>
<u>December 31, 2019</u>				
Discount rate(s)				
0.25% increase	<u>\$ (17,601)</u>	<u>\$ (7,310)</u>	<u>\$ (243)</u>	<u>\$ (19,059)</u>
0.25% decrease	<u>\$ 18,275</u>	<u>\$ 7,611</u>	<u>\$ 252</u>	<u>\$ 19,838</u>
Expected rate(s) of salary increase				
0.25% increase	<u>\$ 17,730</u>	<u>\$ 7,451</u>	<u>\$ 245</u>	<u>\$ 19,201</u>
0.25% decrease	<u>\$ (17,168)</u>	<u>\$ (7,192)</u>	<u>\$ (237)</u>	<u>\$ (18,549)</u>

(Continued)

	<b>FEDS</b>	<b>AIMAI</b>	<b>YTDS</b>	<b>SOGO</b>
<u>December 31, 2018</u>				
Discount rate(s)				
0.25% increase	<u>\$ (17,528)</u>	<u>\$ (7,501)</u>	<u>\$ (267)</u>	<u>\$ (18,730)</u>
0.25% decrease	<u>\$ 18,207</u>	<u>\$ 7,812</u>	<u>\$ 277</u>	<u>\$ 19,512</u>
Expected rate(s) of salary increase				
0.25% increase	<u>\$ 17,728</u>	<u>\$ 7,675</u>	<u>\$ 270</u>	<u>\$ 18,956</u>
0.25% decrease	<u>\$ (17,156)</u>	<u>\$ (7,406)</u>	<u>\$ (261)</u>	<u>\$ (18,294)</u>
				(Concluded)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>FEDS</b>	<b>AIMAI</b>	<b>YTDS</b>	<b>SOGO</b>
<u>December 31, 2019</u>				
The expected contributions to the plans for the next year	<u>\$ 5,417</u>	<u>\$ 4,422</u>	<u>\$ 144</u>	<u>\$ 20,115</u>
The average duration of the defined benefit obligation	10.4 years	11.2 years	8.7 years	11.6 years

<u>December 31, 2018</u>				
The expected contributions to the plans for the next year	<u>\$ 5,680</u>	<u>\$ 4,648</u>	<u>\$ 144</u>	<u>\$ 20,746</u>
The average duration of the defined benefit obligation	10.7 years	11.3 years	9.4 years	12 years

## 24. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Shares authorized (in thousands of shares)	<u>1,750,000</u>	<u>1,750,000</u>
Shares authorized	<u>\$ 17,500,000</u>	<u>\$ 17,500,000</u>
Shares issued and fully paid (in thousands of shares)	<u>1,416,941</u>	<u>1,416,941</u>
Shares issued	<u>\$ 14,169,406</u>	<u>\$ 14,169,406</u>

Fully paid ordinary shares, which have a par value of \$10, are entitled to one vote and a right to receive dividends per share.

b. Capital surplus

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance in excess of ordinary shares	\$ 2,142,074	\$ 2,142,074
Treasury share transactions	1,173,346	1,173,346
Changes in percentage of ownership interest in associates	<u>12,046</u>	<u>-</u>
	<u>\$ 3,327,466</u>	<u>\$ 3,315,420</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year ).

c. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, net income should be used to pay its business income tax and offset deficits. From any remaining net income, 10% will be appropriated as a legal reserve, and a special reserve as required by government regulations. After adding prior years' unappropriated earnings, the Company could retain a certain amount for expansion plans and then make the appropriation equally to each shareholder. However, if there is an increase in capital during the year, bonuses appropriated to new shareholders should be allocated based on the resolution passed in the shareholders' meeting. For information about the policies of employees' compensation and remuneration of directors prior to and after the amendments to the Company's Articles of Incorporation, refer to Note 26.

The Company's distribution of dividends would be in consideration of on economic conditions, tax obligations, and operating requirements for cash. For an orderly system of dividend distribution, the dividends are distributed in accordance with the Articles of Incorporation. In addition, improvements of the financial structure and support for investment, capacity expansion or other major capital expenditures are needed. The cash dividends to be distributed should not be below 50% than the current year's post-tax net profit deduction, offsetting losses of previous years, the statutory surplus reserve and the special surplus reserve, except for the improvement of financial structure and the transfer of funds, capacity expansion or other major capital expenditures. The cash dividends to be distributed should not be below 10% of the total cash and share dividends for the current accounting year.

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

Under Order No. 1010012865, Order No. 1010047490 and Order No. 1030006415 issued by the FSC and the directive titled Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs, the Company should appropriate or reverse to a special reserve.

The appropriations of earnings for 2018 and 2017, which were approved in the shareholders' meetings on June 25, 2019 and June 21, 2018, respectively, are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 131,815	\$ 153,599
Special reserve	\$ 73,330	\$ 12,543
Cash dividends	\$ 1,204,400	\$ 1,416,940
Dividends per share (NT\$)	\$ 0.85	\$ 1.00

The appropriation of the earnings for 2019 was proposed by the board of directors on March 27, 2020. The appropriations and dividends per share are as follows:

	<b>For the Year Ended December 31, 2019</b>
Legal reserve	\$ 125,920
Special reserve	\$ (156,088)
Cash dividends	\$ 1,133,552
Dividends per share (NT\$)	\$ 0.80

The appropriation of earnings for 2019 was resolved in the shareholders' meeting held on June 24, 2020.

d. Special reserve

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning at January 1	\$ 2,656,286	\$ 2,643,743
Appropriation in respect of		
Initial application of IFRS 16	135,735	-
Net increases in the fair value of investment properties	<u>73,330</u>	<u>12,543</u>
Balance at December 31	<u>\$ 2,865,351</u>	<u>\$ 2,656,286</u>

On the initial application of the fair value model to investment properties and on the initial application of IFRS 16, property leasehold interests which were previously accounted for as operating leases under IAS 17 are recognized as investment properties and measured at fair value, the Company appropriated for a special reserve at an amount equal to the net increase arising from fair value measurement and which was subsequently transferred to retained earnings. The additional special reserve should be appropriated for subsequent net increases in fair value. The amount appropriated may be reversed to the extent that the cumulative net increases in fair value decrease or on the disposal of investment properties. If investment properties were reclassified to property, plant and equipment, the associated special reserve would be reversed in accordance to the subsequent depreciation expense of property, plant and equipment.



e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 90,654	\$ 86,048
Exchange differences on translating the financial statements of foreign operations	35,266	3,779
Share from associates accounted for using the equity method	<u>(60,595)</u>	<u>827</u>
Balance, at December 31	<u>\$ 65,325</u>	<u>\$ 90,654</u>

Translation adjustments arising from net assets of foreign operations that translated from the functional currency to New Taiwan dollars were recognized as other comprehensive incomes of exchange differences on translating foreign operations.

2) Unrealized gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 1,969,628	\$ 1,242,300
Recognized for the year		
Unrealized gain - equity instruments	1,117,155	536,660
Share from associates accounted for using the equity method	<u>(27,909)</u>	<u>194,860</u>
Other comprehensive income recognized for the year	3,058,874	1,973,820
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(4,192)</u>
Balance at December 31	<u>\$ 3,058,874</u>	<u>\$ 1,969,628</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 8,166,484	\$ 7,859,460
Adjustments on initial application of IFRS 16	<u>(159,751)</u>	<u>-</u>
Balance at January 1 (restated)	8,006,733	7,859,460
Share in profit for the year	370,426	332,345
Other comprehensive income/(loss) during the year		
Cash dividends distributed by subsidiaries	(239,203)	(220,697)
Exchange differences on translating the financial statements of foreign operations	18,312	(18,341)
Unrealized gain (loss) on financial assets at FVTOCI	1,409	(2,461)
Remeasurement of defined benefit plans	(19,543)	(11,161)
Related income tax	3,909	5,566
Share of other comprehensive income of associates accounted for using the equity method	(28,642)	222,398
Adjustments relating to changes of associates accounted for using the equity method	<u>-</u>	<u>(625)</u>
Balance, at December 31	<u>\$ 8,113,401</u>	<u>\$ 8,166,484</u>

g. Treasury shares

The shares that the subsidiaries held were acquired before the Company Act was amended in 2001. The Company's shares held by its subsidiaries at the end of the reporting period are as follows:

December 31, 2019

<b>Name of Subsidiary</b>	<b>Number of Shares Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
Bai Ding Investment	8,207	<u>\$ 97,110</u>	<u>\$ 213,771</u>

December 31, 2018

<b>Name of Subsidiary</b>	<b>Number of Shares Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
Bai Ding Investment	8,207	<u>\$ 97,110</u>	<u>\$ 128,837</u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuances for cash and to vote.

## 25. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Sales of goods (Note)	\$ 22,794,827	\$ 23,704,953
Commissions from concessionaires' sales (Note)	11,803,340	12,250,426
Maintenance and promotion fee income	803,134	890,598
Rental income		
Investment properties (Note 16)		
Variable lease payments that do not depend on an index or a rate and contingent rentals	13,264	5,649
Other lease payments	<u>262,704</u>	<u>166,405</u>
	<u>275,968</u>	<u>172,054</u>
Other operating leases		
Variable lease payments that do not depend on an index or a rate	136,898	160,667
Other lease payments	<u>1,243,937</u>	<u>1,251,802</u>
	<u>1,380,835</u>	<u>1,412,469</u>
	<u>1,656,803</u>	<u>1,584,523</u>
Others	<u>837,958</u>	<u>812,051</u>
	<u>\$ 37,896,062</u>	<u>\$ 39,242,551</u>

Note: Gross revenues is presented as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Concessionaires' sales	\$ 87,142,195	\$ 88,049,625
Sale of goods	<u>23,264,348</u>	<u>24,198,695</u>
	<u>\$ 110,406,543</u>	<u>\$ 112,248,320</u>

#### **Contract Balances**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Contract liabilities - current			
Sale of goods	\$ 7,669,255	\$ 7,435,814	\$ 7,063,082
Customer loyalty programs	95,772	84,802	83,761
Others	<u>5,801</u>	<u>4,852</u>	<u>393,337</u>
	<u>\$ 7,770,828</u>	<u>\$ 7,525,468</u>	<u>\$ 7,540,180</u>

Refer to Note 10 for the information of notes receivables and trade receivables.

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

Revenue of the reporting period recognized from the beginning contract liabilities which were satisfied in the previous periods is as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
<u>From contract liabilities at the start of the year</u>		
Sale of goods	\$ 5,836,924	\$ 5,612,648
Customer loyalty programs	<u>49,954</u>	<u>59,426</u>
	<u>\$ 5,886,878</u>	<u>\$ 5,672,074</u>

## **26. NET PROFIT FOR THE YEAR**

Net profit for the year includes the following items:

### **a. Operating costs**

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Operating costs		
Cost of sales	\$ 17,900,994	\$ 18,697,764
Rental costs	316,826	355,092
Others	<u>35,629</u>	<u>38,728</u>
	<u>\$ 18,253,449</u>	<u>\$ 19,091,584</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest income		
Bank deposits	\$ 82,585	\$ 120,525
Others	<u>7,864</u>	<u>7,599</u>
	90,449	128,124
Dividend income	286,299	152,720
Insurance claim income	<u>-</u>	<u>250,005</u>
	<u>\$ 376,748</u>	<u>\$ 530,849</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Financial assets mandatorily classified as at FVTPL	\$ 691	\$ 10,443
(Loss) gain arising on changes in fair value of investment properties, net	(151,597)	43,045
Foreign exchange gain (loss), net	16,046	(169,753)
Loss on disposal of property, plant and equipment, net	(84,473)	(26,487)
Loss on disposal of investment properties	-	(90,621)
Gain on disposal of investment	291	-
Impairment loss on intangible assets	(1,095,884)	(1,630,000)
Impairment loss on property, plant and equipment	-	(38,047)
Other gains	330,879	207,019
Other losses	<u>(51,150)</u>	<u>(48,778)</u>
	<u>\$ (1,035,197)</u>	<u>\$ (1,743,179)</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on lease liabilities	\$ 477,029	\$ -
Interest on bank loans	412,677	442,384
Interest on bonds	-	19,351
Other interest expense	<u>19,475</u>	<u>33,994</u>
Total interest expenses for financial liabilities measured at fair value through profit or loss	909,181	495,729
Less: Amounts included in the cost of qualifying assets	<u>(74,481)</u>	<u>(58,702)</u>
	834,700	437,027
Add: Reversal of unwinding of discounts on provisions	<u>629</u>	<u>253</u>
	<u>\$ 835,329</u>	<u>\$ 437,280</u>

Information about capitalized interest is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Capitalized interest amount	\$ 74,481	\$ 58,702
Capitalization rate interval	0.9800%- 1.0200%	0.9800%- 1.0500%

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 2,030,727	\$ 2,497,206
Right-of-use assets	3,664,358	-
Less: Adjustments to receipts in advance and depreciation	<u>(139,890)</u>	<u>(141,887)</u>
	5,555,195	2,355,319
Intangible assets (including amortization expenses)	<u>60,149</u>	<u>51,903</u>
	<u>\$ 5,615,344</u>	<u>\$ 2,407,222</u>
An analysis of deprecation by function		
Operating costs	\$ 225,668	\$ 94,443
Operating expenses	<u>5,329,527</u>	<u>2,260,876</u>
	<u>\$ 5,555,195</u>	<u>\$ 2,355,319</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 60,149</u>	<u>\$ 51,903</u>

f. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Direct operating expenses from investment properties generating rental income	\$ 65,378	\$ 82,239
Direct operating expenses from investment properties not generating rental income	<u>41,426</u>	<u>56,286</u>
	<u>\$ 106,804</u>	<u>\$ 138,525</u>

g. Employee benefits expenses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Post-employment benefits (Note 23)		
Defined contribution plan	\$ 179,323	\$ 187,241
Defined benefit plan	<u>19,732</u>	<u>24,732</u>
	199,055	211,973
Other employee benefits	<u>4,156,707</u>	<u>4,187,287</u>
Total employee benefits expenses	<u>\$ 4,355,762</u>	<u>\$ 4,399,260</u>
An analysis of employee benefits expenses by function		
Operating expenses	<u>\$ 4,355,762</u>	<u>\$ 4,399,260</u>

h. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at a rate of 2% to 3.5% and no less than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on March 27, 2020 and March 20, 2019, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Employees' compensation	3.2%	3.2%
Remuneration of directors	2.4%	2.4%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 74,392	\$ 55,384
Remuneration of directors	55,794	41,538

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 27. INCOME TAX

### a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 769,421	\$ 728,346
Income tax on unappropriated earnings	442	-
Adjustments for the prior years	<u>(38,818)</u>	<u>(241)</u>
	<u>731,045</u>	<u>728,105</u>
Deferred tax		
In respect of the current year	195,609	35,200
Effect of tax rate changes	-	85,957
Adjustments to deferred tax attributable to changes in tax rates and laws	25,570	48,101
Adjustments for the prior years	<u>(1,555)</u>	<u>1,257</u>
	<u>219,624</u>	<u>170,515</u>
Income tax expense recognized in profit or loss	<u>\$ 950,669</u>	<u>\$ 898,620</u>

A reconciliation of accounting profit and income tax expenses are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before income tax from continuing operations	<u>\$ 3,102,938</u>	<u>\$ 2,549,115</u>
Income tax expense calculated at the statutory rate	\$ 883,130	\$ 690,816
Nondeductible expenses in determining taxable income	17,516	21,312
Deferred tax effect of earnings of subsidiaries	40,032	(230,173)
Tax-exempt income	(73,524)	(53,307)
Income tax on unappropriated earnings	442	-
Land value increment tax	(9,238)	(23,303)
Unrecognized loss carryforwards	138,127	383,187
Unrecognized deductible temporary differences	(12,783)	7,595
Effect of tax rate changes	-	85,957
Adjustments for prior years' income tax	(40,373)	1,016
Others	<u>7,340</u>	<u>15,520</u>
Income tax expense recognized in profit or loss	<u>\$ 950,669</u>	<u>\$ 898,620</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. The applicable tax rate used by the subsidiaries in China is 25%. Tax rates used by other groups operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred tax		
In respect of the current year		
Remeasurement on defined benefit plans	\$ (46,260)	\$ 10,113
Effect of tax rate changes	<u>-</u>	<u>13,253</u>
	<u>\$ (46,260)</u>	<u>\$ 23,366</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax assets		
Tax refund receivable	\$ 10,291	\$ 3,025
Benefits of tax losses to be carried back to recover taxes paid in prior periods	<u>521</u>	<u>2,630</u>
	<u>\$ 10,812</u>	<u>\$ 5,655</u>
Current tax liabilities		
Income tax payable	<u>\$ 772,780</u>	<u>\$ 609,796</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2019

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Right-of-use assets	\$ 197,475	\$ (24,016)	\$ -	\$ (1,009)	\$ 172,450
Differences of pension in determining taxable income	153,858	5,741	(19,193)	-	140,406
Investments in subsidiaries	104,161	(102,550)	-	-	1,611
Others	<u>148,447</u>	<u>(16,448)</u>	<u>-</u>	<u>(215)</u>	<u>131,784</u>
	603,941	(137,273)	(19,193)	(1,224)	446,251
Loss carryforwards	<u>168,159</u>	<u>(25,225)</u>	<u>-</u>	<u>40</u>	<u>142,974</u>
	<u>\$ 772,100</u>	<u>\$ (162,498)</u>	<u>\$ (19,193)</u>	<u>\$ (1,184)</u>	<u>\$ 589,225</u>



	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Exchange Differences	Others	Closing Balance
<u>Deferred tax liabilities</u>						
Temporary differences						
Depreciation	\$ 914,436	\$ 8,275	\$ -	\$ -	\$ -	\$ 922,711
Reserve for land revaluation increment tax	508,719	-	-	-	-	508,719
Investment properties	361,470	(9,238)	-	-	-	352,232
Investments in subsidiaries	230,326	15,858	-	(12,214)	-	233,970
Differences of pension in determining taxable	-	19,740	27,067	-	-	46,807
Others	99,411	22,491	-	(2)	126,615	248,515
	<u>\$ 2,114,362</u>	<u>\$ 57,126</u>	<u>\$ 27,067</u>	<u>\$ (12,216)</u>	<u>\$ 126,615</u>	<u>\$ 2,312,954</u>

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Lease incentives	\$ 209,714	\$ (11,539)	\$ -	\$ (700)	\$ 197,475
Differences of pension in determining taxable income	153,976	(23,484)	23,366	-	153,858
Investments in subsidiaries	16,952	87,209	-	-	104,161
Other payables	41,465	(41,465)	-	-	-
Others	142,263	6,333	-	(149)	148,447
	564,370	17,054	23,366	(849)	603,941
Loss carryforwards	155,208	13,386	-	(435)	168,159
	<u>\$ 719,578</u>	<u>\$ 30,440</u>	<u>\$ 23,366</u>	<u>\$ (1,284)</u>	<u>\$ 772,100</u>

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Exchange Differences	Others	Closing Balance
<u>Deferred tax liabilities</u>						
Temporary differences						
Depreciation	\$ 823,288	\$ 91,148	\$ -	\$ -	\$ -	\$ 914,436
Reserve for land revaluation increment tax	508,719	-	-	-	-	508,719
Investment properties	384,773	(23,303)	-	-	-	361,470
Investments in subsidiaries	172,975	59,423	-	(2,072)	-	230,326
Others	25,725	73,687	-	(1)	-	99,411
	<u>\$ 1,915,480</u>	<u>\$ 200,955</u>	<u>\$ -</u>	<u>\$ (2,073)</u>	<u>\$ -</u>	<u>\$ 2,114,362</u>

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets were recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Loss carryforwards		
Expiry in 2029	\$ 518,468	\$ -
Expiry in 2028	1,383,262	1,451,589
Expiry in 2027	1,990,891	3,184,627
Expiry in 2026	1,008,932	957,341
Expiry in 2025	784,762	812,468
Expiry in 2024	83,290	675,800
Expiry in 2023	129,329	123,329
Expiry in 2022	195,449	189,304
Expiry in 2021	164,662	171,239
Expiry in 2020	174,022	183,485
Expiry in 2019	<u>-</u>	<u>373,159</u>
	<u>\$ 6,433,067</u>	<u>\$ 8,122,341</u>
Deductible temporary differences	<u>\$ 1,419,548</u>	<u>\$ 806,834</u>

- f. Information about unused loss carryforwards

As of December 31, 2019, information about loss carryforwards are as follows:

<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
\$ 549,954	2029
1,669,672	2028
1,998,473	2027
1,374,561	2026
792,371	2025
83,290	2024
129,329	2023
195,449	2022
171,355	2021
<u>183,485</u>	2020
<u>\$ 7,147,939</u>	

- g. Income tax assessments

Income tax returns for the Group's entities in ROC have been assessed by the tax authorities through 2017.

## 28. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Basic earnings per share	\$ <u>1.26</u>	\$ <u>0.94</u>
Diluted earnings per share	\$ <u>1.26</u>	\$ <u>0.93</u>

Earnings and weighted average number of ordinary shares outstanding used for the computation of earnings per share are as follows:

Net profit for the year

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit for the year attributable to owners of the Company	\$ 1,781,843	\$ 1,318,150
Effect of potentially dilutive ordinary shares:		
Employees' compensation	_____ -	_____ -
Earnings used in the computation of diluted earnings per share	\$ <u>1,781,843</u>	\$ <u>1,318,150</u>

Shares

(In Thousands of Shares)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of ordinary shares outstanding used in the computation of basic earnings per share	1,408,734	1,408,734
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>4,031</u>	<u>4,931</u>
Weighted average number of ordinary shares outstanding used in the computation of dilutive earnings per share	<u>1,412,765</u>	<u>1,413,665</u>

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in their meeting in the following year.

## 29. CASH FLOW INFORMATION

### a. Non-cash transactions

For the years ended December 31, 2019 and 2018, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

The Group reclassified prepayments for equipment of \$127,464 thousand and \$127,640 thousand, respectively, as property, plant and equipment (see Note 14).

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Change in Exchange Rate	Others	
Short-term borrowings	\$ 12,957,612	\$ (3,175,258)	\$ -	\$ (151,458)	\$ -	\$ 9,630,896
Short-term bills payable	3,480,365	142,628	-	-	-	3,622,993
Long-term borrowings	15,090,000	2,449,757	-	-	-	17,539,757
Lease liabilities (Note 3)	30,357,752	(3,386,357)	2,101,626	(88,641)	(196,858)	28,787,522
Other non-current liabilities	493,569	(36,410)	-	-	-	457,159
	<u>\$ 62,379,298</u>	<u>\$ (4,005,640)</u>	<u>\$ 2,102,626</u>	<u>\$ (240,099)</u>	<u>\$ (196,858)</u>	<u>\$ 60,038,327</u>

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			Reclassification	Change in Exchange Rate	Others	
Short-term borrowings	\$ 13,084,956	\$ (100,163)	\$ -	\$ (27,181)	\$ -	\$ 12,957,612
Short-term bills payable	2,514,700	965,665	-	-	-	3,480,365
Long-term borrowings	16,758,102	(1,668,102)	-	-	-	15,090,000
Bonds payable	998,149	(1,000,000)	-	-	1,851	-
Other non-current liabilities	1,588,670	(26,346)	-	-	(174,894)	1,387,430
	<u>\$ 34,944,577</u>	<u>\$ (1,828,946)</u>	<u>\$ -</u>	<u>\$ (27,181)</u>	<u>\$ (173,043)</u>	<u>\$ 32,915,407</u>

### 30. CAPITAL MANAGEMENT

Under its operating development schemes and related government rules, the Group manages its capital to ensure it can continue to operate as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising share capital, capital surplus, retained earnings and other equity). The Group's capital management concerns the capital expenditures for capital structure and relative risks to ensure the optimal capital structure; the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued and the proceeds from borrowings and repayments of borrowings, in order to balance the overall capital structure.

### 31. FINANCIAL INSTRUMENTS

a. Fair value information - financial instruments not measured at fair value

The financial instruments not measured at fair value are either those with due dates in the near future or those with a future collection value which approximately equals its carrying amount. Thus, the fair value of these financial instruments are estimated at their carrying amounts on the financial reporting date.

b. Fair value information - financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Beneficiary certificates	\$ 346,330	\$ -	\$ -	\$ 346,330
Domestic listed ordinary shares	<u>110,926</u>	<u>-</u>	<u>-</u>	<u>110,926</u>
	<u>\$ 457,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 457,256</u>

Financial assets at FVTOCI

Domestic listed ordinary shares	\$ 4,736,737	\$ -	\$ -	\$ 4,736,737
Unlisted shares	<u>-</u>	<u>-</u>	<u>591,283</u>	<u>591,283</u>
	<u>\$ 4,736,737</u>	<u>\$ -</u>	<u>\$ 591,283</u>	<u>\$ 5,328,020</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Beneficiary certificates	\$ 344,481	\$ -	\$ -	\$ 344,481
Domestic listed ordinary shares	<u>93,266</u>	<u>-</u>	<u>-</u>	<u>93,266</u>
	<u>\$ 437,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437,747</u>

Financial assets at FVTOCI

Domestic listed ordinary shares	\$ 3,631,653	\$ -	\$ -	\$ 3,631,653
Unlisted shares	<u>-</u>	<u>-</u>	<u>573,146</u>	<u>573,146</u>
	<u>\$ 3,631,653</u>	<u>\$ -</u>	<u>\$ 573,146</u>	<u>\$ 4,204,799</u>

There were no transfers between Level 1 and 2 in both 2019 and 2018.

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

For the year ended December 31, 2019

Financial Assets	Investment in Equity Instruments at FVTOCI
Balance at January 1, 2019	\$ 573,146
Recognized in profit or loss (included in other gains and losses)	(87)
Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI)	<u>18,224</u>
Balance at December 31, 2019	<u>\$ 591,283</u>

For the year ended December 31, 2018

<b>Financial Assets</b>	<b>Investment in Equity Instruments at FVTOCI</b>
Balance at January 1, 2018	\$ -
Adjustments on initial application of IFRS 9	492,191
Balance at January 1, 2018 (restated)	492,191
Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI)	<u>80,955</u>
Balance at December 31, 2018	<u>\$ 573,146</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

<b>Financial Instruments</b>	<b>Valuation Techniques and Inputs</b>
Unlisted shares	<p>a) Asset-based approach. Valuation based on the fair value of an investee, calculated through each investment of the investee using the income approach, market approach or a combination of the two approaches, while also taking the liquidity premium into consideration.</p> <p>b) Transaction method of market approach. The approach is a valuation strategy that looks at market ratios of companies with similar profitability at the end of the reporting period, while taking the liquidity premium into consideration.</p>

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 457,256	\$ 437,747
Financial assets at amortized cost (1)	18,170,249	22,215,229
FVTOCI		
Equity instruments	5,328,020	4,204,799
<u>Financial liabilities</u>		
Amortized cost (2)	50,412,783	53,293,190

- 1) The balances included the carrying amount of cash and cash equivalents, notes receivable and trade receivables (including related parties), other receivables and refundable deposits, which are measured at amortized cost.
- 2) The balances included the carrying amount of short-term borrowings, short-term bills payable, notes payable and trade payables (including related parties), other payables, long-term borrowings including the current portion and deposits received, which are measured at amortized cost.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity instruments, trade receivables, trade payables and borrowings. The Group's financial risk management pertains to the management of operations-related market risks (including exchange rate risk, interest rate and other price risks), credit risks and liquidity risks. To reduce financial risk, the Group is committed to identifying, assessing and avoiding the market uncertainties and reducing negative effects of these market changes on the Group's financial performance.

The main financial activities of the Group are governed by the Group's internal management and approved by the board of directors. The financial schemes, which include fund raising plans should be carried out in compliance with the Group's policies.

1) Market risk

a) Exchange rate risk

The Group was exposed to exchange rate risk for holding assets and liabilities denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are as follows:

	In Thousands of U.S. Dollars	
	December 31	
	2019	2018
<u>Assets</u>		
USD	\$ 14,409	\$ 29,879
<u>Liabilities</u>		
USD	\$ 3,900	\$ 3,968

Sensitivity analysis

The Group was mainly affected by the floating exchange rates of USD denominated assets and liabilities. The sensitivity analyses below were determined based on the Group's exposure to exchange rates for non-derivative instruments at the end of the reporting period. The change of exchange rates reported to the senior management of the Group was based on a 1% increase or decrease in exchange rate which also denotes the management's assessment for the reasonableness of the fluctuation of exchange rates.

If exchange rates had been 1% higher or lower and all other variables were held constant, the profit before income tax or equity of the Group for 2019 and 2018 would increase/decrease by \$3,151 thousand and \$7,958 thousand, respectively,

b) Interest rate risk

The Group was exposed to interest rate risk because the entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ 10,503,168	\$ 10,740,306
Financial liabilities	31,388,615	9,476,066
Cash flow interest rate risk		
Financial assets	2,662,905	2,026,821
Financial liabilities	28,192,553	22,051,911

#### Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for financial assets and financial liabilities at the end of the reporting period. For sensitivity analysis purposes, the sensitivity rate was adjusted as a result of the volatile financial markets. The measurement of the increase or decrease in the interest rates is based on 100 basis points, which is reported to the senior management denoting the management's assessment for the reasonableness of the fluctuation of the interest rates.

If interest rates had been 100 basis points higher or lower and all other variables had been held constant, the income before income taxes for the years ended December 31, 2019 and 2018 would have decreased/increased by \$255,296 thousand and \$200,251 thousand, respectively.

#### c) Other price risks

The Group was exposed to equity price risks involving equity investments in listed companies and beneficial certificates. The Group's investments in listed companies and beneficial certificates should be in compliance with the rule made by the board of directors in order to achieve the goal of risk management and maximize the returns on investments.

#### Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purposes, the sensitivity rate was adjusted as a result of the volatile financial market.

If equity prices had been 5% higher or lower, the income before income tax for the years ended December 31, 2019 and 2018 would increase/decrease by \$22,863 thousand and \$21,887 thousand, respectively, as a result of the changes in fair value of held-for-trading investments. The pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have increased/decreased by \$266,401 thousand and \$210,240 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

#### 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's credit risk was mainly from trade receivables in operating activities, bank deposits and financial instruments in financial activities.



To maintain the quality of trade receivables, the Group manages credit risk by assessing customers' credit elements, such as financial status, historical transactions, etc., and obtains an adequate amount of collaterals as guarantees from the customers with high credit risk. In addition, the Group reviews the recoverable amount of each trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. On the credit risk management of bank deposits and other financial instruments, the Group trades with the counterparties comprising banks with high credit ratings.

### 3) Liquidity risk

Liquidity risk is a risk in which the Group cannot pay cash or use other financial assets to settle the financial liabilities. The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the use of bank borrowings and ensures compliance with loan covenants and it will not damage to the Group's reputation.

On the demand for capital payments for a particular purpose, the Group maintains adequate cash by the way of the long-term finance/borrowings. For the management of cash shortage, the Group monitors cash management and allocates cash appropriately to maintain financial flexibility and ensure the mitigation of liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables are drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group may be required to pay. The tables include both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks' choice to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment periods.

#### December 31, 2019

	On Demand or Not Later than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Later than 5 Years	Total
<u>Non-derivative financial liabilities</u>							
Short-term borrowings	\$ 9,630,896	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,630,896
Short-term bills payable	3,622,993	-	-	-	-	-	3,622,993
Notes payable	3,184	-	-	-	-	-	3,184
Trade payables	15,120,910	-	-	-	-	-	15,120,910
Trade payables to related parties	93,455	-	-	-	-	-	93,455
Other payables	3,971,660	-	-	-	-	-	3,971,660
Lease liabilities	3,576,206	3,407,678	3,048,551	2,830,422	2,258,753	17,399,623	32,521,233
Long-term borrowings (including current portion)	2,540,000	14,739,757	260,000	-	-	-	17,539,757
Deposits received	43,128	283,148	33,400	7,666	7,492	55,094	429,928

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 3,576,206</u>	<u>\$11,545,404</u>	<u>\$ 7,830,261</u>	<u>\$ 3,980,745</u>	<u>\$ 2,487,879</u>	<u>\$ 3,100,738</u>

## December 31, 2018

	On Demand or Not Later than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Later than 5 Years	Total
<i>Non-derivative financial liabilities</i>							
Short-term borrowings	\$ 12,957,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,957,612
Short-term bills payable	3,480,365	-	-	-	-	-	3,480,365
Notes payable	3,683	-	-	-	-	-	3,683
Trade payables	17,579,453	-	-	-	-	-	17,579,453
Trade payables to related parties	104,999	-	-	-	-	-	104,999
Other payables	3,610,910	-	-	-	-	-	3,610,910
Long-term borrowings (including current portion)	-	12,460,000	2,630,000	-	-	-	15,090,000
Deposits received	50,344	227,618	125,821	3,584	7,596	51,205	466,168

The amounts of variable interest rate instruments for both non-derivative financial liabilities mentioned above are subject to change if the changes in variable interest rates differ from those estimates of interest rates determined at the end of the year.

## 32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Group and its subsidiaries (which are related parties of the Company) have been eliminated on consolidation and are not disclosed in this note. The transactions between the Group and its related parties, other than those disclosed in other notes, are summarized as follows:

### a. The Group's related parties and their relationships

Related Party	Relationship with the Group
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Associate
Chengdu Baiyang Industry Co., Ltd. (CDBI)	Associate
Yuan Hsin Digital Payment Co., Ltd. (YHDP)	Associate
Oriental Securities Corporation (OSC)	Associate
Pacific Department Store Co., Ltd	Associate
Sogo Department Stores Co., Ltd.	Associate
Far Eastern International Leasing Corp. (FEIL)	Associate
Yuan Ding Enterprise (Shanghai) Limited. (YDEL (Shanghai))	Associate (Note)
Yuan Shi Digital Technology Co., Ltd. (YSDT)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far EasTone Telecommunications Co., Ltd. (FET)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Asia Cement Corporation (ACC)	The associate of the investor that has significant influence over the Company (the associate of FENC)
Far Eastern Electronic Toll Collection Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
New Century InfoComm Tech Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuan Ding Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Ding Ding Hotel Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)

(Continued)

<b>Related Party</b>	<b>Relationship with the Group</b>
Far East Resources Development Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Technical Consultants Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Yuan Ding Integrated Information Service (Shanghai) Inc.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Construction Co., Ltd. (FECC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Apparel Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
YDT Technology International Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern New Century (China) Investment Co., Ltd. (FENCI (China))	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern General Contractor Inc. (FEG)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yadong Ready Mixed Concrete Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Everest Textile Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Far Eastern New Century Corporation (FENC)	The investor that has significant influence over the Company (investor of FEDS accounted for using the equity method)
Yuan-Ze University	Other related party (the same chairman)
Mr. Xuyuan Zhi Memorial Foundation	Other related party (the same chairman)
Far Eastern Medical Foundation (FEMF)	Other related party (the same chairman)
Oriental Union Chemical Corp.	Other related party (the same chairman)
U-Ming Marine Transport Corp.	Other related party (the same chairman)
Hong-Tong Developing Co., Ltd.	Other related party (related party in substance)
Sogo New Life Foundation	Other related party (related party in substance)
Pacific Sogo Social Welfare Foundation	Other related party (related party in substance)
Far Eastern International Bank (FEIB)	Other related party (the chairman of the Company is its vice chairman)
Ding&Ding Management Consultants Co., Ltd.	Other related party (related party in substance)
CitySuper (Hong Kong)	Other related party (related party in substance of Subsidiary Far Eastern CitySuper)
CitySuper (Labuan) Ltd.	Other related party (investor of Far Eastern CitySuper accounted for using the equity method)
CitySuper Ltd.	Other related party (the parent company of CitySuper (Labuan) Ltd.)
Yuanbo Asset Management Company	Other related party (the subsidiary of FEIL)
Chengdu Zhongtie Ruicheng Building Co., Ltd.	Other related party (mainland cooperative enterprise)
Chengdu Tai Bai Consultant and Management Co., Ltd.	Other related party (mainland cooperative enterprise)
Shanghai Xujiahui Commercial Co., Ltd.	Other related party (mainland cooperative enterprise)
Yu Chang Technical & Commercial Vocational Senior High School (YCVS)	Other related party (related party in substance)
Fu Ming Transport Corporation	Other related party (the subsidiary of ACC)
Yuan Cing Co., Ltd.	Other related party (the subsidiary of FET)

(Concluded)

Note: On February 18, 2019, FEDS Development invested RMB250,000 thousand in YDEC (Shanghai) with a 20% shareholding ratio and the investment was accounted for using the equity method. Therefore, FEDS Development changed from being an “investor with significant influence - associate” into an “associate”.

b. Operating revenue

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Sales of goods (Note)		
The associates of investor that has significant influence over the Group	\$ 56,135	\$ 63,322
Other related parties	5,017	4,958
Investor that has significant influence over the Group	1,261	1,719
Associates	<u>256</u>	<u>1,155</u>
	<u>\$ 62,669</u>	<u>\$ 71,154</u>

Note: Sales to related parties and unrelated parties were made under normal terms.

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Other operating revenue		
Other related parties	\$ 68,745	\$ 83,160
The associates of investor that has significant influence over the Group	31,942	45,788
Associates	<u>2,304</u>	<u>3,265</u>
	<u>\$ 102,991</u>	<u>\$ 132,213</u>

c. Operating costs and expenses

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Operating costs (Note)		
The associates of investor that has significant influence over the Group	\$ 131,547	\$ 128,884
Other related parties	16,379	15,819
Investor that has significant influence over the Group	<u>61</u>	<u>137</u>
	<u>\$ 147,987</u>	<u>\$ 144,840</u>

Note: Purchases from related parties and unrelated parties were made under normal terms.

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating expenses (Note)		
The associates of investor that has significant influence over the Group	\$ 213,293	\$ 762,604
Other related parties	172,575	497,811
Associates	162,739	144,407
Investor that has significant influence over the Group	<u>126,630</u>	<u>115,260</u>
	<u>\$ 675,237</u>	<u>\$ 1,520,082</u>

Note: The rental pertaining to related parties is based on agreement and is received or paid monthly or yearly.

d. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Other gains and losses - gains		
Associates		
FEIL	\$ 129,889	\$ 584
Others	<u>733</u>	<u>688</u>
	130,622	1,272
The associates of investor that has significant influence over the Group	22,939	16,683
Other related parties	18,122	18,300
Investor that has significant influence over the Group	<u>464</u>	<u>263</u>
	<u>\$ 172,147</u>	<u>\$ 36,518</u>
Other gains and losses - losses		
Associates		
OSC	\$ 7,132	\$ 7,176
Investor that has significant influence over the Group	<u>1</u>	<u>1</u>
	<u>\$ 7,133</u>	<u>\$ 7,177</u>
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on lease liabilities		
The associates of investor that has significant influence over the Group	\$ 96,566	\$ -
Other related parties	<u>1,914</u>	<u>-</u>
	<u>\$ 98,480</u>	<u>\$ -</u>

e. Receivables from related parties

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Trade receivables, net		
The associates of investor that has significant influence over the Group	\$ 75,791	\$ 61,195
Other related parties	51,892	53,923
Associates (Note)	30,434	40,066
Investor that has significant influence over the Group	<u>3,818</u>	<u>758</u>
	<u>\$ 161,935</u>	<u>\$ 155,942</u>

Note: As of December 31, 2019 and 2018, the amounts of allowance for impairment loss on receivables were \$123,037 thousand and \$125,035 thousand, respectively.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Other receivables		
The associates of investor that has significant influence over the Group (1)		
FENCI (China)	\$ -	\$ 969,171
YDEC (Shanghai)	-	256,777
Others	<u>17,999</u>	<u>11,968</u>
	17,999	1,237,916
Associates		
CDBI (2)	128,173	108,414
Others	<u>20,228</u>	<u>28,564</u>
	148,401	136,978
Other related parties (3)	9,223	58,496
Investor that has significant influence over the Group	<u>292</u>	<u>289</u>
	<u>\$ 175,915</u>	<u>\$ 1,433,679</u>

- 1) As of December 31, 2019 and 2018, the amounts of finance to related parties were \$0 and \$1,225,948 thousand, respectively.
- 2) As of December 31, 2019 and 2018, the amounts of dividend receivable were \$58,446 thousand and \$60,864 thousand, respectively.
- 3) As of December 31, 2019 and 2018, the amounts of allowances for impairment loss were \$16,181 thousand for both of these dates.

f. Other assets

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Prepayments		
Other related parties	\$ 2,888	\$ 2,889
The associates of investor that has significant influence over the Group	<u>15</u>	<u>86</u>
	<u>\$ 2,903</u>	<u>\$ 2,975</u>
Prepayments for lease		
Other related parties	<u>\$ -</u>	<u>\$ 259,065</u>
Other current assets		
Associates	\$ 570	\$ 570
The associates of investor that has significant influence over the Group	<u>66</u>	<u>-</u>
	<u>\$ 636</u>	<u>\$ 570</u>
Other non-current asset		
Leasing incentives		
The associates of investor that has significant influence over the Group	\$ 13,768	\$ 9,141
Other related parties	<u>1,134</u>	<u>1,314</u>
	<u>\$ 14,902</u>	<u>\$ 10,455</u>
Refundable deposits		
Associates	\$ 129,189	\$ 130,848
The associates of investor that has significant influence over the Group	<u>44,817</u>	<u>44,816</u>
	<u>\$ 174,006</u>	<u>\$ 175,664</u>
Long-term prepayments for lease		
Other related parties		
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	<u>\$ -</u>	<u>\$ 4,663,176</u>

g. Payables to related parties

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Trade payables		
The associates of investor that has significant influence over the Group	\$ 92,039	\$ 102,277
Other related parties	1,416	2,711
Investor that has significant influence over the Group	<u>-</u>	<u>11</u>
	<u>\$ 93,455</u>	<u>\$ 104,999</u>
Other payables		
The associates of investor that has significant influence over the Group	\$ 253,333	\$ 273,720
Associates	144,513	294,205
Investor that has significant influence over the Group	50,728	43,320
Other related parties	<u>22,348</u>	<u>25,332</u>
	<u>\$ 470,922</u>	<u>\$ 636,577</u>

h. Contract liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
The associates of investor that has significant influence over the Group	<u>\$ 484</u>	<u>\$ 484</u>

i. Other liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Advance receipts		
The associates of investor that has significant influence over the Group	\$ 4,275	\$ 4,793
Other related parties	3,150	2,959
Associates	<u>149</u>	<u>308</u>
	<u>\$ 7,574</u>	<u>\$ 8,060</u>
Other current liabilities		
Associates	\$ 2,285	\$ 6,146
Other related parties	1,315	238
The associates of investor that has significant influence over the Group	<u>112</u>	<u>27</u>
	<u>\$ 3,712</u>	<u>\$ 6,411</u>



	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Lease liabilities (Note)		
The associates of investor that has significant influence over the Group		
FECC	\$ 3,790,369	\$ -
ACC	1,164,096	-
Far East Resources Development Co., Ltd.	1,119,194	-
Others	<u>279,487</u>	<u>-</u>
	6,353,146	-
Other related parties	<u>10,897</u>	<u>-</u>
	<u>\$ 6,364,043</u>	<u>\$ -</u>

Note: The rental pertaining to related parties is based on agreement and is received or paid monthly or yearly.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Other non-current liabilities		
Leasing incentive		
The associates of investor that has significant influence over the Group	<u>\$ -</u>	<u>\$ 91,142</u>
Deposits received		
The associates of investor that has significant influence over the Group		
Yuan Ding Co., Ltd.	\$ 48,676	\$ 36,173
Others	<u>593</u>	<u>673</u>
	49,269	36,846
Other related parties	<u>1,032</u>	<u>1,032</u>
	<u>\$ 50,301</u>	<u>\$ 37,878</u>
Others		
Other related parties	<u>\$ 29,251</u>	<u>\$ 29,505</u>

j. Construction projects

The Group's construction projects valued amount are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
The associates of investor that has significant influence over the Group	\$ 1,101,164	\$ 805,482
Other related parties	5,775	764
Associates	<u>-</u>	<u>540</u>
	<u>\$ 1,106,939</u>	<u>\$ 806,786</u>

k. Loans to related parties

The associates of investors which the Group provided financing to and that have significant influence over the Group are as follows:

Related Party	December 31, 2019			
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Income
FENCI (China)	<u>\$ 1,008,151</u>	<u>\$ -</u>	-	<u>\$ -</u>
YDEC (Shanghai)	<u>\$ 349,716</u>	<u>\$ -</u>	-	<u>\$ -</u>

Related Party	December 31, 2018			
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Income
FENCI (China)	<u>\$ 1,926,169</u>	<u>\$ 969,171</u>	-	<u>\$ -</u>
YDEC (Shanghai)	<u>\$ 520,820</u>	<u>\$ 256,777</u>	-	<u>\$ -</u>

l. Loans from related parties

The Group's financing from other related parties are as follows:

Related Party	December 31, 2019			
	Maximum Balance	Ending Balance	Interest Rate (%)	Finance Cost
FEIB	<u>\$ 500,000</u>	<u>\$ -</u>	1.07-1.08	<u>\$ 765</u>

Related Party	December 31, 2018			
	Maximum Balance	Ending Balance	Interest Rate (%)	Finance Cost
FEIB	<u>\$ 400,000</u>	<u>\$ -</u>	1.15	<u>\$ 192</u>

m. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 139,920	\$ 129,097
Post-employment benefits	<u>523</u>	<u>494</u>
	<u>\$ 140,443</u>	<u>\$ 129,591</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee of the Group in accordance with the individual performance and the market trends.

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for goods purchases, long/short-term borrowings, short-term bills payable and administrative proceedings:

	December 31	
	2019	2018
Financial assets at amortized cost	\$ 199,000	\$ 280,400
Investments accounted for using the equity method	3,569,838	3,504,587
Financial assets at FVTOCI	2,375,340	1,783,290
Property, plant and equipment	17,213,913	17,400,626
Investment properties	<u>624,887</u>	<u>682,999</u>
	<u>\$ 23,982,978</u>	<u>\$ 23,651,902</u>

### 34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group as of December 31, 2019 and 2018 are as follows:

a. Significant unrecognized commitments

The amount of unrecognized commitments are as follows:

	December 31	
	2019	2018
Acquisition of property, plant and equipment	\$ 2,469,345	\$ 3,592,586
Unused letters of credit for purchases	<u>-</u>	<u>500,000</u>
	<u>\$ 2,469,345</u>	<u>\$ 4,092,586</u>

- b. A letter from the Ministry of Economic Affairs (MOEA) on July 28, 2011 stated that the term of the board of directors and supervisors (the "Board") of SOGO was terminated, and the election of the Board should be held by October 28, 2011. On August 26, 2011, in the shareholders' meeting, Douglas Hsu, Ching-Wen Huang, Mao-De Huang, Hsiao-Yi Wang and Satoshi Inoue were elected to be the representatives of the Board and Jing-Yi Wang was elected as a supervisor. On September 2, 2011, the registration of the Board was submitted to the MOEA, and on August 30, 2013, the registration of the Board was approved and completed by the MOEA.

For the resolution passed in the shareholders' meeting, SOGO's shareholders filed an appeal for an invalid resolution and for the withdrawal of the resolution of the shareholders' meeting. As of March 17, 2017, many verdicts, including the Year 100 Letter Su No. 3965 verdict made by the TTDC, the Year 104 Letter Tsai Shang No. 90 verdict made by the Supreme Administrative Court (SAC), the Year 101 Letter Kun No. 1589 and No. 1681 verdicts made by the THC, and the Year 106 Letter Tsai Shang No. 86 verdict made by the SAC, confirmed that the shareholders' meeting was legal and rejected the appeal of the SOGO shareholders.

Also, Heng-Long Li filed an appeal against SOGO and PLTI, alleging that the decisions made in the SOGO shareholders' meeting on August 26, 2011 were invalid. After the TTDC rejected the appeal in the Year 103 Letter Shang No. 1014 verdict, the THC rejected the appeal once more.

Moreover, the former chairman of PLTI, Heng-Long Li, stated that he appointed Chun-Chih Weng, Chao-Chuan Chu, Shen-Yi Li, Jui-Tsun Liu and Yu-Ying Chin as members of the Board of SOGO to replace Ching-Wen Huang, Satoshi Inoue, Douglas Hsu, Hsiao-Yi Wang and Mao-De Huang. Furthermore, those individuals (Chun-Chih Weng, Chao-Chuan Chu, Shen-Yi Li, Jui-Tsun Liu and Yu-Ying Chin) elected Chun-Chih Weng as the chairman of PLTI and applied to the MOEA for the registration of a change of the Board and supervisor of SOGO on August 8, 2011. However, the application of the registration was rejected by the MOEA, due to the election being held by the former chairman of PLTI, Heng-Long Li. Chun-Chih Weng, Chao-Chuan Chu, Shen-Yi Li, Jui-Tsun Liu and Yu-Ying Chin not only announced publicly that they are the five members of the Board of SOGO but also that they held the SOGO shareholders' meetings on September 5, 2011 and September 6, 2011. However, the decisions made in these two shareholders' meetings on September 5, 2011 and September 6, 2011 were not approved and not consented to by all of SOGO's shareholders. According to the Year 100 Letter Su No. 4224 verdict from the TTDC on January 22, 2014, the TTDC declared that the decisions made in the shareholders' meeting on September 5, 2011 were not approved legally; according to the Year 100 Letter Su No. 4164 verdict on November 28, 2013, the TTDC confirmed that the decisions made in the shareholders' meeting on September 6, 2011 were not approved legally. The THC passed the Year 103 Letter Shang No. 330 verdict on May 31, 2016 rejecting the appeal and confirmed that the resolutions of the shareholders' meeting on September 5, 2011 were not approved legally. Chun-Chih Weng filed an appeal against the judgments. Under Court Reference Year 107 Letter Tai Shang No. 965 verdict, issued by the Taiwan Supreme Court on December 6, 2018, the Court rejected Chun-Chih Weng's appeals and confirmed that the resolutions of the shareholders' meeting on September 5, 2011 were not approved legally. In the Year 103 Letter Shang No. 87 verdict from the THC on August 17, 2016, the THC rejected the appeal and confirmed that the decisions made in the shareholders' meeting on September 6, 2011 were not approved legally. Chun-Chih Weng filed an appeal against the judgments. Under Court Reference Year 107 Letter Tai Shang No. 1591 verdict, issued by the Taiwan Supreme Court on December 13, 2018, the Court rejected Chun-Chih Weng's appeals and confirmed that the resolutions of the shareholders' meeting on September 5, 2011 were not approved legally.

- c. Pacific Department Store asserted that SOGO injured the trademark, and raised an appeal to the president Qing-Wen Huang and the general manager Ding-Song WanGuo of SOGO for violation of the trademark law. After being sued by the TTDC (Year 106 Annual detective No. 2264) on November 27, 2017. Under Court Reference Year 106 Zhi Yi Zi Note 70 verdict, issued by the TTDC on December 28, 2018, the Court made the judgment that Qing-Wen Huang and Ding-Song WanGuo were innocent of the filed criminal charges. Taiwan Taipei District Prosecutor's Office appealed to Intellectual Property Court on January 23, 2019. SOGO received a complaint proposed by the Pacific Department Store in January. In the complaint, the president Qing-Wen Huang and the general manager Ding-Song WanGuo were asked to compensate an amount of \$72,226,923 thousand, and also to post the judgment on the front pages of several newspapers for 30 days. Pacific Department Store withdrew the criminal case and the criminal case supplementary civil action in April 2019.

### **35. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

- a. In response to the outbreak of 2019 novel coronavirus (COVID-19) in early 2020, the government of the Republic of China took preventive measures and other countries imposed travel restrictions to curb the spread of the epidemic. The Group had to cooperate with local authorities by suspending its stores' operation in Chongqing, China in February 2020. After the assessment and approval by the government of the Republic of China on the COVID-19, most stores resumed operation in March 2020, except catering.
- b. AIMAI signed a lease contract with FECC for hypermarket, retail and other businesses, and the lease term is 20 years which was approved by the board of directors on March 26, 2020.

### 36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group and the exchange rates between foreign currencies and respective functional currencies are disclosed. The significant assets and liabilities denominated in foreign currencies are as follows:

December 31, 2019

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 10,047	29.9800 (USD:NTD)	\$ 301,210
USD	4,362	6.9762 (USD:RMB)	130,774
RMB	91,800	4.2975 (RMB:NTD)	<u>394,509</u>
			<u>\$ 826,493</u>
Non-monetary items			
Associates accounted for using the equity method			
RMB	720,532	4.2975 (RMB:NTD)	\$ 3,096,485
Financial assets at FVTPL			
USD	294	29.9800 (USD:NTD)	<u>8,816</u>
			<u>\$ 3,105,301</u>

#### Financial liabilities

Monetary items			
USD	324	29.9800 (USD:NTD)	\$ 9,712
USD	3,576	6.9762 (USD:RMB)	107,221
RMB	401	4.2975 (RMB:NTD)	<u>1,725</u>
			<u>\$ 118,658</u>

December 31, 2018

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,759	30.7150 (USD:NTD)	\$ 115,452
USD	26,120	6.8632 (USD:RMB)	802,283
RMB	525,092	4.4753 (RMB:NTD)	<u>2,349,944</u>
			<u>\$ 3,267,679</u>

(Continued)

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
Non-monetary items			
Associates accounted for using the equity method			
RMB	\$ 399,450	4.4753 (RMB:NTD)	\$ 1,787,660
Financial assets at FVTPL			
USD	294	30.2750 (USD:NTD)	<u>8,903</u>
			<u>\$ 1,796,563</u>

#### Financial liabilities

Monetary items			
USD	150	30.7150 (USD:NTD)	\$ 4,618
USD	3,818	6.8632 (USD:RMB)	117,272
RMB	247,992	4.4753 (RMB:NTD)	<u>1,109,837</u>
			<u>\$ 1,231,727</u>
			(Concluded)

The Group is mainly exposed to RMB. The following information was aggregated by the functional currencies of the Group, and the exchange rates between respective functional currencies and the presentation currency are disclosed. The significant realized and unrealized foreign exchange gains (losses) are as follows:

Functional Currency	For the Year Ended December 31			
	2019		2018	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
NTD	1.0000 (NTD:NTD)	\$ 15,467	1.0000 (NTD:NTD)	\$ (47,489)
RMB	4.4821 (RMB:NTD)	<u>579</u>	4.5599 (RMB:NTD)	<u>(122,264)</u>
		<u>\$ 16,046</u>		<u>\$ (169,753)</u>

### 37. SEPARATELY DISCLOSED ITEMS

#### a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 2)
- 2) Endorsements/guarantees provided (Table 3)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 4)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 5)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
  - 9) Trading in derivative instruments (None)
  - 10) Intercompany relationships and significant intercompany transactions (Table 7)
  - 11) Information on investees (Table 8)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 9)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year (None)
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year (None)
    - c) The amount of property transactions and the amount of the resultant gains or losses (None)
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes (Table 3)
    - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds (Table 2)
    - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services (None)

### 38. SEGMENT INFORMATION

The Group belongs to a single industry of department stores and supermarkets. Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on geographical information as management structure. The Group's reportable segments under IFRS 8 "Operating Segments" includes ROC and China.

#### a. Segment revenues and results

	<b>Segment Revenue</b>		<b>Segment Profit</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
ROC	\$ 35,037,293	\$ 36,129,276	\$ 4,686,642	\$ 4,438,794
China	<u>2,858,769</u>	<u>3,113,275</u>	<u>(147,991)</u>	<u>(251,465)</u>
Total for continuing operations	<u>\$ 37,896,062</u>	<u>\$ 39,242,551</u>	4,538,651	4,187,329
Interest income			90,449	128,124
Dividend income			286,299	152,720
Other income			-	250,005
Foreign exchange gain (loss), net			16,046	(169,753)
Gain arising on financial assets mandatorily classified as at FVTPL			691	10,443
Loss on disposal of property, plant and equipment, net			(84,473)	(26,487)
Gain on disposal of investment			291	-
Loss on disposal of investment properties			-	(90,621)
(Loss) gain arising on changes in fair value of investment properties, net			(151,597)	43,045
Finance costs			(835,329)	(437,280)
Share of profits of associates accounted for using the equity method			58,065	11,396
Impairment loss on intangible assets			(1,095,884)	(1,630,000)
Impairment loss on property, plant and equipment			-	(38,047)
Other gains			330,879	207,019
Other losses			<u>(51,150)</u>	<u>(48,778)</u>
Profit before income tax			<u>\$ 3,102,938</u>	<u>\$ 2,549,115</u>

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in 2019 and 2018.



b. Total segment assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Segment assets</u>		
ROC	\$ 122,960,061	\$ 93,643,355
China	7,551,044	10,102,800
Adjustments and eliminations	<u>-</u>	<u>186</u>
Total consolidated assets	<u>\$ 130,511,105</u>	<u>\$ 103,746,341</u>
<u>Segment liabilities</u>		
ROC	\$ 84,528,379	\$ 56,374,554
China	<u>7,078,919</u>	<u>9,681,397</u>
Total consolidated liabilities	<u>\$ 91,607,298</u>	<u>\$ 66,055,951</u>

c. Revenue from major products

The Group's revenue from its major products and services are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Retail sales revenue	\$ 34,598,167	\$ 35,955,379
Other operating revenues	<u>3,297,895</u>	<u>3,287,172</u>
	<u>\$ 37,896,062</u>	<u>\$ 39,242,551</u>

d. Geographical information

The Group operates in two principal geographical areas - ROC and China. The Group's revenue from external customers by geographical location and information about its non-current assets by geographical location are detailed below.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
ROC	\$ 35,037,293	\$ 36,129,276	\$ 91,240,775	\$ 61,476,837
China	<u>2,858,769</u>	<u>3,113,275</u>	<u>1,304,799</u>	<u>2,182,977</u>
	<u>\$ 37,896,062</u>	<u>\$ 39,242,551</u>	<u>\$ 92,545,574</u>	<u>\$ 63,659,814</u>

Non-current assets exclude those classified as non-current assets held for sale, financial instruments, and deferred tax assets.

e. Information about major customers

There is no revenue from any individual customer comprising over 10% or more of the Group's gross revenue for 2019 and 2018.



**FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
1	Pacific Sage Department Stores Co., Ltd.	Pacific China Holdings Ltd.	Other receivables	Y	\$ 2,000,000	\$ 2,000,000	\$ -	-	(Note A)	\$ -	Transaction	\$ -	-	\$ -	\$ 4,358,198 (Note B)	\$ 4,358,198 (Note B)
2	Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	Other receivables	Y	(RMB 730,575 thousand)	(RMB 730,575 thousand)	(RMB 680,749 thousand)	4.129436%-4.353514%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
		Dalian Pacific Department Store Co., Ltd.	Other receivables	Y	(RMB 429,750 thousand)	(RMB 429,750 thousand)	(RMB 429,750 thousand)	4.129436%-4.353514%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
		Chengdu FEDS Co., Ltd.	Other receivables	Y	(RMB 644,625 thousand)	(RMB 644,625 thousand)	(RMB 227,768 thousand)	4.129436%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
		Chengdu Quanzheng Building Pacific Department Store Co., Ltd.	Other receivables	Y	(RMB 644,625 thousand)	(RMB 644,625 thousand)	(RMB 60,165 thousand)	4.129436%-4.353514%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
		Shanghai Bai Ding Consultant & Management Co., Ltd.	Other receivables	Y	(RMB 42,975 thousand)	(RMB 42,975 thousand)	(RMB 10,000 thousand)	-	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
3	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	(RMB 300,825 thousand)	(RMB 300,825 thousand)	(RMB 193,388 thousand)	3.87%-4.08%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
4	Pacific China Holding Ltd.	Chengdu FEDS Co., Ltd.	Other receivables	Y	(US\$ 719,520 thousand)	(US\$ 719,520 thousand)	-	3.94713%-4.7675%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
		Pacific China Holdings (HK) Limited	Other receivables	Y	(US\$ 299,800 thousand)	-	-	-	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
5	Pacific China Holdings (HK) Limited	Pacific China Holding Ltd.	Other receivables	Y	(US\$ 299,800 thousand)	(US\$ 299,800 thousand)	(US\$ 104,950 thousand)	3.17%-4.05%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
6	Pacific (China) Investment Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	(RMB 42,975 thousand)	(RMB 42,975 thousand)	-	-	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
7	Shanghai Pacific Department Store Co., Ltd.	Shanghai Xujiahui Shopping Mall (Group) Co., Ltd.	Other receivables	Y	(RMB 184,363 thousand)	(RMB 184,363 thousand)	(RMB 42,900 thousand)	-	(Note A)	-	Transaction	-	-	-	289,823 (Note B)	289,823 (Note B)
8	FEDS Development Ltd.	Yuan Ding Enterprise (Shanghai) Co., Ltd.	Other receivables	Y	(RMB 349,716 thousand)	(RMB 96,163 thousand)	-	-	(Note A)	-	Transaction	-	-	-	6,158,081 (Note C)	12,316,162 (Note D)
		Far Eastern New Century (China) Investment Co., Ltd.	Other receivables	Y	(RMB 1,008,151 thousand)	(RMB 89,775 thousand)	-	-	(Note A)	-	Transaction	-	-	-	6,158,081 (Note C)	12,316,162 (Note D)

Note A: Short-term financing.

Note B: 40% of the financing company's net assets.

Note C: 20% of the financing company's net assets of ultimate parent company, Far Eastern Department Stores, Ltd.

Note D: 40% of the financing company's net assets of ultimate parent company, Far Eastern Department Stores, Ltd.

Note E: The amount of Lim Ching Investment Co., Ltd. had been written off to zero, no liabilities were undertaken by the Group and the accounts are not disclosed in the financial statement.

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guaranteee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amounts Allowable	Endorsement/ Guarantee Provided by Parent Company	Endorsement/ Guarantee Provided by A Subsidiary	Endorsement/ Guarantee Provided to Mainland China
		Name	Nature of Relationship (Note F)										
0	Far Eastern Department Stores, Ltd.	FEDS New Century Development Co., Ltd. Bai Yang Investment Co., Ltd. Bai Ding Investment Co., Ltd. FEDS Development Ltd.	2 2 2 2	\$ 18,474,243 (Note A) 18,474,243 (Note A) 18,474,243 (Note A) 18,474,243 (Note A)	\$ 30,000 400,000 700,000 2,806,128 (US\$ 93,600 thousand)	\$ 30,000 100,000 700,000 1,499,000 (US\$ 50,000 thousand) 3,700,000	- - 478,000 -	- - - -	- - 2 5	\$ 30,790,406 (Note B) 30,790,406 (Note B) 30,790,406 (Note B) 30,790,406 (Note B)	Y Y Y Y	- - - -	- - - -
		Chubei New Century Shopping Mall Co., Ltd. Far Eastern CitySuper Co., Ltd. Pacific Sogo Department Stores Co., Ltd.	2 2 2 2	18,474,243 (Note A) 18,474,243 (Note A) 18,474,243 (Note A)	3,700,000 160,000 4,986,125	80,000 4,683,014	- -	- -	12 -	30,790,406 (Note B) 30,790,406 (Note B) 30,790,406 (Note B)	Y Y Y	- - -	- - -
1	Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings Ltd. Dalian Pacific Department Store Co., Ltd. Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. Far Eastern Department Stores, Ltd.	2 2 2 3	18,474,243 (Note C) 18,474,243 (Note C) 18,474,243 (Note C) 18,474,243 (Note C)	8,550,296 (US\$ 285,200 thousand) 335,205 (RMB 78,000 thousand) 0 (US\$ 0 thousand) 535,650 (US\$ 15,000 thousand) 20,000 (RMB 3,242,852 thousand)	8,550,296 (US\$ 285,200 thousand) 335,205 (RMB 78,000 thousand) 0 (US\$ 0 thousand) 535,650 (US\$ 15,000 thousand) 20,000 (RMB 3,043,635 thousand)	3,261,794 (US\$ 108,799 thousand) 116,033 (RMB 27,000 thousand) 0 (US\$ 0 thousand) 64,463 (US\$ 0 thousand) 15,000 (RMB 15,000 thousand) 3,043,635	- - -	28 1 2 10	30,790,406 (Note B) 30,790,406 (Note B) 30,790,406 (Note D) 30,790,406 (Note D)	- - - -	- - - Y	- Y Y -
2	Pacific China Holdings Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	2	18,474,243 (Note C)	128,925 (RMB 30,000 thousand)	-	-	-	-	30,790,406 (Note D)	-	-	Y
3	Far Eastern Big City Shopping Malls Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	389,223 (Note A)	154,325	154,325	154,325	-	1	648,704 (Note B)	-	-	-

Note A: The amount is 60% of net assets based on the latest financial statements of the endorser/guarantor.

Note B: The amount is 100% of net assets based on the latest financial statements of the endorser/guarantor.

Note C: The amount is 60% of the net assets based on the latest financial statements of the final parent company - Far Eastern Department Stores, Ltd.

(Continued)

Note D: The amount is 100% of the net assets based on the latest financial statements of the final parent company - Far Eastern Department Stores, Ltd.

Note E: The amount of Lian Ching Investment Co., Ltd. had been written off to zero, no liabilities were undertaken by the Company and the accounts are not disclosed in the financial statement.

Note F: Relationships between the endorsement/guarantee provider and the guaranteed party:

- 1. Trading partner.
- 2. The Company that directly and indirectly hold more than 50% of the voting shares.
- 3. The companies that directly and indirectly hold more than 50% of the Company's voting rights.
- 4. The Company that directly and indirectly holds more than 90% of the voting shares.
- 5. Guaranteed by the Company according to the construction contract.
- 6. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.
- 7. Companies in the same industry provide among themselves joint and several securities for as performance guarantees of sales contracts for pre-construction homes pursuant to the Consumer Protection Act.

(Concluded)

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

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

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2019			Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	
Far Eastern Department Stores, Ltd.	Shares Asia Cement Corporation	4	Financial assets at fair value through other comprehensive income - non-current	50,000	\$ 2,397,524	1	35,000 thousand shares of Asia Cement Corporation pledged for loans and commercial papers issued of the investor company
	Far Eastern New Century Corporation	3	Financial assets at fair value through other comprehensive income - non-current	19,964	595,937	-	595,937
	Kaohsiung Rapid Transit Corporation	-	Financial assets at fair value through other comprehensive income - non-current	6,286	36,082	2	36,082
	Yuan Ding Leasing Corp.	-	Financial assets at fair value through other comprehensive income - non-current	7,309	70,925	9	70,925
	Yuan Ding Co., Ltd.	4	Financial assets at fair value through other comprehensive income - non-current	3	10	-	10
	Yuan Shi Digital Technology Co., Ltd.	4	Financial assets at fair value through other comprehensive income - non-current	1,041	571	1	571
	Shares Far Eastern Department Stores, Ltd.	2	Financial assets at fair value through other comprehensive income - current	8,207	213,792	1	213,792
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	14,814	710,351	-	710,351
Bai Ding Investment Co., Ltd.	Far Eastern New Century Corporation	6	Financial assets at fair value through other comprehensive income - non-current	15,812	471,974	-	5,200 thousand shares of Asia Cement Corporation pledged for commercial papers issued of the investor company
	Chung-Nan Textile Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,984	89,439	5	89,439
	Ding Ding Management Consultants Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	273	7,322	5	7,322
	Yue Ding Industry Co., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	2,616	44,381	2	44,381
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10
	Ding Sheng Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	39,600	326,016	18	326,016
	Shares Far Eastern International Bank	8	Financial assets at fair value through other comprehensive income - current	22,688	271,122	1	271,122
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	3,849	184,582	-	184,582
Bai Yang Investment Co., Ltd.	U-Ming Marine Transport Corp.	8	Financial assets at fair value through other comprehensive income - non-current	200	6,720	-	6,720
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10
	Beneficiary certificate DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	986	11,584	-	11,584

(Continued)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2019			Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	
Yu Ming Advertising Agency Co., Ltd.	Beneficiary certificate DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,730	\$ 32,063	-	\$ 32,063
	Shares Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	1,506	72,193	-	72,193
FEEDS New Century Development Co., Ltd.	Beneficiary certificate DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,503	99,845	-	99,845
FEEDS Development Ltd.	Shares Kowloon Cement Corp., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	46	16,517	2	16,517
Pacific Sogo Department Stores Co., Ltd.	Shares CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss - current	200	1,911	-	1,911
	Quanta computer Inc.	-	Financial assets at fair value through profit or loss - current	1	46	-	46
	Pacific Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	7,931	88,827	2	88,827
	DBTEL Inc.	-	Financial assets at fair value through profit or loss - current	10	26	-	26
	Oriental Union Chemical Corp.	8	Financial assets at fair value through other comprehensive income - current	566	11,886	-	11,886
	U-Ming Marine Transport Corp.	8	Financial assets at fair value through other comprehensive income - current	430	14,448	-	14,448
	Pacific Liu Tong Investment Co., Ltd.	1	Financial assets at fair value through other comprehensive income - non-current	800	4,019	-	4,019
	E-Shou Hi-tech Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	18,300	-	15	-
	Tain Yuan Investment Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	98,000	-	20	-
	PURETEK Corp.	-	Financial assets at fair value through profit or loss - non-current	119	-	-	-
	Pacific 88 Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	16	-	1	-
	Yuan Shi Digital Technology Co., Ltd.	7	Financial assets at fair value through profit or loss - non-current	1,041	-	1	-
Pacific Liu Tong Investment Co., Ltd.	Beneficiary certificate DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	17,273	202,838	-	202,838
Far Eastern Big City Shopping Malls Co., Ltd.	Shares Asia Cement Corporation	7	Financial assets at fair value through profit or loss - current	402	19,276	-	19,276
	Oriental Union Chemical Corp.	8	Financial assets at fair value through profit or loss - current	40	840	-	840
Pacific China Holdings Ltd.	Shares Overseas Development Corp.	-	Financial assets at fair value through profit or loss - non-current	2,250	-	15	-
	Taiwan Ocean Farming Corp.	-	Financial assets at fair value through profit or loss - non-current	2,250	-	15	-

(Continued)

- Note A:
1. Subsidiary of FEDS.
  2. Parent company.
  3. Investor that has significant influence over the Company.
  4. The associate of investor that has significant influence over the Company.
  5. Other related party.
  6. Investor that has significant influence over FEDS.
  7. The associate of investor that has significant influence over FEDS.
  8. Other related party of FEDS.

(Concluded)



# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter party	Relationship	Beginning Balance		Acquisition		Disposal		Adjusted		Ending Balance	
					Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Gain (Loss) on Disposal	Adjusted Item (Note A)	Shares (In Thousands)	Amount
FEDS Development Ltd.	Shares Yuan Ding Enterprise (Shanghai) Co., Ltd.	Investments accounted for using the equity method	-	Associate	-	\$ -	-	\$ 1,605,054 (Note B)	-	\$ -	\$ -	(64,673)	-	\$ 1,540,361
Bai Yang Investment Co., Ltd.	Shares FEDS New Century Development Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	150,000	1,569,156	82,000	820,000 (Note C)	-	-	-	(2,618)	232,000	2,386,538
FEDS New Century Development Co., Ltd.	Shares Chubai New Century Shopping Mall Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	118,000	1,171,918	82,000	820,000 (Note D)	-	-	-	734	200,000	1,992,652
Far Eastern Department Stores, Ltd.	Shares Ya Tung Department Stores, Ltd.	Investments accounted for using the equity method	-	Subsidiary	21,000	(5,018)	40,000	400,000 (Note E)	20,000	-	-	(263,260)	41,000	131,722
Pacific Sogo Department Stores Co., Ltd.	Shares Pacific China Holdings (HK) Limited	Investments accounted for using the equity method	-	Subsidiary	53,520	(120,287)	12,600	384,161 (Note F)	-	-	-	(1,543,407)	66,120	(1,279,533)
Pacific China Holdings (HK) Limited	Shares Pacific China Holdings Ltd.	Investments accounted for using the equity method	-	Subsidiary	109,200	(439,800)	21,000	640,500 (Note G)	-	-	-	(2,512,393)	130,200	(2,311,693)
Pacific China Holdings Ltd.	Shares Chengdu Quanxing Building Pacific Department Store Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	-	(580,312)	-	662,634 (Note H)	-	-	-	(170,903)	-	(88,581)

Note A: The share of comprehensive income or loss using the equity method, cash dividends and capital reduction were used to offset a deficit.

Note B: There was an increase in cash capital of RMB357,880 thousand.

Note C: There was an increase in cash capital of NT\$820,000 thousand.

Note D: There was an increase in cash capital of NT\$820,000 thousand.

Note E: There was an increase in cash capital of NT\$400,000 thousand.

Note F: There was an increase in cash capital of US\$12,600 thousand.

Note G: There was an increase in cash capital of US\$21,000 thousand.

Note H: There was an increase in cash capital of US\$21,000 thousand.

# **FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**

## **RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL DECEMBER 31, 2019**

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Pacific Sogo Department Stores Co., Ltd.	Sogo Department Stores Co., Ltd.	Associate	\$ 123,037	-	\$ 123,037	Collection expedited	\$ 282	\$ 123,037
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Same ultimate parent company	193,977 (Note B)	-	-	-	-	-
Pacific China Holdings (HK) Limited.	Pacific China Holdings Ltd.	Subsidiary	105,832 (Note B)	-	-	-	-	-
Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	Same ultimate parent company	692,107 (Note B)	-	-	-	-	-
Chongqing FEDS Co., Ltd.	Chengdu FEDS Co., Ltd.	Same ultimate parent company	228,899 (Note B)	-	-	-	-	-
Chongqing Pacific Consultant & Management Co., Ltd	Chengdu Baiyang Industry Co., Ltd.	Associate	128,173 (Note A)	-	-	-	-	-

Note A: The cash dividend receivable.

Note B: This balance refers to fund lending.

# **FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**

## **INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

(In Thousands of New Taiwan Dollars)

Number	Transacting Company	Counter party	Flow of Transaction (Note A)	Status		
				Account	Amount (Note C)	Ratio to Consolidated Operating Revenue or Assets (Note B)
0	Far Eastern Department Stores, Ltd.	FEDS Asia Pacific Development Co., Ltd.	1	Operating expenses	\$ 228,000	Rent was based on market rates and paid monthly 1
1	FEDS Asia Pacific Development Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Operating revenue	(228,000)	Rent was based on market rates and received monthly 1
2	Pacific Sogo Department Stores Co., Ltd.	Far Eastern Big City Shopping Malls Co., Ltd.	3	Operating revenue	(312,597)	Rent was based on market rates and received monthly 1
3	Far Eastern Big City Shopping Malls Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	Operating costs and expenses	312,597	Rent was based on market rates and paid monthly 1

Note A: Flow of transaction:

1. From the Company to the subsidiary.
2. From the subsidiary to the Company.
3. Between subsidiaries.

Note B: If the account of the intercompany transaction is shown in the balance sheet, the ratio is the percentage of the year-end account balance to the total consolidated assets; if the account of the intercompany transaction is shown in the statement of comprehensive income, the ratio is the percentage of the accumulated amount during the year to the total consolidated operating revenues.

Note C: Only an intercompany transaction amounting to more than 1% of total consolidated operating revenues or total consolidated assets is disclosed in this table.

TABLE 8

# **FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**

NAMES, LOCATIONS AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019		Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A
				December 31, 2019	December 31, 2018	Shares (In Thousands)	Percentage of Ownership (%)			
Far Eastern Department Stores, Ltd.	Bai Yang Investment Co., Ltd.	Taiwan	Investment	\$ 8,922,181	\$ 8,922,181	924,991	100	\$ 9,104,890	\$ 6,603	2
	Oriental Securities Corporation	Taiwan	Securities brokerage	143,652	143,652	140,297	20	1,995,131	49,151	1
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,764,210	1,764,210	281,734	35	3,781,245	128,211	2
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	33,357	33,357	119,981	67	2,295,131	105,118	2
	Far Eastern Ai Mai Co., Ltd.	Taiwan	Hypermarket	1,535,538	1,535,538	87,744	100	(Note B)	4,466	2
	FEDS Development Ltd.	British Virgin Island	Investment	125,058	125,058	218	54	1,409,738	42,824	2
	Yu Ming Advertising Agency Co., Ltd.	Taiwan	Advertising and importation of certain merchandise	33,000	33,000	3,500	100	9,430	9,430	2
	Yu Tung Department Stores, Ltd.	Taiwan	Department store	919,292	519,292	41,000	100	131,722	(7,344)	2
	Ding Ding Integrated Marketing Service Co.	Taiwan	Marketing	64,500	64,500	3,631	100	31,466	(48,697)	2
	Asians Merchandise Company	USA	Trading	3,316	3,316	950	100	4,495	72	2
Bai Ding Investment Co., Ltd.	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building rental	40,278	40,278	1,571	56	12,529	573	2
	Far Eastern CitySuper Co., Ltd.	Taiwan	Hypermarket	478,269	478,269	47,827	96	36,407	(23,975)	2
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	11,651	15	82,257	(34,252)	1
	Oriental Securities Corporation	Taiwan	Securities brokerage	163,563	163,563	97,116	14	1,381,166	250,003	1
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	658,129	658,129	100,250	13	1,359,183	364,972	2
	Far Eastern International Leasing Corp.	Taiwan	Leasing	301,125	301,125	22,203	5	323,293	92,784	1
	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	33,490	33,490	11,254	1	148,179	485,212	2
	Yu Ming Trading Co.	Taiwan	Importation of certain merchandise	21,291	21,291	4,901	47	75,735	2,299	1
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building rental	28,672	28,672	1,259	44	13,562	573	2
	Far Eastern CitySuper Co., Ltd.	Taiwan	Hypermarket	-	-	2	-	1	(25,063)	2
FEDS Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	285,653	364,972	2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	285,653	364,972	2
	Chubai New Century Shopping Mall Co., Ltd.	Taiwan	Department store	2,000,000	1,180,000	200,000	100	1,992,652	734	2
	FEDS Asia Pacific Development Co., Ltd.	Taiwan	Shopping mall	1,522,761	1,522,761	149,100	70	1,797,473	152,284	2
	Far Eastern International Leasing Corp.	Taiwan	Leasing	1,555,590	1,555,590	132,388	30	1,663,958	92,784	1
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	577,457	577,457	60,019	33	1,163,610	157,365	2
	FEDS New Century Development Co., Ltd.	Taiwan	Shopping mall	2,425,272	1,425,272	232,000	100	2,386,538	7,701	2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	285,653	364,972	2
	FEDS Development Ltd.	British Virgin Island	Investment	723,946	723,946	185	46	1,200,404	68,052	2
	Pacific China Holdings (HK) Limited	Hong Kong	Investment	3,853,976	3,597,868	44,080	40	(853,022)	(2,202,476)	2
Ya Tung Department Stores, Ltd.	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	200,000	200,000	20,000	40	259,482	128,438	2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	55,000	55,000	11,000	1	158,456	364,972	2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,200	1,200	200	-	2,687	364,972	2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	8,400	8,400	1,400	-	18,195	364,972	2
	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	4,469,904	4,469,904	650,817	79	10,155,959	485,212	2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	62,480	62,480	6,840	3	138,250	79,142	1
	Pacific China Holdings (HK) Limited	Hong Kong	Investment	5,733,286	5,733,286	66,120	60	(1,279,533)	(2,202,476)	2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	599,000	599,000	60,296	29	999,129	79,142	1
	Lian Ching Investment Co., Ltd.	Taiwan	Investment	270,641	270,641	26,764	50	-	-	2
	Pacific Venture Investment Ltd.	Hong Kong	Investment	357,050	357,050	100,000	48	-	-	1
Pacific Sogo Department Stores Co., Ltd.	Sogo Department Stores Co., Ltd.	Taiwan	Credit card business	32,984	32,984	7,120	34	-	-	1
	Ding Ding Integrated Marketing Service Co	Taiwan	Marketing	64,500	64,500	3,631	100	31,466	(48,697)	1
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	300,000	300,000	30,000	60	389,222	128,438	1
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	11,651	15	82,257	(228,345)	1
	Pacific China Holdings Ltd.	British Virgin Island	Investment	4,646,900	4,017,320	130,200	100	(2,311,693)	(474,698)	2
	Bai Fa China Holdings (HK), Limited	Hong Kong	Investment	46	46	2	100	46	-	2

(Continued)

Note A: 1. Associate.  
2. Subsidiary.

Note B: The foreign-currency investments were translated at the rate of US\$1:NT\$29.98 prevailing on December 31, 2019.

Note C: The amount is the investment accounted for using the equity method to \$2,392,241 thousand deduct the parent company shares reclassification to treasury shares of \$97,110 thousand.

Note D: The amount of Lian Ching Investment Co., Ltd. had been written off to zero, no liabilities were undertaken by the Group and the accounts are not disclosed in the financial statement.

(Concluded)

# **FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note A)	Method of Investment (Note F)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note A)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (Note A)	Net Income (Loss) of the Investee (Note D)	% Ownership of Direct or Indirect Investment	Share of (Loss) Profit (Note D)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outflow	Inflow						
Shanghai Pacific Department Stores Co., Ltd.	Department store	\$ 530,646	2	\$ 384,718 (Note B)	\$ -	\$ -	\$ 384,718 (Note B)	\$ 97,601	49	\$ 18,420	\$ 169,543	\$ -
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Department store	659,260	2	29,680 (Note B)	-	-	29,680 (Note B)	(173,828)	67	(116,750)	(59,494)	-
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Department store	89,940	2	89,940 (Note B)	-	-	89,940 (Note B)	(76,952)	67	(51,684)	(187,171)	-
Chongqing Pacific Consultant & Management Co., Ltd.	Consulting services	2,188,540	2	5,996 (Note B)	-	-	5,996 (Note B)	(26,427)	67	(17,749)	756,538	-
Shanghai Pacific Consultant & Management Co., Ltd.	Consulting services	10,493	2	5,142 (Note B)	-	-	5,142 (Note B)	276	33	91	5,999	-
Shanghai Bai Ding Consultant & Management Co., Ltd.	Consulting services	2,998	2	-	-	-	-	232	100	232	11,011	-
Chongqing FEDS Co., Ltd.	Department store	83,944	2	-	-	-	-	112,135	100	112,135	934,628	-
Chengdu Baiyang Industry Co., Ltd.	Department store, logistics and storehouse	966,930	2	-	-	-	-	19,803	22	-	1,130,884	-
Dalian Pacific Department Store Co., Ltd.	Department store	68,759	2	-	-	-	-	(16,709)	67	(11,222)	12,020	-
Pacific (China) Investment Co., Ltd.	Investment	6,475,680	2	-	-	-	-	(69,372)	67	(45,943)	(13,126)	-
Chengdu FEDS Co., Ltd.	Department store	4,017,320	2	-	-	-	-	(47,826)	67	(32,122)	(81,463)	-
Yuan Ding Enterprise (Shanghai) Co., Ltd.	Wholesale of equipment and consulting services	7,578,319	2	-	-	-	-	(99,779)	20	(16,914)	1,540,361	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ - (Note C)	\$237,232 (US\$7,913 thousand) (Notes A and C)	\$ - (Note E)

(Continued)

Note A: Translated at the rate of US\$1:NT\$29.98 and RMB1:NT\$4.2975 prevailing on December 31, 2019.

Note B: The payment was made by Pacific Construction Co., Ltd. (the former shareholder).

Note C: The payment made by the Company and the investment amount approved by the Investment Commission, except for the payment made by subsidiary and the subsidiary's investment amount approved by the Investment Commission.

Note D: The financial report was audited by an international accounting firm with a cooperative working relationship.

Note E: There is no upper limit, as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China (No. 10720421530), which was issued by the Industrial Development Bureau, Ministry of Economic Affairs, ROC.

Note F: Three investment types are as follows:

1. The Company made the investment directly.
2. The Company made the investment through a company registered in a third region. The companies registered in a third region were FEDS Development Ltd. and Pacific China Holdings Ltd.
3. Others.

(Concluded)

## **6. 2019 FINANCIAL REPORT (STAND-ALONE)**

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Far Eastern Department Stores, Ltd.

#### **Opinion**

We have audited the accompanying financial statements of Far Eastern Department Stores, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Company's financial statements for the year ended December 31, 2019 are stated as follows:

#### **Evaluation of Impairment Loss of Goodwill on Investments in Subsidiaries**

The carrying amounts of investments in the Company's subsidiaries include goodwill, which was acquired through indirect investment on Pacific Liu Tong Investment Co. Ltd. for its operating segments in mainland China. Under IAS 36, the management of the Company performs impairment annually. When testing goodwill for impairment, the management should evaluate whether the recoverable amount is higher than the carrying amount. In determining the recoverable amount, management should estimate the future cash flows from operating segments in mainland



China and determine the optimal discount rate. Significant assumptions involve both judgments made by management and material estimation uncertainty. Thus, the evaluation of impairment loss of goodwill in subsidiaries is considered a key audit matter. For the accounting policy related to investments in subsidiaries, refer to Notes 4(f) and 5(a) to the accompanying financial statements in which goodwill impairment of investments in subsidiaries is included.

The key audit procedures that we performed in respect of the impairment loss of goodwill are as follows:

1. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure their objectivity and assignment were not influenced or restricted and we verified the methodology conducted conform to regulations.
2. We understood the process of management's estimation of the future sales growth rate and profit margin predicted by the operating segments in mainland China.
3. As a consideration for the assessment reliability for year 2020 and succeeding years, we compared the 2019 budget and the actual operating results of the operating segments in mainland China and evaluated the accuracy of management's historical forecast.
4. We confirmed the appropriateness of the discount rate used by management to assess goodwill impairment by using the same evaluation model to calculate the weighted average cost of capital ratio and whether the weighted average cost of capital used by management was significantly different.

#### Fair Value Evaluation of Investment Properties

As of December 31, 2019, the carrying amount of investment properties of NT\$8,997,056 thousand, accounting for 11% of the total assets, is material to the financial statements. The Company's investment properties are subsequently measured using the fair value model. In the process of fair value assessment, valuation technique and inputs require consideration of the future scheme of investment properties to estimate the discounted fair value of future cash flows. Future cash flows are extrapolated using the existing lease contracts of the Company and market rentals.

Since cash flow forecasts are subject to economic conditions, which have a high level of measurement uncertainty, we have resultantly identified the fair value evaluation of investment properties as a key audit matter. Please refer to Notes 4(i), 5(b) and 14 to the accompanying financial statements for the relevant detailed information.

The key audit procedures that we performed in respect of the fair value of investment properties are as follows:

1. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure that their objectivity and assignment were not influenced or restricted and we verified the methodology conducted conform to regulations
2. We reviewed significant lease contracts to ensure the accuracy of fundamental information for cash flow forecasts.
3. We assessed the reasonableness of the valuer's assumptions and methods used in the valuation.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

As part of an audit in accordance with the 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 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 Company'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 Company'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 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 financial statements for the year ended December 31, 2019 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-Chuan Yeh and Ming-Hsing Cho.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 27, 2020

#### Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# **FAR EASTERN DEPARTMENT STORES, LTD.**

## **BALANCE SHEETS** **DECEMBER 31, 2019 AND 2018** (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Note 6)	\$ 538,361	1	\$ 746,181	1
Financial assets at amortized cost - current (Note 8)	25,271	-	25,095	-
Notes receivable (Note 9)	3	-	140	-
Trade receivables (Note 9)	345,747	1	710,140	1
Trade receivables from related parties (Notes 9 and 29)	79,534	-	70,052	-
Other receivables (Notes 9 and 29)	279,279	-	337,628	1
Inventories (Note 10)	512,976	1	378,188	1
Prepayments (Note 29)	215,686	-	237,820	-
Other current assets (Note 17)	64,807	-	13,780	-
Total current assets	<u>2,061,664</u>	<u>3</u>	<u>2,519,024</u>	<u>4</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 7 and 30)	3,101,049	4	2,354,351	4
Investments accounted for using the equity method (Notes 11, 19 and 30)	19,821,401	25	19,570,715	32
Property, plant and equipment (Notes 12, 30 and 31)	18,724,837	24	25,314,067	41
Right-of-use assets (Note 13)	25,836,205	32	-	-
Investment properties (Notes 14 and 30)	8,997,056	11	9,062,640	15
Intangible assets (Note 15)	55,892	-	50,207	-
Deferred tax assets (Note 24)	70,344	-	192,145	-
Net defined benefit assets (Note 20)	234,035	-	-	-
Long-term prepayments for lease (Note 16)	-	-	2,173,763	4
Other non-current assets (Notes 17 and 29)	536,733	1	321,053	-
Total non-current assets	<u>77,377,552</u>	<u>97</u>	<u>59,038,941</u>	<u>96</u>
<b>TOTAL</b>	<u>\$ 79,439,216</u>	<u>100</u>	<u>\$ 61,557,965</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 30)	\$ 5,000,000	6	\$ 6,710,000	11
Short-term bills payable (Note 18)	2,499,312	3	2,299,032	4
Contract liabilities - current (Note 22)	3,024,526	4	2,847,832	5
Trade payables	3,612,036	5	4,878,840	8
Trade payables to related parties (Note 29)	56,943	-	76,148	-
Other payables (Notes 19 and 29)	2,075,491	3	1,284,856	2
Current tax liabilities (Note 24)	161,580	-	148,613	-
Lease liabilities - current (Note 13)	929,821	1	-	-
Advance receipts (Note 29)	193,734	-	188,206	-
Current portion of long-term borrowings (Notes 18 and 30)	2,500,000	3	-	-
Other current liabilities (Notes 19 and 29)	154,488	-	154,900	-
Total current liabilities	<u>20,207,931</u>	<u>25</u>	<u>18,588,427</u>	<u>30</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 18 and 30)	11,799,757	15	11,100,000	18
Deferred tax liabilities (Note 24)	2,142,641	3	2,064,540	4
Lease liabilities - non-current (Note 13)	14,397,967	18	-	-
Net defined benefit liabilities (Note 20)	-	-	89,001	-
Other non-current liabilities (Notes 11, 13, 19 and 29)	100,514	-	192,091	-
Total non-current liabilities	<u>28,440,879</u>	<u>36</u>	<u>13,445,632</u>	<u>22</u>
Total liabilities	<u>48,648,810</u>	<u>61</u>	<u>32,034,059</u>	<u>52</u>
<b>EQUITY</b>				
Share capital				
Ordinary shares	14,169,406	18	14,169,406	23
Capital surplus	3,327,466	4	3,315,420	5
Retained earnings				
Legal reserve	3,298,695	4	3,166,880	5
Special reserve	2,865,351	4	2,656,286	4
Unappropriated earnings	1,931,429	2	2,081,772	4
Total retained earnings	8,095,475	10	7,904,938	13
Other equity	5,295,169	7	4,231,252	7
Treasury shares	(97,110)	-	(97,110)	-
Total equity	<u>30,790,406</u>	<u>39</u>	<u>29,523,906</u>	<u>48</u>
<b>TOTAL</b>	<u>\$ 79,439,216</u>	<u>100</u>	<u>\$ 61,557,965</u>	<u>100</u>

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

# **FAR EASTERN DEPARTMENT STORES, LTD.**

## **STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUE (Notes 22 and 29)	\$ 10,614,744	100	\$ 10,781,588	100
OPERATING COSTS (Notes 10, 23 and 29)	<u>4,168,762</u>	<u>39</u>	<u>4,285,132</u>	<u>40</u>
GROSS PROFIT	<u>6,445,982</u>	<u>61</u>	<u>6,496,456</u>	<u>60</u>
OPERATING EXPENSES (Notes 23 and 29)				
Selling and marketing expenses	378,762	4	375,165	4
General and administrative expenses	3,941,540	37	4,031,963	37
Expected credit loss (gain)	<u>513</u>	<u>-</u>	<u>(11)</u>	<u>-</u>
Total operating expenses	<u>4,320,815</u>	<u>41</u>	<u>4,407,117</u>	<u>41</u>
OPERATING PROFIT	<u>2,125,167</u>	<u>20</u>	<u>2,089,339</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	177,484	2	335,487	3
Other losses (Notes 23 and 29)	(28,844)	-	(14,332)	-
Finance costs (Notes 23 and 29)	(377,869)	(4)	(169,089)	(1)
Share of profit or loss of subsidiaries and associates accounted for using the equity method	<u>298,615</u>	<u>3</u>	<u>(607,556)</u>	<u>(6)</u>
Total non-operating income and expenses	<u>69,386</u>	<u>1</u>	<u>(455,490)</u>	<u>(4)</u>
PROFIT BEFORE INCOME TAX	2,194,553	21	1,633,849	15
INCOME TAX EXPENSE (Note 24)	<u>412,710</u>	<u>4</u>	<u>315,699</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>1,781,843</u>	<u>17</u>	<u>1,318,150</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (Notes 20, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	288,102	3	(5,559)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	746,698	7	311,658	3

(Continued)

# **FAR EASTERN DEPARTMENT STORES, LTD.**

## **STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	\$ 307,216	3	\$ 390,615	4
Income tax relating to items that will not be reclassified subsequently to profit or loss	(57,620)	(1)	5,528	-
	<u>1,284,396</u>	<u>12</u>	<u>702,242</u>	<u>7</u>
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive (loss) income of subsidiaries and associates accounted for using the equity method	(22,191)	-	9,034	-
Other comprehensive income for the year, net of income tax	<u>1,262,205</u>	<u>12</u>	<u>711,276</u>	<u>7</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u>\$ 3,044,048</u></u>	<u><u>29</u></u>	<u><u>\$ 2,029,426</u></u>	<u><u>19</u></u>
<b>EARNINGS PER SHARE, NT\$ (Note 25)</b>				
Basic	<u>\$ 1.26</u>		<u>\$ 0.94</u>	
Diluted	<u>\$ 1.26</u>		<u>\$ 0.93</u>	

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

(Concluded)

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	Other Equity (Note 21)									
	Retained Earnings (Notes 20, 21 and 24)					Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
	Share Capital (Note 21)	Capital Surplus (Note 21)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Gain on Property Revaluation	Treasury Shares (Note 21)	Total Equity
BALANCE AT JANUARY 1, 2018	\$ 14,169,406	\$ 3,315,931	\$ 3,013,281	\$ 2,643,743	\$ 2,274,946	\$ 86,048	\$ 1,421,503	\$ 2,170,970	\$ (97,110)	\$ 28,998,718
Effect of retrospective application and retrospective restatement	-	-	-	-	92,444	-	(1,421,503)	-	-	(86,759)
BALANCE AT JANUARY 1, 2018 AS RESTATED	14,169,406	3,315,931	3,013,281	2,643,743	2,367,390	86,048	-	2,170,970	(97,110)	28,911,959
Appropriation of 2017 earnings	-	-	153,599	-	(153,599)	-	-	-	-	-
Legal reserve	-	-	-	12,543	(12,543)	-	-	-	-	-
Special reserve	-	-	-	-	(1,416,940)	-	-	-	-	(1,416,940)
Cash dividends	-	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	153,599	12,543	(1,583,082)	-	-	-	-	(1,416,940)
Other comprehensive (loss) income for the year ended December 31, 2018, net of income tax	-	-	-	-	1,318,150	-	-	-	-	1,318,150
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	(24,850)	4,606	-	-	-	711,276
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	-	-	-	1,293,300	4,606	-	-	-	2,029,426
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by subsidiaries	-	(511)	-	-	(28)	-	-	-	-	(539)
BALANCE AT DECEMBER 31, 2018	14,169,406	3,315,420	3,166,880	2,656,286	2,081,772	90,654	-	2,170,970	(97,110)	29,523,906
Effect of retrospective application and retrospective restatement	-	-	-	-	(585,446)	-	-	-	-	(585,446)
BALANCE AT JANUARY 1, 2019 AS RESTATED	14,169,406	3,315,420	3,166,880	2,656,286	1,496,326	90,654	-	2,170,970	(97,110)	28,938,460
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	135,735	(135,735)	-	-	-	-	-
Appropriation of 2018 earnings	-	-	131,815	-	(131,815)	-	-	-	-	-
Legal reserve	-	-	-	73,330	(73,330)	-	-	-	-	-
Special reserve	-	-	-	-	(1,204,400)	-	-	-	-	(1,204,400)
Cash dividends	-	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	1,781,843	-	-	-	-	1,781,843
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	198,288	(25,329)	-	-	-	1,622,205
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,980,131	(25,329)	-	-	-	3,044,048
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	12,046	-	-	252	-	-	-	-	12,298
BALANCE AT DECEMBER 31, 2019	14,169,406	3,327,466	3,298,695	2,865,351	1,931,429	65,325	-	2,170,970	(97,110)	30,790,406

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

# **FAR EASTERN DEPARTMENT STORES, LTD.**

## **STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 2,194,553	\$ 1,633,849
Adjustments for:		
Depreciation expenses	1,654,458	1,016,063
Amortization expenses	26,757	18,678
Expected credit loss recognized (reversed) on receivables	513	(11)
Amortization of prepayments	-	476
Finance costs	377,869	169,089
Share of (profit) loss of subsidiaries and associates accounted for using the equity method	(298,615)	607,556
Interest income	(242)	(160)
Dividend income	(177,242)	(85,322)
Loss on disposal of property, plant and equipment	6,229	6,439
Loss on disposal of investment properties	247	90,700
Loss (gain) on changes in fair value of investment properties	75,802	(32,218)
Net changes in operating assets and liabilities		
Notes receivable	137	(140)
Trade receivables	363,880	(261,485)
Trade receivables from related parties	(9,482)	(11,805)
Other receivables	58,349	(251,557)
Inventories	(134,788)	(47,108)
Prepayments	22,134	(15,109)
Other current assets	(51,027)	(2,372)
Contract liabilities	176,694	166,895
Notes payable and trade payables	(1,266,804)	(148,006)
Trade payables to related parties	(19,205)	(8,907)
Other payables	51,696	26,491
Advance receipts	89,656	36,068
Other current liabilities	(412)	41,344
Net defined benefit liabilities	(34,934)	(154,066)
Cash generated from operations	3,106,223	2,795,382
Interest paid	(427,523)	(210,771)
Interest received	242	160
Dividends received	332,030	378,552
Income tax returned	-	170
Income tax paid	(257,461)	(186,940)
Net cash generated from operating activities	<u>2,753,511</u>	<u>2,776,553</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	-	(25,095)
Proceeds from sale of financial assets at amortized cost	224	-
Acquisition of investments accounted for using the equity method	(400,000)	-
Payments for property, plant and equipment	(986,290)	(1,272,504)

(Continued)



# **FAR EASTERN DEPARTMENT STORES, LTD.**

## **STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)**

	<b>2019</b>	<b>2018</b>
Proceeds from disposal of property, plant and equipment	\$ 39	\$ 26
Payments for investment properties	(8,369)	(306)
Increase in other non-current assets	(1,421,459)	(54,007)
Payments for intangible assets	<u>(26,080)</u>	<u>(13,155)</u>
Net cash used in investing activities	<u>(2,841,935)</u>	<u>(1,365,041)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	77,850,000	93,400,000
Repayments of short-term borrowings	(79,560,000)	(92,990,000)
Proceeds from short-term bills payable	22,093,578	16,610,243
Repayments of short-term bills payable	(21,893,298)	(16,010,399)
Proceeds from long-term borrowings	65,199,757	61,000,000
Repayments of long-term borrowings	(62,000,000)	(62,000,000)
Repayment of the principal portion of lease liabilities	(620,491)	-
Increase in other non-current liabilities	13,791	8,561
Dividends paid	<u>(1,202,733)</u>	<u>(1,414,847)</u>
Net cash used in financing activities	<u>(119,396)</u>	<u>(1,396,442)</u>
NET (DECREASE) INCREASE IN CASH	(207,820)	15,070
CASH AT THE BEGINNING OF THE YEAR	<u>746,181</u>	<u>731,111</u>
CASH AT THE END OF THE YEAR	<u>\$ 538,361</u>	<u>\$ 746,181</u>

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

(Concluded)

# **FAR EASTERN DEPARTMENT STORES, LTD.**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

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### **1. GENERAL INFORMATION**

Far Eastern Department Stores, Ltd. (the “Company” or “FEDS”) was incorporated in the Republic of China (ROC) in August 31, 1967 and operates a nationwide chain of department stores. The Company’s shares have been listed on the Taiwan Stock Exchange since October 11, 1978.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the board of directors on March 27, 2020.

### **3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies:

#### **1) IFRS 16 “Leases”**

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

#### Definition of a lease

The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

#### The Company as lessee

The Company recognizes right-of-use assets, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating

activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights were recognized as prepayments for leases. The difference between the actual payments and the expenses, as adjusted for lease incentives, was recognized as other payables and other non-current liabilities. Cash flows for operating leases were classified within operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

- a) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- b) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- c) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.69%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 15,761,932
Less: Recognition exemption for short-term leases	(1,430)
Less: Commitment on lease contract before commencement date of the lease	<u>(2,847,900)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 12,912,602</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 10,984,436
Add (less): Adjustments as a result of a different treatment of extension and termination options	<u>2,869,737</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 13,854,173</u>

The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Property, plant and equipment	\$ 25,314,067	\$ (7,466,818)	\$ 17,847,249
Right-of-use assets	-	17,705,822	17,705,822
Long-term prepayments for leases	2,173,763	<u>3,514,819</u>	5,688,582
Total effect on assets		<u>\$ 13,753,823</u>	
Lease liabilities - current	-	\$ 847,462	847,462
Other payables	1,284,856	(100,350)	1,184,506
Lease liabilities - non-current	-	<u>13,006,711</u>	13,006,711
Total effect on liabilities		<u>\$ 13,753,823</u>	

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority has full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Company expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Company assesses the possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company's financial position and financial performance and will disclose these other impacts when the assessment is completed.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, (the "Regulations").

- b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments and investment properties which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of the plan assets.

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

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

When preparing the Company's financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between the parent company only basis and consolidated basis were made to investments accounted for using the equity method, share of profit or loss of subsidiaries and associates accounted for using the equity method, share of other comprehensive income of subsidiaries and associates accounted for using the equity method and related equity items, as appropriate, in the Company's financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting the Company's financial statements, the assets and liabilities of the Company's foreign operations (including the subsidiaries and associates in other countries or subsidiaries which use currencies that are different from the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

e. Inventories

Inventories are stated at the lower cost or net realizable value, using the retail method. Inventories are recorded at the weighted-average cost on the balance sheet date. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

f. Investments in subsidiaries

The Company uses the equity method of accounting to recognize its investments in subsidiaries. A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and is adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. In addition, the Company recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the Company's interests and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in the subsidiary accounted for using the equity method and long-term interests that, in substance for part of the Company's net investment in the subsidiary), the proportionate share of losses is recognized.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the fair value of the net identifiable assets and liabilities over the cost of the acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full in the Company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Company uses the equity method of accounting to recognize its investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and is adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates attributable to the Company.

When the Company subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription of new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment in the associate ceases. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on the disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Before January 1, 2019, property, plant and equipment also included assets held under finance leases.

Property, plant and equipment in the course of construction are measured at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.



The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. For assets which were held under finance leases before January 1, 2019, if their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognize the asset of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss for the year.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Beginning January 1, 2019, investment properties include properties under construction if the definition of investment properties is met. Investment properties also include land held for a currently undetermined use in the future.

Freehold investment properties are measured initially at cost, including transaction costs. All investment properties are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Investment properties under construction, of which the fair value is not reliably measurable, are measured at cost less accumulated impairment loss until such time as either the fair value becomes reliably measurable or construction is completed (whichever comes earlier).

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of an item of property for subsequent accounting is its fair value at the commencement at the commencement of owner-occupation.

For a transfer of classification from property, plant and equipment to investment property at the end of owner-occupation, any difference between the fair value of the property at the transfer date and its previous carrying amount is recognized in other comprehensive income.

To derecognize an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss for the year.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis during their expected useful lives. The estimated useful lives, residual values, and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss for the year.

k. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication of impairment loss on those assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. The impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (deducting amortization or depreciation) that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, trade receivables at amortized cost and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

ii. Investments in equity instruments at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Financial liabilities

### a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

### b) Derecognition of financial liabilities

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

## m. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods are recognized as revenue when the goods are shipped or delivered because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

When the other party participates in providing goods or services to customers, the Company obtains control of the specified goods or services before they are transferred to the customers and, therefore, is acting as a principal in the transaction. On the contrary, the other party is acting as an agent. As the principal, the total amount of the consideration that is expected to be obtained in exchange for the transfer of goods or services is recognized as income. As an agent, the amount of any fees or commissions that the other party expected to obtain in exchange for the provision of goods or services, recognized as income. The charge or commission of the Company may be the net amount of the consideration. The income retained by the Company in exchange for goods or services is the amount retained after payment to the other party.

Customer Loyalty Program, the Company offers award credits which can be used for future purchases when the customer shops. The award credits provides a material right to the customer. The transaction price allocated to the award credits is recognized as a contract liability when collected and will be recognized as revenue when the award credits is redeemed or has expired.

## n. Leases

### 2019

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

### 1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

## 2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

## 2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### 1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

Lease incentives included in the operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as income in the period in which they are incurred.

### 2) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheets as a finance lease obligation.

Lease incentives received under operating leases are recognized as liabilities. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

### 3) Leasehold land for own use

When a lease includes both land and building elements, the Company assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with their classification of lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

### o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expenses when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses (the effect of the changes to the asset ceiling) and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income (loss) is reflected immediately in retained earnings and will not be reclassified subsequently to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's income tax expenses.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment properties that are measured using the fair value model, the carrying amounts of such assets are presumed to be recovered entirely through their sale.

3) Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred taxes are also recognized in other comprehensive income, respectively.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### **Key Sources of Estimation Uncertainty**

a. Impairment of goodwill included in the investments in subsidiaries

Determining whether the goodwill included in the investments in subsidiaries is impaired requires an estimation of the value in use of the cash-generating units which are expected to benefit from the synergies of the related combination and to which the goodwill has been allocated since the acquisition date. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Fair value measurement and valuation process of the investment properties

Third-party qualified valuers were engaged to perform the fair value evaluation of the Company's investment properties using the appropriate valuation techniques for fair value measurements.

The valuers of the Company determined the appropriate inputs by referring to the analyses of the financial position and the operation results of investees, recent transaction prices and prices of the same equity instruments not quoted in active markets in the vicinity of the Company's investment properties. If there are changes in the actual inputs in the future which differ from expectation, the fair value might vary accordingly. The Company updates inputs every quarter to confirm the appropriateness of the fair value measurement.

Information on the valuation techniques and inputs used in determining the fair value of investment properties is disclosed in Note 14.



## 6. CASH

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash on hand and revolving funds	\$ 35,642	\$ 30,370
Checking accounts and demand deposits	<u>502,719</u>	<u>715,811</u>
	<u>\$ 538,361</u>	<u>\$ 746,181</u>

The market rate intervals of cash in bank at the end of the reporting period are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Deposits in bank	0.001%-0.330%	0.01%-0.43%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Investments in equity instruments at FVTOCI</u>		
Domestic investments		
Listed shares and emerging market shares	\$ 2,993,461	\$ 2,254,523
Unlisted shares	<u>107,588</u>	<u>99,828</u>
	<u>\$ 3,101,049</u>	<u>\$ 2,354,351</u>

- a. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.
- b. Refer to Note 30 for information relating to investments in equity instruments at FVTOCI pledged as security.

## 8. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Time deposits with original maturities of more than 3 months	<u>\$ 25,271</u>	<u>\$ 25,095</u>
Gross carrying amount	\$ 25,271	\$ 25,095
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 25,271</u>	<u>\$ 25,095</u>

- a. The credit risk of financial instruments such as bank deposits is measured and monitored by the accounting department. The Company chooses the transaction object and the other party performs good credit with the bank.
- b. As of December 31, 2019 and 2018, the interest rates for financial assets at amortized cost were 0.67% and 0.78% as at the end of the reporting period, respectively.

## 9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES (INCLUDING RELATED PARTIES)

### a. Notes receivables

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating	\$ 3	\$ 140
Non-operating	1,794	1,794
Less: Allowance for impairment loss	<u>(1,794)</u>	<u>(1,794)</u>
	<u>\$ 3</u>	<u>\$ 140</u>

#### December 31, 2019

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>Over 90 Days</b>	<b>Total</b>
Expected credit loss rate	0%	0%	0%	4.35%	100%	
Gross carrying amount	\$ -	\$ 3	\$ -	\$ -	\$ 1,794	\$ 1,797
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,794)</u>	<u>(1,794)</u>
Amortized cost	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>

#### December 31, 2018

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>Over 90 Days</b>	<b>Total</b>
Expected credit loss rate	0.0002%	0.0063%	0.3046%	0.8361%	100%	
Gross carrying amount	\$ 140	\$ -	\$ -	\$ -	\$ 1,794	\$ 1,934
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,794)</u>	<u>(1,794)</u>
Amortized cost	<u>\$ 140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140</u>

### b. Trade receivables

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
At amortized cost		
Trade receivables	\$ 425,818	\$ 780,216
Less: Allowance for impairment loss	<u>(537)</u>	<u>(24)</u>
	<u>\$ 425,281</u>	<u>\$ 780,192</u>

The Company's trade receivables pertained to revenue on credit cards and goods coupons. The average credit period for revenue from credit cards was 2 to 3 days, and for goods coupons, 15 days.

In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowances for impairment loss were recognized against trade receivables based on estimated irrecoverable amounts determined with reference to past default experience of the counterparties and an analysis of their current financial position.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2019

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0%	0%	0%	0%	100%	
Gross carrying amount	\$ 421,913	\$ 1,793	\$ 1,575	\$ -	\$ 537	\$ 425,818
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(537)</u>	<u>(537)</u>
Amortized cost	<u>\$ 421,913</u>	<u>\$ 1,793</u>	<u>\$ 1,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425,281</u>

December 31, 2018

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.0003%	0.0076%	0.3703%	1.0321%	100%	
Gross carrying amount	\$ 761,372	\$ 18,289	\$ 536	\$ -	\$ 19	\$ 780,216
Loss allowance (Lifetime ECL)	<u>(2)</u>	<u>(1)</u>	<u>(2)</u>	<u>-</u>	<u>(19)</u>	<u>(24)</u>
Amortized cost	<u>\$ 761,370</u>	<u>\$ 18,288</u>	<u>\$ 534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 780,192</u>

The movements of the loss allowance of trade receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 24	\$ 35
Add: Remeasurement of loss allowance	513	-
Less: Impairment losses reversed	<u>-</u>	<u>(11)</u>
Balance at December 31	<u>\$ 537</u>	<u>\$ 24</u>

c. Other receivables

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
At amortized cost		
Other receivables	\$ 300,686	\$ 359,035
Less: Allowance for impairment loss	<u>(21,407)</u>	<u>(21,407)</u>
	<u>\$ 279,279</u>	<u>\$ 337,628</u>

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2019

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>Over 90 Days</b>	<b>Total</b>
Expected credit loss rate	0%	0%	0%	0%	100%	
Gross carrying amount	\$ 279,279	\$ -	\$ -	\$ -	\$ 21,407	\$ 300,686
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,407)</u>	<u>(21,407)</u>
Amortized cost	<u>\$ 279,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 279,279</u>

December 31, 2018

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>Over 90 Days</b>	<b>Total</b>
Expected credit loss rate	0.0002%	0.0063%	0.3046%	0.8361%	100%	
Gross carrying amount	\$ 337,628	\$ -	\$ -	\$ -	\$ 21,407	\$ 359,035
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,407)</u>	<u>(21,407)</u>
Amortized cost	<u>\$ 337,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,628</u>

As of December 31, 2019 and 2018, there were no impairment loss on trade receivables; therefore, no loss allowance was recognized by management.

## 10. INVENTORIES

	December 31	
	2019	2018
Merchandise	\$ <u>512,976</u>	\$ <u>378,188</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were \$3,962,329 thousand and \$4,094,492 thousand, respectively.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	\$ 17,712,547	\$ 17,468,257
Investments in associates	<u>2,108,854</u>	<u>2,102,458</u>
	<u>\$ 19,821,401</u>	<u>\$ 19,570,715</u>

### a. Investments in subsidiaries

	December 31	
	2019	2018
Bai Yang Investment Co., Ltd. (BYIC)	\$ 9,104,890	\$ 9,131,939
Pacific Liu Tong Investment Co., Ltd. (PLTI)	3,781,245	3,838,530
Bai Ding Investment Co., Ltd. (BDIC)	2,392,241	2,205,608
FEDS Development Ltd. (FEDS Development)	1,409,738	1,411,729
Far Eastern Ai Mai Co., Ltd. (AIMAI)	1,287,839	1,298,433
Ya Tung Department Stores, Ltd. (YTDS)	131,722	(5,018)
Yu Ming Advertising Agency Co., Ltd. (YMAC)	119,878	95,804
Far Eastern CitySuper Co., Ltd (FECS)	36,407	60,382
Far Eastern Hon Li Do Co., Ltd. (FEHLD)	12,529	12,480
Asians Merchandise Company (AMC)	<u>4,495</u>	<u>4,534</u>
	18,280,984	18,054,421
Add: Credit balance on the carrying amounts of investments accounted for using the equity method and reclassified to other liabilities	-	5,018
Less: Ordinary shares held by subsidiary and reclassified from long-term investments to treasury shares		
BDIC	<u>97,110</u>	<u>97,110</u>
	18,183,874	17,962,329
Less: The differences of accounting treatments from the consolidated financial statements (Note)	<u>471,327</u>	<u>494,072</u>
	<u>\$ 17,712,547</u>	<u>\$ 17,468,257</u>

Note: Some of the Company's leased assets from subsidiaries or investment properties which were leased to subsidiaries were evaluated under fair value method, but these investment properties were recognized as property, plant and equipment in the consolidated financial statements. In order to agree with the amount of net profit for the year, other comprehensive (loss) income and equity attributable to the owner of the Company in the consolidated financial statements, the difference of the accounting treatment between the Company only basis and the consolidated basis was adjusted under the heading of investments accounted for using the equity method, the share of (loss) profit of subsidiaries and associates was accounted for using the equity method, and the share of other comprehensive (loss) income of subsidiaries and associates was accounted for using the equity method and related equity items.

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
BYIC	100%	100%
PLTI	35%	35%
BDIC	67%	67%
FEDS Development	54%	54%
AIMAI	100%	100%
YTDS	100%	100%
YMAC	100%	100%
FECS	96%	96%
FEHLD	56%	56%
AMC	100%	100%

Refer to Note 32 for the details of the subsidiaries indirectly held by the Company.

The Company had a 35% equity interest in PLTI. However, the proportion of the combined equity of PLTI in the Company and its subsidiaries reached 56.6%; thus, this investee was recognized as an entity over which the Company had control.

In December 2019, YTDS undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease of 20,000 thousand shares in the Company's equity in YTDS. YTDS issued shares for an increase in cash capital, and the Company acquired 40,000 thousand shares at \$10 per share which totaled \$400,000 thousand.

In December 2018, BYIC undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease of 78,000 thousand shares in the Company's equity in BYIC.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the subsidiaries' financial statements audited for the same years by other auditors.

b. Investments in associates

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates that are not individually material	<u>\$ 2,108,854</u>	<u>\$ 2,102,458</u>

Aggregate information of associates that are not individually material are summarized as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
The Company's share of		
Net profit (loss) for the year	\$ 10,029	\$ (25,044)
Other comprehensive (loss) profit	<u>(3,862)</u>	<u>11,123</u>
Total comprehensive profit (loss)	<u>\$ 6,167</u>	<u>\$ (13,921)</u>

The Company and its grandson company, Pacific Sogo Department Stores Co., Ltd. (SOGO) invested in Ding Integrated Marketing Service Co., Ltd. (DDIM) and Yuan Hsin Digital Payment Co., Ltd. (YHDP), in amounts totaling 20% of each Company's shares. As a result, these investments were accounted for using the equity method.

In July 2019 and November 2018, YHDP undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease in the Company's equity in YHDP of 3,662 thousand shares and 3,403 thousand shares, respectively.

In June 2018, DDIM undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease in the Company's equity in DDIM of 3,540 thousand shares.

The investments in associates accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the associates' financial statements audited for the same years by other auditors.

Refer to Note 30 for the information on the carrying amounts of investments in associates accounted for using the equity method that were pledged as security.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Buildings and Facilities	Decorative Facilities	Equipment Held Under Finance Leases	Plant, Transportation and Miscellaneous Equipment	Construction in Progress	Total
<b>Cost</b>								
Balance at January 1, 2018	\$ 8,038,597	\$ 9,370,709	\$ 5,691,857	\$ 5,841,328	\$ 5,720,940	\$ 614,283	\$ 3,123,287	\$ 38,401,001
Additions	-	-	104,241	33,652	-	15,060	1,217,489	1,370,442
Disposals	-	-	(8,269)	(60,339)	(1,474,493)	(6,285)	-	(1,549,386)
Reclassifications	-	-	40,088	-	450,373	100	(454,097)	36,464
Balance at December 31, 2018	<u>\$ 8,038,597</u>	<u>\$ 9,370,709</u>	<u>\$ 5,827,917</u>	<u>\$ 5,814,641</u>	<u>\$ 4,696,820</u>	<u>\$ 623,158</u>	<u>\$ 3,886,679</u>	<u>\$ 38,258,521</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2018	\$ -	\$ (2,095,026)	\$ (3,726,485)	\$ (4,955,303)	\$ (2,170,434)	\$ (433,705)	-	\$ (13,380,953)
Disposals	-	-	7,146	54,737	1,474,493	6,058	-	1,542,434
Depreciation expense	-	(161,727)	(413,612)	(318,551)	(157,568)	(54,477)	-	(1,105,935)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ (2,256,753)</u>	<u>\$ (4,132,951)</u>	<u>\$ (5,219,117)</u>	<u>\$ (853,509)</u>	<u>\$ (482,124)</u>	<u>\$ -</u>	<u>\$ (12,944,454)</u>
Carrying amount at December 31, 2018	<u>\$ 8,038,597</u>	<u>\$ 7,113,956</u>	<u>\$ 1,694,966</u>	<u>\$ 595,524</u>	<u>\$ 3,843,311</u>	<u>\$ 141,034</u>	<u>\$ 3,886,679</u>	<u>\$ 25,314,067</u>

(Continued)

	Land	Buildings	Buildings and Facilities	Decorative Facilities	Equipment Held Under Finance Leases	Plant, Transportation and Miscellaneous Equipment	Construction in Progress	Total
<u>Cost</u>								
Balance at January 1, 2019	\$ 8,038,597	\$ 9,370,709	\$ 5,827,917	\$ 5,814,641	\$ 4,696,820	\$ 623,158	\$ 3,886,679	\$ 38,258,521
Adjustments on initial application of IFRS 16	-	-	-	-	(4,696,820)	-	(3,623,507)	(8,320,327)
Balance at January 1, 2019 (restated)	8,038,597	9,370,709	5,827,917	5,814,641	-	623,158	263,172	29,938,194
Additions	-	-	180,829	285,826	-	71,827	1,195,044	1,733,526
Disposals	-	-	(13,367)	(38,823)	-	(19,005)	-	(71,195)
Transfer from investment Properties	-	-	58	-	-	-	-	58
Transfer to investment properties	-	-	-	-	-	-	(2,154)	(2,154)
Reclassifications	-	-	965,811	458,253	-	42,786	(1,456,062)	10,788
Balance at December 31, 2019	<u>\$ 8,038,597</u>	<u>\$ 9,370,709</u>	<u>\$ 6,961,248</u>	<u>\$ 6,519,897</u>	<u>\$ -</u>	<u>\$ 718,766</u>	<u>\$ -</u>	<u>\$ 31,609,217</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	\$ -	\$ (2,256,753)	\$ (4,132,951)	\$ (5,219,117)	\$ (853,509)	\$ (482,124)	-	\$ (12,944,454)
Adjustments on initial application of IFRS 16	-	-	-	-	853,509	-	-	853,509
Balance at January 1, 2019 (restated)	-	(2,256,753)	(4,132,951)	(5,219,117)	-	(482,124)	-	(12,090,945)
Disposals	-	-	11,677	34,404	-	18,490	-	64,571
Depreciation expense	-	(161,727)	(418,995)	(226,620)	-	(50,664)	-	(858,006)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (2,418,480)</u>	<u>\$ (4,540,269)</u>	<u>\$ (5,411,333)</u>	<u>\$ -</u>	<u>\$ (514,298)</u>	<u>\$ -</u>	<u>\$ (12,884,380)</u>
Carrying amount at December 31, 2019	<u>\$ 8,038,597</u>	<u>\$ 6,952,229</u>	<u>\$ 2,420,979</u>	<u>\$ 1,108,564</u>	<u>\$ -</u>	<u>\$ 204,468</u>	<u>\$ -</u>	<u>\$ 18,724,837</u>

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	55 years
Buildings and facilities	8-15 years
Decorative facilities	6 years
Equipment held under finance leases	35-50 years
Plant, transportation, and miscellaneous equipment	5-8 years

Some of the investment properties were transferred to property, plant and equipment at their fair value as the use of these assets changed to self-use for the year ended December 31, 2019.

Refer to Note 30 for the information on the carrying amounts of property, plant and equipment that were pledged as security.

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ 8,038,783
Buildings	17,797,153
Plant, transportation, and miscellaneous equipment	<u>269</u>
	<u>\$ 25,836,205</u>



**For the Year  
Ended  
December 31,  
2019**

Depreciation charge for right-of-use assets	
Land	\$ 152,646
Buildings	727,524
Plant, transportation, and miscellaneous equipment	<u>54</u>
	<u>\$ 880,224</u>

b. Lease liabilities - 2019

**December 31,  
2019**

Carrying amounts

Current	<u>\$ 929,821</u>
Non-current	<u>\$ 14,397,967</u>

Range of discount rate for lease liabilities was as follows:

**December 31,  
2019**

Land	1.17%-1.72%
Buildings	0.90%-1.72%
Plant, transportation, and miscellaneous equipment	0.92%

c. Material lease-in activities and terms

The Company operates a retail business of leasing property and equipment for its operating activities with lease term of 3 to 50 years. In addition to fixed payments, some lease contracts also indicate variable lease payments with different conditions. Some stores are leased by acquiring land use rights to build buildings and transfer buildings to lessor unconditionally at the end of the lease term.

d. Other lease information

2019

**For the Year  
Ended  
December 31,  
2019**

Expenses relating to short-term leases	<u>\$ 5,113</u>
Expenses relating to low-value asset leases	<u>\$ 3,866</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 19,065</u>
Total cash outflow for leases	<u>\$ (1,784,930)</u>

The Company has elected to apply the recognition exemption for short-term leases and low-value assets leases and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	<b>December 31, 2018</b>
Not later than 1 year	\$ 849,693
Later than 1 year and not later than 5 years	3,355,437
Later than 5 years	<u>11,556,802</u>
	<u><u>\$ 15,761,802</u></u>

The lease payments and sublease payments recognized in profit or loss were as follows:

	<b>For the Year Ended December 31, 2018</b>
Minimum lease payments	\$ 893,445
Contingent rental payments	<u>23,925</u>
	<u><u>\$ 917,370</u></u>

## **14. INVESTMENT PROPERTIES**

	<b>Land</b>	<b>Buildings and Facilities</b>	<b>Investment Properties under Construction</b>	<b>Total</b>
Balance at January 1, 2018	\$ 6,222,180	\$ 2,898,636	\$ -	\$ 9,120,816
Additions	-	306	-	306
Disposals	-	(90,700)	-	(90,700)
Gain on changes in the fair value of investment properties	<u>27,792</u>	<u>4,426</u>	<u>-</u>	<u>32,218</u>
Balance at December 31, 2018	6,249,972	2,812,668	-	9,062,640
Transfers to property, plant and equipment	-	(58)	-	(58)
Additions	-	(247)	-	(247)
Disposals	-	399	7,970	8,369
Reclassification	-	-	2,154	2,154
Loss on changes in the fair value of investment properties	<u>(33,638)</u>	<u>(42,164)</u>	<u>-</u>	<u>(75,802)</u>
Balance at December 31, 2019	<u><u>\$ 6,216,334</u></u>	<u><u>\$ 2,770,598</u></u>	<u><u>\$ 10,124</u></u>	<u><u>\$ 8,997,056</u></u>

The investment properties located in the Hualien area were affected by the earthquake which occurred on February 6, 2018, which caused significant damage to the investment properties. The Company demolished the building in March 2018 and recognized loss on disposal of investment properties of \$90,621 thousand in 2018.

Some of the Company's investment properties had been leased out under operating leases with lease term of 1-20 years, and the lease contracts include the lessee's buy-back agreement.

Except for minimum lease payments, some of the Company's lease contracts stipulate that the Company should adjust rentals on the basis of the consumer price index per annum.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2019 as follows:

	<b>December 31, 2019</b>
Year 1	\$ 221,158
Year 2	130,057
Year 3	99,322
Year 4	84,961
Year 5	67,599
Year 6 onwards	<u>222,406</u>
	<u>\$ 825,503</u>

The future minimum lease payments of non-cancellable operating lease commitments at December 31, 2018 as follows:

	<b>December 31, 2018</b>
Not later than 1 year	\$ 189,184
Later than 1 year and not later than 5 years	375,047
Later than 5 years	<u>252,863</u>
	<u>\$ 817,094</u>

The fair values of the investment properties as of December 31, 2019 and 2018 were based on the valuations carried out at those dates, on a recurring basis by independent qualified professional valuers, Hong-Kai Chang, Yi-Chih Chang, Yu-Fen Yeh and Kuang-Ping Tai from Savills Real Estate Appraiser Office, a member of certified ROC real estate appraisers.

Except for undeveloped lands, the fair values of investment properties were measured using the income approach and the significant assumptions used are the increase in the estimated future net cash inflows, or the decrease in discount rates that would result in increases in the fair values.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expected future cash inflows	\$ 21,531,652	\$ 21,573,710
Expected future cash outflows	<u>2,443,572</u>	<u>2,272,008</u>
Expected future cash inflows, net	<u>\$ 19,088,080</u>	<u>\$ 19,301,702</u>
Discount rate	4.345%	4.345%

The market rentals in the area where the investment properties are located were between \$1 thousand and \$2 thousand per ping (i.e., per 3.3 square meters). The market rentals for comparable properties were between \$1 thousand and \$4 thousand per ping (i.e., per 3.3 square meters).

The expected future cash inflows generated by investment properties referred to rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the existing lease contracts of the Company and comparative market rentals covering 5-10 years, taking into account the annual rental growth rate. The interest income on rental deposits was extrapolated by the one-year average deposit interest rate, and the disposal value was determined by the direct capitalization method under the income approach. The expected future cash outflows on investment properties included expenditures such as property taxes, insurance premiums, management fees, maintenance costs and replacement allowances. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustments to the government-announced land value, the tax rate promulgated under the Construction Cost Index and the House Tax Act and construction costs.

The discount rate was determined with reference to the interest rate for two-year time deposits of Chunghwa Post Co., Ltd. plus 0.75% and the risk premium of investment properties of 2.5%.

Part of the land owned by the Company, where is located in the east of Taiwan, was not developed yet. The fair value of the undeveloped land area was measured by the land development analysis approach. The increase in the estimated total sales price, the increase in the rate of return, or the decrease in the overall capital interest rate would result in increase in the fair value. The significant assumptions used are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Estimated total sales price	<u>\$ 1,511,974</u>	<u>\$ 1,965,503</u>
Rate of return	18%-20%	16%-20%
Overall capital interest rate	1.56%-3.08%	1.49%-3.90%

The total sales price is estimated on the basis of the most effective use of land or property available for sale after development is completed, taking into account the related regulations, optimism of domestic macroeconomic prospects, local land use, and comparable market prices.

Refer to Note 30 for the information on the carrying amounts of investment properties pledged as collateral for borrowings.

## 15. INTANGIBLE ASSETS

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2018	\$ 90,975
Additions	13,155
Reclassifications	<u>5,729</u>
Balance at December 31, 2018	<u>\$ 109,859</u>
	(Continued)

	<b>Computer Software</b>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2018	\$ (40,974)
Amortization expenses	<u>(18,678)</u>
Balance at December 31, 2018	<u>\$ (59,652)</u>
Carrying amount at December 31, 2018	<u>\$ 50,207</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 109,859
Additions	26,080
Reclassifications	<u>6,362</u>
Balance at December 31, 2019	<u>\$ 142,301</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2019	\$ (59,652)
Amortization expenses	<u>(26,757)</u>
Balance at December 31, 2019	<u>\$ (86,409)</u>
Carrying amount at December 31, 2019	<u>\$ 55,892</u> (Concluded)

The following intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	3-5 years
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## 16. LONG-TERM PREPAYMENTS FOR LEASES

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Xinyi Division A13 - land use rights	\$ <u>-</u>	\$ <u>2,173,763</u>

In September 2003, the Company acquired the land use rights for No. A13 in Xinyi District of Taipei City, which is owned by the Taipei City Government. The total amount of the land use rights was \$3,196,888 thousand, and the Company completed the registration of its acquisition of the land use rights in October 2003. Under the contract, the Company has the right to use the land for 50 years from the time of completion of the land use rights' registration. The initial monthly rental is \$3,771 thousand, to be adjusted annually in accordance with the assessed and publicly announced land value on the contract date. The construction had been completed and transferred to right-of-use assets in 2019.

## 17. OTHER ASSETS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Refundable deposits	\$ 159,027	\$ 122,173
Prepayments	67,716	45,262
Leasing incentives	309,990	153,218
Others (Note 30)	<u>64,807</u>	<u>14,180</u>
	<u>\$ 601,540</u>	<u>\$ 334,833</u>
Current	\$ 64,807	\$ 13,780
Non-current	<u>536,733</u>	<u>321,053</u>
	<u>\$ 601,540</u>	<u>\$ 334,833</u>

## 18. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Credit loans	\$ 4,300,000	\$ 5,800,000
Secured loans (Note 30)	<u>700,000</u>	<u>910,000</u>
	<u>\$ 5,000,000</u>	<u>\$ 6,710,000</u>
Interest rate intervals are as follows:		
Credit loans	0.90%-1.00%	0.89%-0.98%
Secured loans	0.92%	0.92%-1.23%

### b. Short-term bills payable

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Commercial papers	\$ 2,500,000	\$ 2,300,000
Less: Unamortized discount on bills payable	<u>688</u>	<u>968</u>
	<u>\$ 2,499,312</u>	<u>\$ 2,299,032</u>

Outstanding short-term bills payable are as follows:

December 31, 2019

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial papers</u>						
Mega Bills Finance	\$ 600,000	\$ 127	\$ 599,873	0.73%	-	\$ -
Shanghai Bank	500,000	251	499,749	0.482%	-	-
China Bills Finance	350,000	64	349,936	0.50%	-	-
Grand Finance	300,000	113	299,887	0.90%	-	-
International Bills Finance	200,000	29	199,971	0.70%	-	-
Taiwan Cooperative Bills Finance	200,000	74	199,926	0.83%	-	-
Taiwan Bills Finance	200,000	5	199,995	0.70%	-	-
Ta Ching Bill Finance	<u>150,000</u>	<u>25</u>	<u>149,975</u>	0.74%	-	<u>-</u>
	<u>\$ 2,500,000</u>	<u>\$ 688</u>	<u>\$ 2,499,312</u>			<u>\$ -</u>

December 31, 2018

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial papers</u>						
Mega Bills Finance	\$ 550,000	\$ 28	\$ 549,972	0.77%	-	\$ -
Shanghai Bank	500,000	391	499,609	0.60%	-	-
China Bills Finance	350,000	232	349,768	0.49%	-	-
Grand Finance	200,000	17	199,983	0.88%	-	-
International Bills Finance	200,000	33	199,967	0.68%	-	-
Taiwan Cooperative Bills Finance	200,000	94	199,906	0.86%	-	-
Taiwan Bills Finance	150,000	68	149,932	0.75%	-	-
Ta Ching Bill Finance	<u>150,000</u>	<u>105</u>	<u>149,895</u>	0.91%	-	<u>-</u>
	<u>\$ 2,300,000</u>	<u>\$ 968</u>	<u>\$ 2,299,032</u>			<u>\$ -</u>

c. Long-term borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Secured loans	\$ 10,100,000	\$ 10,100,000
Credit loans	3,000,000	1,000,000
Revolving commercial papers	<u>1,199,757</u>	<u>-</u>
	14,299,757	11,100,000
Less: Current portion	<u>2,500,000</u>	<u>-</u>
Long-term borrowings	<u>\$ 11,799,757</u>	<u>\$ 11,100,000</u>

Interest rate intervals are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Secured loans	0.900%-1.720%	0.900%-1.720%
Credit loans	0.900%-1.200%	0.900%-0.920%
Revolving commercial papers	0.399%-0.429%	-

## 19. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Other payables		
Payables for salaries and bonus	\$ 316,121	\$ 262,213
Payables for purchase of equipment	939,356	226,902
Payables for remuneration of directors	162,342	152,049
Payables for employees' compensation	76,257	57,184
Others	<u>581,415</u>	<u>586,508</u>
	<u>\$ 2,075,491</u>	<u>\$ 1,284,856</u>
Other liabilities		
Deposits received	\$ 100,514	\$ 86,723
Lease incentives	-	100,350
Credit balance on the carrying amount of investments accounted for using the equity method	-	5,018
Others	<u>154,488</u>	<u>154,900</u>
	<u>\$ 255,002</u>	<u>\$ 346,991</u>
Current		
Other payables	<u>\$ 2,075,491</u>	<u>\$ 1,284,856</u>
Other liabilities	<u>\$ 154,488</u>	<u>\$ 154,900</u>
Non-current		
Other liabilities	<u>\$ 100,514</u>	<u>\$ 192,091</u>

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.



b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the following year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the following year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plan are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of the defined benefit obligation	\$ 690,534	\$ 667,816
Fair value of the plan assets	<u>(924,569)</u>	<u>(578,815)</u>
Net defined benefit (assets) liabilities	<u>\$ (234,035)</u>	<u>\$ 89,001</u>

Movements in net defined benefit liabilities are as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2018	\$ 742,897	\$ (505,389)	\$ 237,508
Service cost			
Current service cost	7,088	-	7,088
Net interest expense (income)	<u>9,286</u>	<u>(6,356)</u>	<u>2,930</u>
Recognized in profit or loss	<u>16,374</u>	<u>(6,356)</u>	<u>10,018</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(43,357)	(43,357)
Actuarial loss - changes in demographic assumptions	6,684	-	6,684
Actuarial loss - changes in financial assumptions	8,750	-	8,750
Actuarial loss - experience adjustments	<u>33,482</u>	<u>-</u>	<u>33,482</u>
Recognized in other comprehensive income	<u>48,916</u>	<u>(43,357)</u>	<u>5,559</u>
Contributions from the employer	-	(164,084)	(164,084)
Benefits paid	<u>(140,371)</u>	<u>140,371</u>	<u>-</u>
Balance at December 31, 2018	667,816	(578,815)	89,001
Service cost			
Current service cost	5,581	-	5,581
Net interest expense (income)	<u>7,513</u>	<u>(6,544)</u>	<u>969</u>
Recognized in profit or loss	<u>13,904</u>	<u>(6,544)</u>	<u>6,550</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (332,601)	\$ (332,601)
Actuarial loss - changes in demographic assumptions	10,111	-	10,111
Actuarial loss - changes in financial assumptions	25,992	-	25,992
Actuarial loss - experience adjustments	<u>8,496</u>	<u>-</u>	<u>8,496</u>
Recognized in other comprehensive income	<u>44,499</u>	<u>(332,601)</u>	<u>(288,102)</u>
Contributions from the employer	-	(41,449)	(41,449)
Benefits paid	(34,840)	34,840	-
Company account paid	<u>(35)</u>	<u>-</u>	<u>(35)</u>
Balance at December 31, 2019	<u>\$ 690,534</u>	<u>\$ (924,569)</u>	<u>\$ (234,035)</u> (Concluded)

Through the defined benefit plan under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments of the plan assets.
- 3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate	0.750%	1.125%
Expected rate of salary increase	2.000%	2.000%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)		
0.25% increase	<u>\$ (17,601)</u>	<u>\$ (17,528)</u>
0.25% decrease	<u>\$ 18,275</u>	<u>\$ 18,207</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 17,730</u>	<u>\$ 17,728</u>
0.25% decrease	<u>\$ (17,168)</u>	<u>\$ (17,156)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
The expected contributions to the plan for the next year	<u>\$ 5,417</u>	<u>\$ 5,680</u>
The average duration of the defined benefit obligation	10.4 years	10.7 years

## 21. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Shares authorized (in thousands of shares)	<u>1,750,000</u>	<u>1,750,000</u>
Shares authorized	<u>\$ 17,500,000</u>	<u>\$ 17,500,000</u>
Shares issued and fully paid (in thousands of shares)	<u>1,416,941</u>	<u>1,416,941</u>
Shares issued	<u>\$ 14,169,406</u>	<u>\$ 14,169,406</u>

Fully paid ordinary shares, which have a par value of \$10, are entitled to one vote and a right to receive dividends per share.

### b. Capital surplus

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (Note)</u>		
Issuance in excess of ordinary shares	\$ 2,142,074	\$ 2,142,074
Treasury share transactions	1,173,346	1,173,346
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interest in subsidiaries and associates	<u>12,046</u>	<u>-</u>
	<u>\$ 3,327,466</u>	<u>\$ 3,315,420</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, net income should be used to pay its business income tax and offset deficits. From any remaining net income, 10% will be appropriated as a legal reserve, and a special reserve as required by government regulations. After adding prior years' unappropriated earnings, the Company could retain a certain amount for expansion plans and then make the appropriation equally to each shareholder. However, if there is an increase in capital during the year, bonuses appropriated to new shareholders should be allocated based on the resolution passed in the shareholders' meeting. For information about the policies of employees' compensation and remuneration of directors prior to and after the amendments to the Company's Articles of Incorporation, refer to Note 23.

The Company's distribution of dividends would be in consideration of economic conditions, tax obligations, and operating requirements for cash. For an orderly system of dividend distribution, the dividends are distributed in accordance with the Articles of Incorporation. In addition, improvements of the financial structure and support for investment, capacity expansion or other major capital expenditures. The cash dividends to be distributed should not be below 50% than the current year's post-tax net profit deduction, offsetting losses of previous years, the statutory surplus reserve and the special surplus reserve, except for the improvement of financial structure and the transfer of funds, capacity expansion or other major capital expenditures. The cash dividends to be distributed should not be below 10% of the total cash and share dividends for the current accounting year.

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

Under Order No. 1010012865, Order No. 1010047490 and Order No. 1030006415 issued by the FSC and the directive titled Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs, the Company should appropriate or reverse to a special reserve.

The appropriations of earnings for 2018 and 2017, which were approved in the shareholders' meetings on June 25, 2019 and June 21, 2018, respectively, are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 131,815	\$ 153,599
Special reserve	\$ 73,330	\$ 12,543
Cash dividends	\$ 1,204,400	\$ 1,416,940
Cash dividends per share (NT\$)	\$ 0.85	\$ 1.00

The appropriation of earnings for 2019 was proposed by the board of directors on March 27, 2020. The appropriations and dividends per share are as follows:

	<b>For the Year Ended December 31, 2019</b>
Legal reserve	\$ <u>125,920</u>
Special reserve	\$ <u>(156,088)</u>
Cash dividends	\$ <u>1,133,552</u>
Cash dividends per share (NT\$)	\$ 0.80

The appropriation of earnings for 2019 was resolved in the shareholders' meeting held on June 24, 2020.

d. Special reserve

	<b>For the Year Ended December 31 2019</b>	<b>2018</b>
Beginning at January 1	\$ 2,656,286	\$ 2,643,743
Initial application of IFRS 16	135,735	-
Appropriation in respect of net increases in the fair value of investment properties	<u>73,330</u>	<u>12,543</u>
Balance at December 31	<u>\$ 2,865,351</u>	<u>\$ 2,656,286</u>

On the initial application of the fair value model to investment properties and on the initial application of IFRS 16, property leasehold interests which were previously accounted for as operating leases under IAS 17 are recognized as investment properties and measured at fair value, the Company appropriated for a special reserve at the amount that was the same as the net increase arising from fair value measurement and transferred to retained earnings. The additional special reserve should be appropriated for subsequent net increases in fair value. The amount appropriated may be reversed to the extent that the cumulative net increases in fair value decrease or on the disposal of investment properties.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31 2019</b>	<b>2018</b>
Beginning at January 1	\$ 90,654	\$ 86,048
Share of exchange difference of subsidiaries and associates accounted for using the equity method	<u>(25,329)</u>	<u>4,606</u>
Balance at December 31	<u>\$ 65,325</u>	<u>\$ 90,654</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning at January 1	\$ 1,969,628	\$ 1,242,300
Recognized for the year		
Unrealized gain - equity instruments	746,698	311,658
Share from subsidiaries and associates accounted for using the equity method	<u>342,548</u>	<u>419,862</u>
Other comprehensive income recognized for the year	3,058,874	1,973,820
Reclassification adjustment		
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(4,192)</u>
Balance at December 31	<u>\$ 3,058,874</u>	<u>\$ 1,969,628</u>

f. Treasury shares

The shares that the subsidiaries held were acquired before the Company Act was amended in 2001. The Company's shares held by its subsidiaries at the end of the reporting period are as follows:

December 31, 2019

<b>Name of Subsidiary</b>	<b>Number of Shares Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
Bai Ding Investment	8,207	<u>\$ 97,110</u>	<u>\$ 213,771</u>

December 31, 2018

<b>Name of Subsidiary</b>	<b>Number of Shares Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
Bai Ding Investment	8,207	<u>\$ 97,110</u>	<u>\$ 128,837</u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuances for cash and to vote.

## 22. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Sale of goods (Note)	\$ 4,791,146	\$ 4,919,075
Commissions from concessionaires' sales (Note)	3,892,189	3,980,764
Maintenance and promotion fee income	713,187	780,782
Rental income		
Investment properties (Note 14)		
Variable lease payments that do not depend on an index or a rate and contingent rentals	21,922	22,568
Other lease payments	<u>178,336</u>	<u>137,102</u>
	<u>200,258</u>	<u>159,670</u>
Other operating leases		
Variable lease payments that do not depend on an index or a rate	82,465	93,232
Other lease payments	<u>541,779</u>	<u>440,010</u>
	<u>624,244</u>	<u>533,242</u>
	<u>824,502</u>	<u>692,912</u>
Others	<u>393,720</u>	<u>408,055</u>
	<u>\$ 10,614,744</u>	<u>\$ 10,781,588</u>

Note: Gross revenue is presented as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Concessionaires' sales	\$ 37,141,303	\$ 37,076,151
Sale of goods	<u>5,035,862</u>	<u>5,189,052</u>
	<u>\$ 42,177,165</u>	<u>\$ 42,265,203</u>

### Contract Balances

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Contract liabilities - current			
Sale of goods	\$ 2,991,519	\$ 2,807,936	\$ 2,643,333
Customer loyalty programs	<u>33,007</u>	<u>39,896</u>	<u>37,604</u>
	<u>\$ 3,024,526</u>	<u>\$ 2,847,832</u>	<u>\$ 2,680,937</u>

Refer to Note 9 for the information of notes receivables and trade receivables.

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's performance and the respective customer's payment.

Revenue of the reporting period recognized from the beginning contract liabilities which were satisfied in the previous periods is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>From contract liabilities at the start of the years</u>		
Sale of goods	\$ 1,270,069	\$ 1,198,864
Customer loyalty programs	<u>39,896</u>	<u>37,604</u>
	<u>\$ 1,309,965</u>	<u>\$ 1,236,468</u>

## 23. NET PROFIT FOR THE YEAR

Net profit for the year includes the following items:

### a. Operating costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs		
Cost of sales	\$ 3,962,329	\$ 4,094,492
Rental costs	171,075	153,132
Others	<u>35,358</u>	<u>37,508</u>
	<u>\$ 4,168,762</u>	<u>\$ 4,285,132</u>

### b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest income		
Bank deposits	\$ 242	\$ 160
Dividends income	177,242	85,322
Insurance claim income	<u>-</u>	<u>250,005</u>
	<u>\$ 177,484</u>	<u>\$ 335,487</u>

### c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Loss on disposal of investment properties, net	\$ (247)	\$ (90,700)
Foreign exchange (loss) gain, net	(63)	614
Loss on disposal of property, plant and equipment, net	(6,229)	(6,439)
(Loss) gain arising on changes in fair value of investment properties, net	(75,802)	32,218
Other gains	63,041	61,003
Other losses	<u>(9,544)</u>	<u>(11,028)</u>
	<u>\$ (28,844)</u>	<u>\$ (14,332)</u>



d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on lease liabilities	\$ 227,021	\$ -
Interest on bank loans	200,590	210,066
Other interest expense	<u>24,730</u>	<u>17,676</u>
Total interest expense for financial liabilities measured at fair value through profit or loss	452,341	227,742
Less: Amounts included in the cost of qualifying assets	<u>(74,472)</u>	<u>(58,653)</u>
	<u>\$ 377,869</u>	<u>\$ 169,089</u>

Information about capitalized interest is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Capitalized interest amount	\$ 74,472	\$ 58,653
Capitalization rate interval	0.98%-1.02%	0.98%-1.05%

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 858,006	\$ 1,105,935
Right-of-use assets	880,224	-
Less: Adjustment to receipts in advance and depreciation	<u>(83,772)</u>	<u>(89,872)</u>
	1,654,458	1,016,063
Intangible assets (including amortization expenses)	<u>26,757</u>	<u>18,678</u>
	<u>\$ 1,681,215</u>	<u>\$ 1,034,741</u>
An analysis of deprecation by function		
Operating costs	\$ 88,000	\$ 68,723
Operating expenses	<u>1,566,458</u>	<u>947,340</u>
	<u>\$ 1,654,458</u>	<u>\$ 1,016,063</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 26,757</u>	<u>\$ 18,678</u>

f. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Direct operating expenses from investment properties generating rental income	\$ 62,278	\$ 43,798
Direct operating expenses from investment properties not generating rental income	<u>41,427</u>	<u>56,286</u>
	<u>\$ 103,705</u>	<u>\$ 100,084</u>

g. Employee benefits expenses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Post-employment benefits (Note 20)		
Defined contribution plan	\$ 32,860	\$ 31,166
Defined benefit plan	<u>6,550</u>	<u>10,018</u>
	39,410	41,184
Other employee benefits	<u>1,144,299</u>	<u>1,102,057</u>
Total employee benefits expenses	<u>\$ 1,183,709</u>	<u>\$ 1,143,241</u>
An analysis of employee benefits expenses by function		
Operating expenses	<u>\$ 1,183,709</u>	<u>\$ 1,143,241</u>

h. Employees' compensation and remuneration of directors

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at a rate of 2% to 3.5% and no less than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on March 27, 2020 and March 20, 2019, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Employees' compensation	3.2%	3.2%
Remuneration of directors	2.4%	2.4%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 74,392	\$ 55,384
Remuneration of directors	55,794	41,538

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 24. INCOME TAX

### a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current income tax		
In respect of the current year	\$ 267,838	\$ 210,927
Adjustments for the prior year	<u>2,590</u>	<u>58</u>
	<u>270,428</u>	<u>210,985</u>
Deferred income tax		
In respect of the current year	136,596	26,916
Effect of tax rate changes	-	143,241
Adjustments for the prior year	<u>5,686</u>	<u>(65,443)</u>
	<u>142,282</u>	<u>104,714</u>
Income tax expense recognized in profit or loss	<u>\$ 412,710</u>	<u>\$ 315,699</u>

A reconciliation of accounting profit and income tax expenses are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before income tax from continuing operations	<u>\$ 2,194,553</u>	<u>\$ 1,633,849</u>
Income tax expense calculated at the statutory rate	\$ 438,911	\$ 326,770
Nondeductible expenses in determining taxable income	234	680
Tax-exempt income	(87,196)	(64,791)
Unrecognized deductible temporary differences	63,258	6,004
Effect of tax rate changes	-	143,241
Adjustments for prior years' income tax	2,590	58
Adjustments for prior years' deferred tax	5,686	(65,443)
Land value increment tax	(10,951)	(25,275)
Others	<u>178</u>	<u>(5,545)</u>
Income tax expense recognized in profit or loss	<u>\$ 412,710</u>	<u>\$ 315,699</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

### b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Deferred tax</u>		
In respect of the current year		
Effect of tax rate changes	\$ -	\$ 4,416
Remeasurement on defined benefit plans	<u>(57,620)</u>	<u>1,112</u>
	<u>\$ (57,620)</u>	<u>\$ 5,528</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax assets		
Tax refund receivable	\$ <u>-</u>	\$ <u>-</u>
Current tax liabilities		
Income tax payable	\$ <u>161,580</u>	\$ <u>148,613</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities are as follows:

For the year ended December 31, 2019

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen sive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 111,485	\$ (102,050)	\$ -	\$ 9,435
Promotion expense on coupons	17,497	991	-	18,488
Right-of-use assets	20,071	-	-	20,071
Differences of pension in determining taxable income	17,899	12,654	(30,553)	-
Others	<u>25,193</u>	<u>(2,843)</u>	<u>-</u>	<u>22,350</u>
	<u>\$ 192,145</u>	<u>\$ (91,248)</u>	<u>\$ (30,553)</u>	<u>\$ 70,344</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Depreciation	\$ 1,021,521	\$ 10,212	\$ -	\$ 1,031,733
Reserve for land revaluation increment tax	391,157	-	-	391,157
Investment properties	382,988	(19,384)	-	363,604
Investments accounted for using the equity method	236,775	8,565	-	245,340
Differences of pension in determining taxable income	-	19,740	27,067	46,807
Others	<u>32,099</u>	<u>31,901</u>	<u>-</u>	<u>64,000</u>
	<u>\$ 2,064,540</u>	<u>\$ 51,034</u>	<u>\$ 27,067</u>	<u>\$ 2,142,641</u>

For the year ended December 31, 2018

	Opening Balance	Effect of Tax Rate Change	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Investments accounted for using the equity method	\$ 23,383	\$ 4,126	\$ 83,976	\$ -	\$ 111,485
Promotion expense on coupons	14,238	2,513	746	-	17,497
Lease incentives	15,775	2,784	1,512	-	20,071
Differences of pension in determining taxable income	40,376	7,125	(30,714)	1,112	17,899
Others	<u>17,849</u>	<u>3,150</u>	<u>4,194</u>	<u>-</u>	<u>25,193</u>
	<u>\$ 111,621</u>	<u>\$ 19,698</u>	<u>\$ 59,714</u>	<u>\$ 1,112</u>	<u>\$ 192,145</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Depreciation	\$ 925,938	\$ 163,400	\$ (67,817)	\$ -	\$ 1,021,521
Reserve for land revaluation increment tax	391,157	-	-	-	391,157
Investment properties	369,362	(39,885)	53,511	-	382,988
Investments accounted for using the equity method	196,147	34,614	6,014	-	236,775
Others	<u>2,226</u>	<u>394</u>	<u>29,479</u>	<u>-</u>	<u>32,099</u>
	<u>\$ 1,884,830</u>	<u>\$ 158,523</u>	<u>\$ 21,187</u>	<u>\$ -</u>	<u>\$ 2,064,540</u>

- e. Deductible temporary differences for which no deferred tax assets were recognized in the balance sheets

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Deductible temporary differences	<u>\$ 935,976</u>	<u>\$ 624,916</u>

- f. Income tax assessments

The income tax returns through 2017 have been assessed by the tax authorities.

## 25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Basic earnings per share	<u>\$ 1.26</u>	<u>\$ 0.94</u>
Diluted earnings per share	<u>\$ 1.26</u>	<u>\$ 0.93</u>

Earnings and weighted average number of ordinary shares outstanding for the computation of earnings per share are as follows:

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Net profit for the year	\$ 1,781,843	\$ 1,318,150
Effect of potential dilutive ordinary shares:		
Employees' compensation	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,781,843</u>	<u>\$ 1,318,150</u>

### Shares

(In Thousand Shares)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	1,408,734	1,408,734
Effect of potential dilutive ordinary shares:		
Employees' compensation	<u>4,031</u>	<u>4,931</u>
Weighted average number of ordinary shares outstanding in computation of diluted earnings per share	<u>1,412,765</u>	<u>1,413,665</u>

If the Company offered to settle the compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in their meeting in the following year.

## 26. CASH FLOW INFORMATION

### a. Non-cash transactions

For the years ended December 31, 2019 and 2018, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

The Company reclassified prepayments for equipment of \$10,788 thousand and \$36,464 thousand, respectively, as property, plant and equipment (see Note 12).

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Change in Exchange Rate	Others	
Short-term borrowings	\$ 6,710,000	\$ (1,710,000)	\$ -	\$ -	\$ -	\$ 5,000,000
Short-term bills payable	2,299,032	200,280	-	-	-	2,499,312
Long-term borrowings						
(including current portion)	11,100,000	3,199,757	-	-	-	14,299,757
Lease liabilities (Note 3)	13,854,173	(620,491)	2,094,106	-	-	15,327,788
Other non-current liabilities	192,091	13,791	-	-	(105,368)	100,514
	<u>\$ 34,155,296</u>	<u>\$ 1,083,337</u>	<u>\$ 2,094,106</u>	<u>\$ -</u>	<u>\$ (105,368)</u>	<u>\$ 37,227,371</u>

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			Reclassification	Change in Exchange Rate	Others	
Short-term borrowings	\$ 6,300,000	\$ 410,000	\$ -	\$ -	\$ -	\$ 6,710,000
Short-term bills payable	1,699,188	599,844	-	-	-	2,299,032
Long-term borrowings	12,100,000	(1,000,000)	-	-	-	11,100,000
Other non-current liabilities	170,953	16,120	-	-	5,018	192,091
	<u>\$ 20,270,141</u>	<u>\$ 25,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,018</u>	<u>\$ 20,301,123</u>

## 27. CAPITAL MANAGEMENT

Under its operating development schemes and related government rules, the Company manages its capital to ensure it can continue to operate as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash) and equity of the Company (comprising share capital, capital surplus, retained earnings and other equity). The Company's capital management concerns its capital expenditures for capital structure and relative risks to ensure the optimal capital structure, and the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued, proceeds from borrowings and repayments of borrowings, in order to balance the overall capital structure.

## 28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The financial instruments not measured at fair value are either those with due dates in the near future or those with a future collection value which approximately equals its carrying amount. Thus, the fair value of these financial instruments are estimated at their carrying amounts on the financial reporting date.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Equity investments				
Domestic listed ordinary shares	\$ 2,993,461	\$ -	\$ -	\$ 2,993,461
Domestic unlisted ordinary shares	-	-	107,588	107,588
	<u>\$ 2,993,461</u>	<u>\$ -</u>	<u>\$ 107,588</u>	<u>\$ 3,101,049</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Equity investments				
Domestic listed ordinary shares	\$ 2,254,523	\$ -	\$ -	\$ 2,254,523
Domestic unlisted ordinary shares	-	-	99,828	99,828
	<u>\$ 2,254,523</u>	<u>\$ -</u>	<u>\$ 99,828</u>	<u>\$ 2,354,351</u>

There were no transfers between Level 1 and 2 in both 2019 and 2018.

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

For the year ended December 31, 2019

Financial Assets	Investment in Equity Instruments at FVTOCI
Balance at January 1, 2019	\$ 99,828
Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI)	<u>7,760</u>
Balance at December 31, 2019	<u>\$ 107,588</u>



For the year ended December 31, 2018

<b>Financial Assets</b>	<b>Investment in Equity Instruments at FVTOCI</b>
Balance at January 1, 2018	\$ -
Adjustments on initial application of IFRS 9	<u>97,634</u>
Balance at January 1, 2018 (restated)	97,634
Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI)	<u>2,194</u>
Balance at December 31, 2018	<u>\$ 99,828</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurements

<b>Financial Instruments</b>	<b>Valuation Techniques and Inputs</b>
Domestic unlisted shares	<p>a) Asset-based approach. Valuation based on the fair value of an investee, calculated through each investment of the investee using the income approach, market approach or a combination of the two approaches, while also taking the liquidity premium into consideration.</p> <p>b) Transaction method of market approach. The approach is a valuation strategy that looks at market ratios of companies with similar profitability at the end of the reporting period, while taking the liquidity premium into consideration.</p>

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,427,222	\$ 2,011,409
Equity instruments at FVTOCI	3,101,049	2,354,351

Financial liabilities

Measured at amortized cost (2)	27,644,053	26,435,599
--------------------------------	------------	------------

- 1) The balances included the carrying amount of cash and cash equivalents, notes receivable and trade receivables (including related parties), other receivables and refundable deposits, which are measured at amortized cost.
- 2) The balances included the carrying amount of short-term borrowings, short-term bills payable, notes payable and trade payables (including related parties), other payables, long-term borrowings including the current portion and deposits received, which are measured at amortized cost.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, trade receivables, trade payables and borrowings. The Company's financial risk management pertains to the management's operations-related market risks (including exchange rate risk, interest rate and other price risks), credit risks and liquidity risks. To reduce its financial risk, the Company is committed to identifying, assessing and avoiding the market uncertainties and reducing negative effects of these market changes on the Company's financial performance.

The main financial activities of the Company are governed by the Company's internal management and approved by the board of directors. The financial schemes, which include fund raising plans should be carried out in compliance with the Company's policies.

1) Market risk

a) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ 25,271	\$ 25,095
Financial liabilities	2,000,000	2,000,000
Cash flow interest rate risk		
Financial assets	50,112	53,154
Financial liabilities	19,799,069	18,109,032

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for financial assets and financial liabilities at the end of the reporting period. For sensitivity analysis purposes, the sensitivity rate was adjusted as a result of the volatile financial market. The measurement of the increase or decrease in the interest rates is based on 100 basis points, which is reported to the senior management denoting the management's assessment for the reasonableness of the fluctuation of the interest rates.

If interest rates had been 100 basis points higher or lower and all other variables had been held constant, the profit before income tax for the years ended December 31, 2019 and 2018 would decrease/increase by \$197,490 thousand and \$180,559 thousand, respectively.

b) Other price risks

The Company was exposed to equity price risks involving equity investments in listed companies and beneficial certificates. The Company's investments in listed companies and beneficial certificates should be in compliance with the rules made by the board of directors in order to achieve the goal of risk management and maximize the returns on investments.

### Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purposes, the sensitivity rate was adjusted as a result of the volatile financial market.

If equity prices had been 5% higher or lower, pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would increase/decrease by \$155,052 thousand and \$117,718 thousand, respectively.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the reporting period, the Company's credit risk was mainly contributed from trade receivables in operating activities, bank deposits and financial instruments in financial activities.

To maintain the quality of trade receivables, the Company manages credit risk by assessing customers' credit status in terms of financial status, historical transactions, etc., and obtains an adequate amount of collaterals as guarantees from the customers with high credit risk. In addition, the Company reviews the recoverable amount of each trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. On the credit risk management of bank deposits and other financial instruments, the Company trades with counterparties which comprise banks with good credit ratings.

## 3) Liquidity risk

Liquidity risk is a risk in which the Company cannot pay cash or use other financial assets to settle the financial liabilities. The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the use of bank borrowings and ensures compliance with loan covenants and it will not damage to the Company's reputation.

On the demand for capital payments for a particular purpose, the Company maintains adequate cash by way of long-term financing/borrowings. For the management of cash shortage, the Company monitors cash management and allocates cash appropriately to maintain financial flexibility and ensure the mitigation of liquidity risk.

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

### December 31, 2019

	On Demand or Not Later than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>							
Short-term borrowings	\$ 5,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000,000
Short-term bills payable	2,499,312	-	-	-	-	-	2,499,312
Trade payables	3,612,036	-	-	-	-	-	3,612,036
Trade payables to related parties	56,943	-	-	-	-	-	56,943
Other payables	2,075,491	-	-	-	-	-	2,075,491
Lease liabilities	929,821	915,947	919,171	920,354	923,127	13,826,908	18,435,328
Long-term borrowings (including current portion)	2,500,000	11,799,757	-	-	-	-	14,299,757
Deposits received	30,641	14,084	6,237	3,842	5,752	39,958	100,514

Additional information about the maturity analysis for lease liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 929,821</u>	<u>\$ 3,678,599</u>	<u>\$ 4,239,757</u>	<u>\$ 4,013,803</u>	<u>\$ 2,732,117</u>	<u>\$ 2,841,231</u>

December 31, 2018

	<b>On Demand or Not Later than 1 Year</b>	<b>1-2 Years</b>	<b>2-3 Years</b>	<b>3-4 Years</b>	<b>4-5 Years</b>	<b>Later than 5 Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>							
Short-term borrowings	\$ 6,710,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,710,000
Short-term bills payable	2,299,032	-	-	-	-	-	2,299,032
Trade payables	4,878,840	-	-	-	-	-	4,878,840
Trade payables to related parties	76,148	-	-	-	-	-	76,148
Other payables	1,284,856	-	-	-	-	-	1,284,856
Long-term borrowings (including current portion)	-	8,500,000	2,600,000	-	-	-	11,100,000
Deposits received	12,902	21,201	9,334	3,084	3,842	36,360	86,723

The amounts of variable interest rate instruments for both non-derivative financial liabilities mentioned above are subject to change if the changes in variable interest rates differ from those estimates of interest rates determined at the end of the year.

## 29. TRANSACTIONS WITH RELATED PARTIES

The transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

a. The Company's related parties and their relationships

<b>Related Party</b>	<b>Relationship with the Company</b>
Far Eastern Ai Mai Co., Ltd. (AIMAI)	Subsidiary
Ya Tung Department Stores, Ltd. (YTDS)	Subsidiary
Yu Ming Advertising Agency Co., Ltd. (YMAC)	Subsidiary
Far Eastern CitySuper Co., Ltd. (FECS)	Subsidiary
Bai Ding Investment Co., Ltd. (BDIC)	Subsidiary
Bai Yang Investment Co., Ltd. (BYIC)	Subsidiary
Far Eastern Hon Li Do Co., Ltd. (FEHLD)	Subsidiary
Chubei New Century Shopping Mall Co., Ltd.	Subsidiary
FEDS Asia Pacific Development Co., Ltd.	Subsidiary
FEDS New Century Development Co., Ltd.	Subsidiary
Far Eastern Big City Shopping Malls Co., Ltd.	Subsidiary
Pacific Sogo Department Stores Co., Ltd. (SOGO)	Subsidiary
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Associate
Oriental Securities Corporation (OSC)	Associate
Yuan Hsin Digital Payment Co., Ltd. (YHDP)	Associate
Far Eastern New Century Corporation (FENC)	The investor that has significant influence over the Company (equity method investor of FEDS)

(Continued)

<b>Related Party</b>	<b>Relationship with the Company</b>
Far EasTone Telecommunications Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
New Century InfoComm Tech Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern General Contractor Inc. (FEGC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Construction Co., Ltd. (FEC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Resources Development Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Ding Ding Hotel Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Electronic Toll Collection Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Apparel Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuan Ding Co., Ltd. (YDC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
YDT Technology International Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Technical Consultants Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuanshi Digital Technology Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Asia Cement Corporation	The associate of the investor that has significant influence over the Company (the associate of FENC)
Ya Tung Ready Mixed Concrete Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Everest Textile Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Far Eastern International Bank (FEIB)	Other related party (the chairman of Company, also the vice chairman of FEIB)
Yuan Bo Asset Management Corporation	Other related party (the subsidiary of Far eastern international leasing corporation)
Oriental Union Chemical Corporation	Other related party (the same chairman)
Yuan Ze University	Other related party (the same chairman)
Far Eastern Medical Foundation	Other related party (the same chairman)

(Concluded)

b. Operating revenue

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Sales of goods (Note)		
The associate of the investor that has significant influence over the Company	\$ 34,116	\$ 37,334
Subsidiaries	31,694	31,994
Other related parties	<u>999</u>	<u>1,284</u>
	<u>\$ 66,809</u>	<u>\$ 70,612</u>

Note: Sales to related parties and unrelated parties were made under normal terms.

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Other operating revenue		
Other related parties	\$ 55,305	\$ 69,210
Subsidiaries	27,308	27,290
The associate of the investor that has significant influence over the Company	20,504	24,388
Associates	<u>2,189</u>	<u>2,949</u>
	<u>\$ 105,306</u>	<u>\$ 123,837</u>

c. Operating costs and expenses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs (Note)		
The associate of the investor that has significant influence over the Company	\$ 22,697	\$ 24,163
Subsidiaries	<u>3,057</u>	<u>3,035</u>
	<u>\$ 25,754</u>	<u>\$ 27,198</u>

Note: Purchases from related parties and unrelated parties were made under normal terms.

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating expenses (Note)		
Subsidiaries	\$ 239,920	\$ 240,161
Investor that has significant influence over the Company	78,502	73,187
Associates	43,984	42,893
The associate of the investor that has significant influence over the Company	43,960	326,670
Other related parties	<u>8,879</u>	<u>2,671</u>
	<u>\$ 415,245</u>	<u>\$ 685,582</u>

Note: The rental pertaining to related parties is based on market rates and is received or paid monthly or yearly.

d. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Other gains and losses - gains		
Other related parties		
FEIB	\$ 18,121	\$ 18,298
The associate of the investor that has significant influence over the Company	50	19
Subsidiaries		
SOGO	18,104	17,794
Others	1,970	1,603
	20,074	19,397
Associates	279	337
	<u>\$ 38,524</u>	<u>\$ 38,051</u>
Other gains and losses - losses		
Associates		
OSC	\$ 7,131	\$ 7,176
Investor that has significant influence over the Company	1	1
	<u>\$ 7,132</u>	<u>\$ 7,177</u>

e. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries		
SOGO	\$ 11,606	\$ 11,100
Other related parties	765	-
	<u>\$ 12,371</u>	<u>\$ 11,100</u>
Interest on lease liabilities		
The associate of the investor that has significant influence over the Company	\$ 70,615	\$ -
Others related parties	197	-
	<u>\$ 70,812</u>	<u>\$ -</u>

f. Receivables from related parties

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Trade receivables, net		
Other related parties	\$ 38,647	\$ 39,427
The associate of the investor that has significant influence over the Company	33,535	25,074
Subsidiaries	3,230	3,669
Associates	1,152	1,232
Investor that has significant influence over the Company	<u>2,970</u>	<u>650</u>
	<u>\$ 79,534</u>	<u>\$ 70,052</u>
Other receivables		
Subsidiaries	\$ 7,516	\$ 8,681
The associate of the investor that has significant influence over the Company	1,990	3,412
Other related parties	<u>4,106</u>	<u>8,356</u>
	<u>\$ 13,612</u>	<u>\$ 20,449</u>

g. Other assets

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Other non-current assets		
Lease incentives		
The associate of the investor that has significant influence over the Company		
YDC	\$ 13,768	\$ 9,142
Other related parties		
FEIB	<u>1,134</u>	<u>1,314</u>
	<u>\$ 14,902</u>	<u>\$ 10,456</u>
Refundable deposits		
The associate of the investor that has significant influence over the Company	<u>\$ 7,741</u>	<u>\$ 7,741</u>

h. Payables to related parties

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Trade payables		
The associate of the investor that has significant influence over the Company	\$ 33,022	\$ 44,249
Subsidiaries	<u>23,921</u>	<u>31,899</u>
	<u>\$ 56,943</u>	<u>\$ 76,148</u>



	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Other payables		
The associate of the investor that has significant influence over the Company		
FEGC	\$ 118,103	\$ 118,796
Ya Tung Ready Mixed Concrete Co., Ltd.	31,404	31,404
Other	<u>21,722</u>	<u>21,015</u>
	171,229	171,215
Associates	50,630	72,563
Subsidiaries	41,111	66,208
Investor that has significant influence over the Company	37,653	32,057
Other related parties	<u>88</u>	<u>82</u>
	<u>\$ 300,711</u>	<u>\$ 342,125</u>

i. Other liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Advance receipts		
The associate of the investor that has significant influence over the Company	<u>\$ 1,471</u>	<u>\$ 895</u>
Other current liabilities		
Other	\$ 1,154	\$ -
Associates	520	1,031
The associate of the investor that has significant influence over the Company	102	-
Subsidiaries	<u>23</u>	<u>17</u>
	<u>\$ 1,799</u>	<u>\$ 1,048</u>
Other non-current liabilities		
Lease incentives		
The associate of the investor that has significant influence over the Company		
FEC	<u>\$ -</u>	<u>\$ 91,142</u>
Deposits received		
The associate of the investor that has significant influence over the Company		
YDC	\$ 48,676	\$ 36,173
Other	<u>87</u>	<u>86</u>
	48,763	36,259
Other related parties	1,023	1,023
Subsidiaries	<u>881</u>	<u>881</u>
	<u>\$ 50,667</u>	<u>\$ 38,163</u>

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Lease liabilities (Note)		
The associate of the investor that has significant influence over the Company		
FEC	\$ 3,790,369	\$ -
Asia Cement Corporation	384,961	-
Far Eastern Resources Development Co., Ltd.	10,807	-
YDC	<u>11,106</u>	<u>-</u>
	4,197,243	-
Other related parties	<u>10,897</u>	<u>-</u>
	<u>\$ 4,208,140</u>	<u>\$ -</u>

Note: The rental pertaining to related parties is based on market rates and is received or paid monthly or yearly.

j. Construction projects

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
The associates of investor that has significant influence over the Company	\$ 691,248	\$ 720,918
Associates	<u>-</u>	<u>540</u>
	<u>\$ 691,248</u>	<u>\$ 721,458</u>

k. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 72,113	\$ 58,544
Post-employment benefits	<u>214</u>	<u>216</u>
	<u>\$ 72,327</u>	<u>\$ 58,760</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the market trends.

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and administrative proceedings:

	December 31	
	2019	2018
Financial assets at FVTOCI	\$ 1,678,250	\$ 1,188,250
Investments accounted for using the equity method	1,183,170	1,156,262
Property, plant and equipment	13,762,450	13,908,063
Investment properties	1,319,887	1,384,999
Other non-current assets	<u>-</u>	<u>400</u>
	<u>\$ 17,943,757</u>	<u>\$ 17,637,974</u>

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant unrecognized commitments and contingencies of the Company as of December 31, 2019 and 2018 are as follows:

a. Significant unrecognized commitments

The amount of unrecognized commitments are as follows:

	December 31	
	2019	2018
Acquisition of property, plant and equipment	\$ <u>605,809</u>	\$ <u>1,774,925</u>
Acquisition of intangible assets	\$ <u>-</u>	\$ <u>500,000</u>

- b. A letter from the Ministry of Economic Affairs (MOEA) on July 28, 2011 stated that the term of the board of directors and supervisors (the "Board") of SOGO was terminated, and the election of the Board should be held by October 28, 2011. On August 26, 2011, in the shareholders' meeting, Douglas Hsu, Ching-Wen Huang, Mao-De Huang, Hsiao-Yi Wang and Satoshi Inoue were elected to be the representatives of the Board and Jing-Yi Wang was elected as a supervisor. On September 2, 2011, the registration of the Board was submitted to the MOEA, and on August 30, 2013, the registration of the Board was approved and completed by the MOEA.

For the resolution passed in the shareholders' meeting, SOGO's shareholders filed an appeal for an invalid resolution and for the withdrawal of the resolution of the shareholders' meeting. As of March 17, 2017, many verdicts, including the Year 100 Letter Su No. 3965 verdict made by the TTDC, the Year 104 Letter Tsai Shang No. 90 verdict made by the Supreme Administrative Court (SAC), the Year 101 Letter Kun No. 1589 and No. 1681 verdicts made by the THC, and the Year 106 Letter Tsai Shang No. 86 verdict made by the SAC, confirmed that the shareholders' meeting was legal and rejected the appeal of the SOGO shareholders.

Also, Heng-Long Li filed an appeal against SOGO and PLTI, alleging that the decisions made in the SOGO shareholders' meeting on August 26, 2011 were invalid. After the TTDC rejected the appeal in the Year 103 Letter Shang No. 1014 verdict, the THC rejected the appeal once more.

Moreover, the former chairman of PLTI, Heng-Long Li, stated that he appointed Chun-Chih Weng, Chao-Chuan Chu, Shen-Yi Li, Jui-Tsun Liu and Yu-Ying Chin as members of the Board of SOGO to replace Ching-Wen Huang, Satoshi Inoue, Douglas Hsu, Hsiao-Yi Wang and Mao-De Huang. Furthermore, those individuals (Chun-Chih Weng, Chao-Chuan Chu, Shen-Yi Li, Jui-Tsun Liu and Yu-Ying Chin) elected Chun-Chih Weng as the chairman of PLTI and applied to the MOEA for the registration of a change of the Board and supervisor of SOGO on August 8, 2011. However, the application of the registration was rejected by the MOEA, due to the election being held by the former chairman of PLTI, Heng-Long Li. Chun-Chih Weng, Chao-Chuan Chu, Shen-Yi Li, Jui-Tsun Liu and Yu-Ying Chin not only announced publicly that they are the five members of the Board of SOGO but also that they held the SOGO shareholders' meetings on September 5, 2011 and September 6, 2011. However, the decisions made in these two shareholders' meetings on September 5, 2011 and September 6, 2011 were not approved and not consented to by all of SOGO's shareholders. According to the Year 100 Letter Su No. 4224 verdict from the TTDC on January 22, 2014, the TTDC declared that the decisions made in the shareholders' meeting on September 5, 2011 were not approved legally; according to the Year 100 Letter Su No. 4164 verdict on November 28, 2013, the TTDC confirmed that the decisions made in the shareholders' meeting on September 6, 2011 were not approved legally. The THC passed the Year 103 Letter Shang No. 330 verdict on May 31, 2016 rejecting the appeal and confirmed that the resolutions of the shareholders' meeting on September 5, 2011 were not approved legally. In the Year 103 Letter Shang No. 87 verdict from the THC on August 17, 2016, the THC rejected the appeal and confirmed that the decisions made in the shareholders' meeting on September 6, 2011 were not approved legally. Chun-Chih Weng filed an appeal against the judgments. Under Court Reference Year 107 Letter Tai Shang No. 1591 verdict, issued by the Taiwan Supreme Court on December 13, 2018, the Court rejected Chun-Chih Weng's appeals and confirmed that the resolutions of the shareholders' meeting on September 5, 2011 were not approved legally.

- c. In April 2019, under a ruling by the MOEA whereby "the terms and conditions of coupons for certain goods and for certain services within the retail industry should be documented in a standard contract while others should not", the Company and SOGO signed an agreement to have mutual performance guarantees on gift certificates bought by customers. The guarantee period was from April 1, 2019 to March 31, 2020. As of December 31, 2019, the Company's guarantee amount for SOGO was \$4,683,014 thousand and that of SOGO for the Company was \$3,043,635 thousand.

## 32. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and b. investees:
  - 1) Financing provided to others: Table 1.
  - 2) Endorsements/guarantees provided: Table 2.
  - 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Table 3.
  - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4.
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
  - 9) Trading in derivative instruments: None.
  - 10) Information on investees: Table 6.
- c. Information on investments in mainland China:
- 1) Name of the investees in mainland China, main business and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, repatriation of investment income, and the limit of investment in mainland China: Table 7.
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
    - c) The amount of property transactions and the amount of the resultant gains or losses: None.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

TABLE 1

**FAR EASTERN DEPARTMENT STORES, LTD.**

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
1	Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings Ltd.	Other receivables	Y	\$ 2,000,000	\$ 2,000,000	\$ -	-	(Note A)	\$ -	Transaction	\$ -	-	\$ -	\$ 4,358,198 (Note B)	\$ 4,358,198 (Note B)
2	Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	Other receivables	Y	(RMB 170,000 thousand)	(RMB 170,000 thousand)	(RMB 160,500 thousand)	4.129436%-4.355514%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
		Dalian Pacific Department Store Co., Ltd.	Other receivables	Y	(RMB 100,000 thousand)	(RMB 100,000 thousand)	(RMB 100,000 thousand)	4.129436%-4.355514%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
		Chengdu FEDS Co., Ltd.	Other receivables	Y	(RMB 150,000 thousand)	(RMB 150,000 thousand)	(RMB 150,000 thousand)	4.129436%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
		Chengdu Quanxing Building Pacific Department Store Co., Ltd.	Other receivables	Y	(RMB 150,000 thousand)	(RMB 150,000 thousand)	(RMB 150,000 thousand)	4.129436%-4.355514%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
		Shanghai Bai Ding Consultant & Management Co., Ltd.	Other receivables	Y	(RMB 10,000 thousand)	(RMB 10,000 thousand)	(RMB 10,000 thousand)	-	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
3	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	(RMB 70,000 thousand)	(RMB 70,000 thousand)	(RMB 70,000 thousand)	3.87%-4.08%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
4	Pacific China Holding Ltd.	Chengdu FEDS Co., Ltd.	Other receivables	Y	(US\$ 24,000 thousand)	(US\$ 24,000 thousand)	(US\$ 24,000 thousand)	3.94713%-4.76375%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
		Pacific China Holdings (HK) Limited	Other receivables	Y	(US\$ 10,000 thousand)	(US\$ 10,000 thousand)	(US\$ 10,000 thousand)	-	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
5	Pacific China Holdings (HK) Limited	Pacific China Holding Ltd.	Other receivables	Y	(US\$ 10,000 thousand)	(US\$ 10,000 thousand)	(US\$ 10,000 thousand)	3.17%-4.05%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
6	Pacific (China) Investment Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	(RMB 10,000 thousand)	(RMB 10,000 thousand)	(RMB 10,000 thousand)	-	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
7	Shanghai Pacific Department Store Co., Ltd.	Shanghai Xujiahui Shopping Mall (Group) Co., Ltd.	Other receivables	Y	(RMB 42,900 thousand)	(RMB 42,900 thousand)	(RMB 42,900 thousand)	-	(Note A)	-	Transaction	-	-	-	289,823 (Note B)	289,823 (Note B)
8	FEDS Development Ltd.	Yuan Ding Enterprise (Shanghai) Co., Ltd.	Other receivables	Y	(RMB 81,377 thousand)	(RMB 81,377 thousand)	(RMB 81,377 thousand)	-	(Note A)	-	Transaction	-	-	-	6,158,081 (Note C)	12,316,162 (Note D)
		Far Eastern New Century (China) Investment Co., Ltd.	Other receivables	Y	(RMB 234,590 thousand)	(RMB 234,590 thousand)	(RMB 234,590 thousand)	-	(Note A)	-	Transaction	-	-	-	6,158,081 (Note C)	12,316,162 (Note D)

Note A: Short-term financing.

Note B: 40% of the financing company's net assets.

Note C: 20% of the financing company's net assets of ultimate parent company, Far Eastern Department Stores, Ltd.

Note D: 40% of the financing company's net assets of ultimate parent company, Far Eastern Department Stores, Ltd.

Note E: The amount of Lian Ching Investment Co., Ltd. had been written off to zero, no liabilities were undertaken by the Company and the accounts are not disclosed in the financial statement.

# **FAR EASTERN DEPARTMENT STORES, LTD.**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guaranteee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amounts Allowable	Endorsement/ Guarantee Provided by Parent Company	Endorsement/ Guarantee Provided by A Subsidiary	Endorsement/ Guarantee Provided to Mainland China
		Name	Nature of Relationship (Note F)										
0	Far Eastern Department Stores, Ltd.	FEDS New Century Development Co., Ltd. Bai Yang Investment Co., Ltd. Bai Ding Investment Co., Ltd. FEDS Development Ltd.	2 2 2 2	\$ 18,474,243 (Note A) 18,474,243 (Note A) 18,474,243 (Note A) 18,474,243 (Note A)	\$ 30,000 400,000 700,000 (US\$ 2,806,128 93,600 thousand) 3,700,000 160,000 4,986,125 (Note A)	\$ 30,000 100,000 700,000 (US\$ 1,499,000 50,000 thousand) 3,700,000 80,000 4,683,014 (Note A)	\$ - - 478,000 -	- - - -	- - 2 5	\$ 30,790,406 (Note B) 30,790,406 (Note B) 30,790,406 (Note B) 30,790,406 (Note B)	Y Y Y Y	- - - -	- - - -
1	Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings Ltd. Dalian Pacific Department Store Co., Ltd. Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. Far Eastern Department Stores, Ltd.	2 2 2 3	18,474,243 (Note C) 18,474,243 (Note C) 18,474,243 (Note C) 18,474,243 (Note C)	8,550,296 (US\$ 285,200 thousand) 335,205 (RMB 78,000 thousand) 0 (US\$ 0 thousand) 535,650 (US\$ 15,000 thousand) 20,000 (RMB 20,000 thousand) 3,242,852 (Note C)	8,550,296 (US\$ 285,200 thousand) 335,205 (RMB 78,000 thousand) 0 (US\$ 0 thousand) 535,650 (US\$ 15,000 thousand) 20,000 (RMB 20,000 thousand) 3,043,635 (Note C)	3,261,794 (US\$ 108,799 thousand) 116,033 (RMB 27,000 thousand) 0 (US\$ 0 thousand) 64,463 (US\$ 0 thousand) 15,000 (RMB 15,000 thousand) 3,043,635 (Note D)	- - - -	28 1 2 10	30,790,406 (Note B) 30,790,406 (Note B) 30,790,406 (Note D) 30,790,406 (Note D)	- - - -	- - - Y	- Y Y -
2	Pacific China Holdings Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	2	18,474,243 (Note C)	128,925 (RMB 30,000 thousand)	-	-	-	-	30,790,406 (Note D)	-	-	Y
3	Far Eastern Big City Shopping Malls Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	389,223 (Note A)	154,325	154,325	154,325	-	1	648,704 (Note B)	-	-	-

Note A: The amount is 60% of net assets based on the latest financial statements of the endorser/guarantor.

Note B: The amount is 100% of net assets based on the latest financial statements of the endorser/guarantor.

Note C: The amount is 60% of the net assets based on the latest financial statements of the final parent company - Far Eastern Department Stores, Ltd.

(Continued)

Note D: The amount is 100% of the net assets based on the latest financial statements of the final parent company - Far Eastern Department Stores, Ltd.

Note E: The amount of Lian Ching Investment Co., Ltd. had been written off to zero, no liabilities were undertaken by the Company and the accounts are not disclosed in the financial statement.

Note F: Relationships between the endorserment/guarantee provider and the guaranteed party:

1. Trading partner.
2. The Company that directly and indirectly hold more than 50% of the voting shares.
3. The companies that directly and indirectly hold more than 50% of the Company's voting rights.
4. The Company that directly and indirectly holds more than 90% of the voting shares.
5. Guaranteed by the Company according to the construction contract.
6. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.
7. Companies in the same industry provide among themselves joint and several securities as performance guarantees of sales contracts for pre-construction homes pursuant to the Consumer Protection Act.

(Concluded)



## FAR EASTERN DEPARTMENT STORES, LTD.

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

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

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2019			Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	
Far Eastern Department Stores, Ltd.	Shares Asia Cement Corporation	4	Financial assets at fair value through other comprehensive income - non-current	50,000	\$ 2,397,524	1	35,000 thousand shares of Asia Cement Corporation pledged for loans and commercial papers issued of the investor company
	Far Eastern New Century Corporation	3	Financial assets at fair value through other comprehensive income - non-current	19,964	595,937	-	595,937
	Kaohsiung Rapid Transit Corporation	-	Financial assets at fair value through other comprehensive income - non-current	6,286	36,082	2	36,082
	Yuan Ding Leasing Corp.	-	Financial assets at fair value through other comprehensive income - non-current	7,309	70,925	9	70,925
	Yuan Ding Co., Ltd.	4	Financial assets at fair value through other comprehensive income - non-current	3	10	-	10
	Yuan Shi Digital Technology Co., Ltd.	4	Financial assets at fair value through other comprehensive income - non-current	1,041	571	1	571
	Shares Far Eastern Department Stores, Ltd.	2	Financial assets at fair value through other comprehensive income - current	8,207	213,792	1	213,792
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	14,814	710,351	-	710,351
Bai Ding Investment Co., Ltd.	Far Eastern New Century Corporation	6	Financial assets at fair value through other comprehensive income - non-current	15,812	471,974	-	5,200 thousand shares of Asia Cement Corporation pledged for commercial papers issued of the investor company
	Chung-Nan Textile Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,984	89,439	5	89,439
	Ding Ding Management Consultants Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	273	7,322	5	7,322
	Yue Ding Industry Co., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	2,616	44,381	2	44,381
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10
	Ding Sheng Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	39,600	326,016	18	326,016
	Shares Far Eastern International Bank	8	Financial assets at fair value through other comprehensive income - current	22,688	271,122	1	271,122
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	3,849	184,582	-	184,582
Far Eastern Hon Li Do Co., Ltd.	U-Ming Marine Transport Corp.	8	Financial assets at fair value through other comprehensive income - non-current	200	6,720	-	6,720
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10
	Beneficiary certificate DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	986	11,584	-	11,584

(Continued)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2019			Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	
Yu Ming Advertising Agency Co., Ltd.	Beneficiary certificate DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,730	\$ 32,063	-	\$ 32,063
	Shares Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	1,506	72,193	-	72,193
FEEDS New Century Development Co., Ltd.	Beneficiary certificate DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,503	99,845	-	99,845
FEEDS Development Ltd.	Shares Kowloon Cement Corp., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	46	16,517	2	16,517
Pacific Sogo Department Stores Co., Ltd.	Shares CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss - current	200	1,911	-	1,911
	Quanta computer Inc.	-	Financial assets at fair value through profit or loss - current	1	46	-	46
	Pacific Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	7,931	88,827	2	88,827
	DBTEL Inc.	-	Financial assets at fair value through profit or loss - current	10	26	-	26
	Oriental Union Chemical Corp.	8	Financial assets at fair value through other comprehensive income - current	566	11,886	-	11,886
	U-Ming Marine Transport Corp.	8	Financial assets at fair value through other comprehensive income - current	430	14,448	-	14,448
	Pacific Liu Tong Investment Co., Ltd.	1	Financial assets at fair value through other comprehensive income - non-current	800	4,019	-	4,019
	E-Shou Hi-tech Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	18,300	-	15	-
	Tain Yuan Investment Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	98,000	-	20	-
	PURETEK Corp.	-	Financial assets at fair value through profit or loss - non-current	119	-	-	-
	Pacific 88 Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	16	-	1	-
	Yuan Shi Digital Technology Co., Ltd.	7	Financial assets at fair value through profit or loss - non-current	1,041	-	1	-
Pacific Liu Tong Investment Co., Ltd.	Beneficiary certificate DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	17,273	202,838	-	202,838
Far Eastern Big City Shopping Malls Co., Ltd.	Shares Asia Cement Corporation	7	Financial assets at fair value through profit or loss - current	402	19,276	-	19,276
	Oriental Union Chemical Corp.	8	Financial assets at fair value through profit or loss - current	40	840	-	840
Pacific China Holdings Ltd.	Shares Overseas Development Corp.	-	Financial assets at fair value through profit or loss - non-current	2,250	-	15	-
	Taiwan Ocean Farming Corp.	-	Financial assets at fair value through profit or loss - non-current	2,250	-	15	-

(Continued)

- Note A:
1. Subsidiary of FEDS.
  2. Parent company.
  3. Investor that has significant influence over the Company.
  4. The associate of investor that has significant influence over the Company.
  5. Other related party.
  6. Investor that has significant influence over FEDS.
  7. The associate of investor that has significant influence over FEDS.
  8. Other related party of FEDS.

(Concluded)

# **FAR EASTERN DEPARTMENT STORES, LTD.**

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter party	Relationship	Beginning Balance		Acquisition		Disposal		Adjusted Item (Note A)	Ending Balance	
					Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount		Shares (In Thousands)	Amount
FEDS Development Ltd.	Shares Yuan Ding Enterprise (Shanghai) Co., Ltd.	Investments accounted for using the equity method	-	Associate	-	\$ -	-	\$ 1,605,054 (Note B)	-	\$ -	(64,673)	-	\$ 1,540,361
Bai Yang Investment Co., Ltd.	Shares FEDS New Century Development Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	150,000	1,569,156	82,000	820,000 (Note C)	-	-	(2,618)	232,000	2,386,538
FEDS New Century Development Co., Ltd.	Shares Chubel New Century Shopping Mall Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	118,000	1,171,918	82,000	820,000 (Note D)	-	-	734	200,000	1,992,652
Far Eastern Department Stores, Ltd.	Shares Ya Tung Department Stores, Ltd.	Investments accounted for using the equity method	-	Subsidiary	21,000	(5,018)	40,000	400,000 (Note E)	20,000	-	(263,260)	41,000	131,722
Pacific Sogo Department Stores Co., Ltd.	Shares Pacific China Holdings (HK) Limited	Investments accounted for using the equity method	-	Subsidiary	53,520	(120,287)	12,600	384,161 (Note F)	-	-	(1,543,407)	66,120	(1,279,533)
Pacific China Holdings (HK) Limited	Shares Pacific China Holdings Ltd.	Investments accounted for using the equity method	-	Subsidiary	109,200	(439,800)	21,000	640,500 (Note G)	-	-	(2,512,393)	130,200	(2,311,693)
Pacific China Holdings Ltd.	Shares Chengdu Quanxing Building Pacific Department Store Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	-	(580,312)	-	662,634 (Note H)	-	-	(170,903)	-	(88,581)

Note A: The share of comprehensive income or loss using the equity method, cash dividends and capital reduction were used to offset a deficit.

Note B: There was an increase in cash capital of RMB357,880 thousand.

Note C: There was an increase in cash capital of NT\$820,000 thousand.

Note D: There was an increase in cash capital of NT\$820,000 thousand.

Note E: There was an increase in cash capital of NT\$400,000 thousand.

Note F: There was an increase in cash capital of US\$12,600 thousand.

Note G: There was an increase in cash capital of US\$21,000 thousand.

Note H: There was an increase in cash capital of US\$21,000 thousand.

**FAR EASTERN DEPARTMENT STORES, LTD.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2019**

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Pacific Sogo Department Stores Co., Ltd.	Sogo Department Store Co., Ltd.	Associate	\$ 123,037	-	\$ 123,037	Collection expedited	\$ 282	\$ 123,037
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Same ultimate parent company	193,977 (Note B)	-	-	-	-	-
Pacific China Holdings (HK) Limited.	Pacific China Holdings Ltd.	Subsidiary	105,832 (Note B)	-	-	-	-	-
Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	Same ultimate parent company	692,107 (Note B)	-	-	-	-	-
Chongqing FEDS Co., Ltd.	Chengdu FEDS Co., Ltd.	Same ultimate parent company	228,899 (Note B)	-	-	-	-	-
Chongqing Pacific Consultant & Management Co., Ltd	Chengdu Baiyang Industry Co., Ltd.	Associate	128,173 (Note A)	-	-	-	-	-

Note A: The cash dividend receivable.

Note B: This balance refers to fund lending.

TABLE 6

# **FAR EASTERN DEPARTMENT STORES, LTD.**

NAMES, LOCATIONS AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019		Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A
				December 31, 2019	December 31, 2018	Shares (In Thousands)	Percentage of Ownership (%)			
Far Eastern Department Stores, Ltd.	Bai Yang Investment Co., Ltd.	Taiwan	Investment	\$ 8,922,181	\$ 8,922,181	924,991	100	\$ 9,104,890	\$ 6,572	2
	Oriental Securities Corporation	Taiwan	Securities brokerage	143,652	143,652	140,297	20	1,995,131	250,003	1
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,764,210	1,764,210	281,734	35	3,781,245	364,972	2
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	33,357	33,357	119,981	67	2,295,131	105,118	2
	Far Eastern Ai Mai Co., Ltd.	Taiwan	Hypermarket	1,535,538	1,535,538	87,744	100	(Note B)	4,466	2
	FEDS Development Ltd.	British Virgin Island	Investment	125,058	125,058	218	54	1,409,738	68,052	2
	Yu Ming Advertising Agency Co., Ltd.	Taiwan	Advertising and importation of certain merchandise	33,000	33,000	3,500	100	9,430	9,430	2
	Ya Tung Department Stores, Ltd.	Taiwan	Department store	919,292	519,292	41,000	100	131,722	(7,344)	2
	Ding Ding Integrated Marketing Service Co.	Taiwan	Marketing	64,500	64,500	3,631	100	31,466	(48,697)	1
	Asians Merchandise Company	USA	Trading	3,316	3,316	950	100	4,495	72	2
Bai Ding Investment Co., Ltd.	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building rental	40,278	40,278	1,571	56	12,529	573	2
	Far Eastern CitySuper Co., Ltd.	Taiwan	Hypermarket	478,269	478,269	47,827	96	36,407	(23,975)	2
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	11,651	15	82,257	(34,252)	1
	Oriental Securities Corporation	Taiwan	Securities brokerage	163,563	163,563	97,116	14	1,381,166	250,003	1
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	658,129	658,129	100,250	13	1,359,183	364,972	2
	Far Eastern International Leasing Corp.	Taiwan	Leasing	301,125	301,125	22,203	5	323,293	92,784	1
	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	33,490	33,490	11,254	1	148,179	485,212	2
	Yu Ming Trading Co.	Taiwan	Importation of certain merchandise	21,291	21,291	4,901	47	75,735	2,299	1
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building rental	28,672	28,672	1,259	44	13,562	573	2
	Far Eastern CitySuper Co., Ltd.	Taiwan	Hypermarket	-	-	2	-	1	(25,063)	2
FEDS Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	285,653	364,972	2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	285,653	364,972	2
	Chubai New Century Shopping Mall Co., Ltd.	Taiwan	Department store	2,000,000	1,180,000	200,000	100	1,992,652	734	2
	FEDS Asia Pacific Development Co., Ltd.	Taiwan	Shopping mall	1,522,761	1,522,761	149,100	70	1,797,473	152,284	2
	Far Eastern International Leasing Corp.	Taiwan	Leasing	1,555,590	1,555,590	132,388	30	1,663,958	92,784	1
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	577,457	577,457	60,019	33	1,163,610	157,365	2
	FEDS New Century Development Co., Ltd.	Taiwan	Shopping mall	2,425,272	1,425,272	232,000	100	2,386,538	7,701	2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	285,653	364,972	2
	FEDS Development Ltd.	British Virgin Island	Investment	723,946	723,946	185	46	1,200,404	68,052	2
	Pacific China Holdings (HK) Limited	Hong Kong	Investment	3,853,976	3,597,868	44,080	40	(853,022)	(2,202,476)	2
Ya Tung Department Stores, Ltd.	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	200,000	200,000	20,000	40	259,482	128,438	2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	55,000	55,000	11,000	1	158,456	364,972	2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,200	1,200	200	-	2,687	364,972	2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	8,400	8,400	1,400	-	18,195	364,972	2
	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	4,469,904	4,469,904	650,817	79	10,155,959	485,212	2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	62,480	62,480	6,840	3	138,250	79,142	1
	Pacific China Holdings (HK) Limited	Hong Kong	Investment	5,733,286	5,733,286	66,120	60	(1,279,533)	(2,202,476)	2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	599,000	599,000	60,296	29	999,129	79,142	1
	Lian Ching Investment Co., Ltd.	Taiwan	Investment	270,641	270,641	26,764	50	-	-	2
	Pacific Venture Investment Ltd.	Hong Kong	Investment	357,050	357,050	100,000	48	-	-	1
Pacific Sogo Department Stores Co., Ltd.	Sogo Department Store Co., Ltd.	Taiwan	Credit card business	32,984	32,984	7,120	34	-	-	1
	Ding Ding Integrated Marketing Service Co.	Taiwan	Marketing	64,500	64,500	3,631	10	31,466	(48,697)	1
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	300,000	300,000	30,000	60	389,222	128,438	1
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	11,651	15	82,257	(228,345)	1

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A
				December 31, 2019	December 31, 2018	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Pacific China Holdings (HK) Limited	Pacific China Holdings Ltd.	British Virgin Island	Investment	\$ 4,646,900	\$ 4,017,320	130,200	100	\$ (2,311,693)	\$ (474,698)		2
Pacific China Holdings Ltd.	Bai Fa China Holdings (HK), Limited	Hong Kong	Investment	46	46	2	100	46	-		2

Note A: 1. Associate.  
2. Subsidiary.

Note B: The foreign-currency investments were translated at the rate of US\$1:NT\$29.98 prevailing on December 31, 2019.

Note C: The amount is the investment accounted for using the equity method to \$2,392,241 thousand deduct the parent company shares reclassification to treasury shares of \$97,110 thousand.

Note D: The amount of Lian Ching Investment Co., Ltd. had been written off to zero, no liabilities were undertaken by the Group and the accounts are not disclosed in the financial statement.

(Concluded)

**FAR EASTERN DEPARTMENT STORES, LTD.**

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note A)	Method of Investment (Note F)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note A)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (Note A)	Net Income (Loss) of the Investee (Note D)	% Ownership of Direct or Indirect Investment	Share of (Loss) Profit (Note D)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outflow	Inflow						
Shanghai Pacific Department Stores Co., Ltd.	Department store	\$ 530,646	2	\$ 384,718 (Note B)	\$ -	\$ -	\$ 384,718 (Note B)	\$ 97,601	49	\$ 18,420	\$ 169,543	\$ -
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Department store	659,260	2	29,680 (Note B)	-	-	29,680 (Note B)	(173,828)	67	(116,750)	(59,494)	-
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Department store	89,940	2	89,940 (Note B)	-	-	89,940 (Note B)	(76,952)	67	(51,684)	(187,171)	-
Chongqing Pacific Consultant & Management Co., Ltd.	Consulting services	2,188,540	2	5,996 (Note B)	-	-	5,996 (Note B)	(26,427)	67	(17,749)	756,538	-
Shanghai Pacific Consultant & Management Co., Ltd.	Consulting services	10,493	2	5,142 (Note B)	-	-	5,142 (Note B)	276	33	91	5,999	-
Shanghai Bai Ding Consultant & Management Co., Ltd.	Consulting services	2,998	2	-	-	-	-	232	100	232	11,011	-
Chongqing FEDS Co., Ltd.	Department store	83,944	2	-	-	-	-	112,135	100	112,135	934,628	-
Chengdu Baiyang Industry Co., Ltd.	Department store, logistics and storehouse	966,930	2	-	-	-	-	19,803	22	-	1,130,884	-
Dalian Pacific Department Store Co., Ltd.	Department store	68,759	2	-	-	-	-	(16,709)	67	(11,222)	12,020	-
Pacific (China) Investment Co., Ltd.	Investment	6,475,680	2	-	-	-	-	(69,372)	67	(45,943)	(13,126)	-
Chengdu FEDS Co., Ltd.	Department store	4,017,320	2	-	-	-	-	(47,826)	67	(32,122)	(81,463)	-
Yuan Ding Enterprise (Shanghai) Co., Ltd.	Wholesale of equipment and consulting services	7,578,319	2	-	-	-	-	(99,779)	20	(16,914)	1,540,361	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ - (Note C)	\$237,232 (US\$7,913 thousand) (Notes A and C)	\$ - (Note E)

Note A: Translated at the rate of US\$1:NT\$29.98 and RMB1:NT\$4.2975 prevailing on December 31, 2019.

Note B: The payment was made by Pacific Construction Co., Ltd. (the former shareholder).

(Continued)



Note C: The payment made by the Company and the investment amount approved by the Investment Commission, except for the payment made by subsidiary and the subsidiary's investment amount approved by the Investment Commission.

Note D: The financial report was audited by an international accounting firm with a cooperative working relationship.

Note E: There is no upper limit, as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China (No. 10720421530), which was issued by the Industrial Development Bureau, Ministry of Economic Affairs, ROC.

Note F: Three investment types are as follows:

1. The Company made the investment directly.
2. The Company made the investment through a company registered in a third region. The companies registered in a third region were FEEDS Development Ltd. and Pacific China Holdings Ltd.
3. Others.

## VII. Review and Analysis of the Financial Condition, Performance and Risk Management

### 1. Review and Analysis of Financial Conditions

#### Financial Conditions Analysis

Unit: NT\$ thousands

Item \ Year	2018	2019	Increase (decrease) amount	Percentage Change(%)
Current assets	25,052,856	20,746,075	(4,306,781)	(17)
Investment using the equity method	8,678,647	10,107,165	1,428,518	16
Property, plant and equipment	43,532,941	34,323,257	(9,209,684)	(21)
Other assets	26,481,897	65,334,608	38,852,711	147
<b>Total assets</b>	<b>103,746,341</b>	<b>130,511,105</b>	<b>26,764,764</b>	<b>26</b>
Current liabilities	46,630,770	47,667,701	1,036,931	2
Non-current liabilities	19,425,181	43,939,597	24,514,416	126
<b>Total liabilities</b>	<b>66,055,951</b>	<b>91,607,298</b>	<b>25,551,347</b>	<b>39</b>
Total equity attributable to owners of the Company	29,523,906	30,790,406	1,266,500	4
Common stock	14,169,406	14,169,406	0	0
Capital surplus	3,315,420	3,327,466	12,046	0
Retained earnings	7,904,938	8,095,475	190,537	2
Other equity	4,231,252	5,295,169	1,063,917	25
Treasury stocks	(97,110)	(97,110)	0	0
Non-controlling interests	8,166,484	8,113,401	(53,083)	(1)
<b>Total equity</b>	<b>37,690,390</b>	<b>38,903,807</b>	<b>1,213,417</b>	<b>3</b>

An analysis of the amount of the change in the amount of 10% and the amount of assets in the current year is more than one percent:

1. The decrease in current assets mainly due to the decrease in cash and cash equivalents and accountable receivable.
2. The increase in investment using the equity method mainly due to the investment in Yuan Ding Enterprise (Shanghai) Ltd.
3. The decrease in property, plant and equipment mainly due to adopting IFRS 16.
4. The increase in other assets and total assets mainly due to the increase in right-of-use assets
5. The increase in non-current liabilities and total liabilities mainly due to the increase in lease liabilities
6. The increase in other equity mainly due to the increase in unrealized gain on investments in financial assets at fair value through other comprehensive income.

### 2. Review and Analysis of Financial Performances

#### 2.1 Comparative Analysis of Financial Performances

Unit: NT\$ thousands

Item \ Year	2018	2019	Increase (decrease) amount	Percentage Change(%)
Operating Revenues	39,242,551	37,896,062	(1,346,489)	(3)
Gross Profit	20,150,967	19,642,613	(508,354)	(3)
Operating Profit	4,187,329	4,538,651	351,322	8
Nonoperating Income (Expenses)	(1,638,214)	(1,435,713)	202,501	(12)
Income Before Income Tax	2,549,115	3,102,938	553,823	22
Net Profit For The Year	1,650,495	2,152,269	501,774	30

#### 1. Analysis of change in Percentage :

- a. The increase in non-operating income and expenses mainly due to the decrease in impairment loss.
  - b. The increase in pre-tax income and net income mainly due to the increase in the operating income and non-operating income and expenses.
2. The company expects the number of sales in the coming year and its basis, as well as the impact on the company's future financial business and its response plan: please refer to the "Report to Shareholders".

#### 2.2. Variation Analysis of Gross Profit: not applicable

### 3. Review and Analysis of Cash Flow

Unit: NT\$ thousands

Cash and cash equivalents - Beginning balance in 2019 (1)	Total cash inflows from operating activities (2)	Total cash inflows from investing and financing activities (3)	Cash and cash equivalents – Ending balance (1)+(2)-(3)	Remedy plans for negative balance of cash and cash equivalents	
				Investment plan	Financing plan
14,594,847	7,887,486	9,058,110	13,424,223	-	-
1. Cash flow analysis for year 2019: a. Total cash inflows from operating activities are NT\$ 7.9 billion: mainly comes from cash inflows from operating activities. b. Total cash outflows from investing activities are NT\$ 3.6 billion: (a) NT\$ 1.8 billion - mainly comes from acquisition of property, plant and equipment, and (b) NT\$ 1.6 billion –mainly comes from acquisition of investments accounted for using the equity method c. Total cash outflows from financing activities are NT\$ 5.4 billion: mainly comes from repayment of NT\$ 3.4 billion in lease liabilities and payment of NT\$ 1.4 billion in cash dividends 2. Remedy plans for insufficient liquidity for year 2019 and liquidity analysis : None. 3. 2020 estimated cash flow analysis of variance in cash flow balance:					
Cash and cash equivalents - Beginning balance (1)	Total cash inflows from operating activities (2)	Total cash inflows from investing and financing activities (3)	Cash and cash equivalents – Ending balance (1)+(2)-(3)	Remedy plans for negative balance of cash and cash equivalents	
				Investment plan	Financing plan
13,424,223	9,387,938	9,277,966	13,534,195	-	-
1. Cash flow analysis for year 2020: a. Total cash inflows from operating activities are NT\$ 9.4 billion: mainly comes from cash inflows from operating activities. b. Total cash outflows from investing activities are NT\$ 4.4 billion: mainly comes from acquisition of assets for operation. c. Total cash outflows from financing activities are NT\$ 4.9 billion: mainly comes from repayment in lease liabilities and payment of cash dividends 2. Remedy plans for insufficient liquidity for year 2019 and liquidity analysis : None °					

### 4. Major Capital Expenditures in Recent Years and Impacts on Financial and Operational Situations

#### 4.1. Major Capital Expenditures and Sources of Funding

Unit: NT\$ thousands

Plan Item	Actual source of capital	Actual project completion date	Capital utilization schedule	
			Actual investment as of the year of 2018	2019
Construction of Xinyi A13 Building	Bank loan	2019	5,429,360	2,008,816

#### 4.2. Other Expected Benefits: Sales revenue and gross profit expected to increase: expanding the operation scale and increasing the market share.

## 5. Investment Policies in recent years, Profit and Loss Analysis, Improvement Plan and Investment plan in the coming year

Based on the overall performance of merged companies, investment income recognized using the equity method has been derived from stable profits obtained by investment companies. Furthermore, the Retail Group continues to develop new business locations, and activate potential market. Adhering to the traditions and spirit of the first department store company in Taiwan, the Company continuously builds a strong presence in Taiwan and expands into Mainland China to provide all-round products and services for all walks of life, with a view to meeting the needs of consumers in both Taiwan and Mainland China.

With the continuous expansion of our retail businesses, the profits are expected to inject new growth momentum, thereby leading to a more significant growth of the Retail Group's overall revenue and profit from the retail industry. In addition, the Company and our subsidiaries continue to adopt a prudent investment evaluation strategy, enhance our reinvestment businesses, and enhance operating synergy, in order to achieve success in business diversification.

## 6. Analysis of Risk Issues

### 6.1. Impact and Response to Interest Rates, Exchange Rates, and Inflation Level on the Company in the Year

#### Preceding Publication of Annual Report

#### 6.1.1 、Interest Rate Risk Analyses and Response strategy :

The Group was exposed to interest rate risk because the entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows:

	<u>2020/3/31</u>	<u>2019/12/31</u>	<u>2019/3/31</u>
Unit: NT\$ thousands,			
Fair value interest rate risk			
- Financial assets	\$ 6,855,407	\$ 10,503,168	\$ 4,922,098
- Financial liabilities	30,703,648	31,388,615	35,876,260
Cash flow interest rate risk			
- Financial assets	\$ 1,794,848	\$ 2,662,905	\$ 1,215,075
- Financial liabilities	33,594,152	28,192,553	21,432,024

#### Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for financial assets and financial liabilities at the end of the reporting period. For sensitivity analysis purposes, the sensitivity rate was adjusted as a result of the volatile financial markets.

The measurement of the increase or decrease in the interest rates is based on 100 basis points, which is reported to the senior management denoting the management's assessment for the reasonableness of the fluctuation of the interest rates. If interest rates had been 100 basis points higher or lower and all other variables had been held constant, the income before income taxes for the ended March 31, 2020 and 2019 would have decreased/increased by \$79,498 thousand and \$50,542 thousand, respectively.

#### 6.1.2 、Exchange Rate Analyses and Response strategy :

The Group was exposed to exchange rate risk for holding assets and liabilities denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are as follows:

Unit: USD\$ thousands

	<u>2020/3/31</u>	<u>2019/12/31</u>	<u>2019/3/31</u>
Assets			
USD	<u>\$5,269</u>	<u>\$ 8,142</u>	<u>\$28,622</u>
Liabilities			
USD	<u>\$3,882</u>	<u>\$ 3,900</u>	<u>\$3,276</u>

### Sensitivity analysis

The Group was mainly affected by the floating exchange rates of USD denominated assets and liabilities. The sensitivity analyses below were determined based on the Group's exposure to exchange rates for non-derivative instruments at the end of the reporting period. The change of exchange rates reported to the senior management of the Group was based on a 1% increase or decrease in exchange rate which also denotes the management's assessment for the reasonableness of the fluctuation of exchange rates.

If exchange rates had been 1% higher or lower and all other variables were held constant, the profit before income tax or equity of the Group for the ended March 31, 2020 and 2019 would increase/decrease by \$419 thousand and \$7,812 thousand, respectively.

#### **6.1.3 、 Impact of inflation on the Company's profit and loss, and future response measures :**

In 2019, the consumer price index (CPI) was relatively stable compared to price increases in neighboring countries in Asia. Inflation has yet to have an immediate significant impact on merged companies in 2019 up to the publication date of this annual report.

#### **6.2 Policies for Risky or Highly Leveraged Investments, Lending, Endorsements, Derivative Financial Instruments, and Related Gains or Losses, in the Year Preceding Publication of Annual Report: :**

1. High-risk and highly leveraged investments: Our merged companies did not engage in any high-risk and highly leveraged investments in 2019 and from January 1, 2020 to March 31, 2020.
2. Loaning of capital to others: As of 2019 and from January 1, 2020 to March 31, 2020, the balance of funds loaned by our merged companies were NT\$6,225,971 thousand and NT\$5,389,938 thousand, respectively. Loaning of capital to others by merged companies must be implemented in compliance with the "Procedures for Lending of Capital to Others" approved by the Board of Directors and the shareholders' meeting, so as to comply with risk control, and prevent any unfavorable impact arising therefrom on the Company.
3. Endorsements and guarantees: As of 2019 and from January 1, 2020 to March 31, 2020, the balance of endorsements and guarantees provided by our merged companies were NT\$23,411,125 thousand and NT\$23,934,424 thousand, respectively. Provision of endorsements and guarantees by our merged companies must be implemented in compliance with the "Procedures For Endorsements and Guarantees" approved by the Board of Directors and the shareholders' meeting, so as to comply with risk control, and prevent any unfavorable impact arising therefrom on the Company.
4. Derivatives trading: Our merged companies did not engage in derivatives trading in 2019 and from January 1, 2020 to March 31, 2020.

#### **6.3. R&D Plans and Estimated Expenses in Recent Years and until the Annual Report being Published**

Our merged companies do not engage in product R&D and manufacturing; hence, there was no R&D plan and fees involved. However, looking at the characteristics of the industry, nurturing and developing talents, and improving the qualities of management personnel are the necessary criteria for companies to move toward internationalization. With the increasingly intense competition in the global industry, the shopping mall war is no longer just about money, but also a war for talents. Hence, rapidly enhancing talent competitiveness becomes a key factor to ensure success in store expansion. Our merged companies are committed to improving "soft skills", and actively promote corporate culture and brand value, while providing systematic and professional service quality training courses via a complete education and training mechanism to nurture employees' professional, leadership and innovation skills, in response to rapid changes in the industry, thereby further improving the competitiveness of these companies.

**6.4. Company Impact and Response to Material Changes of Policies and Regulations in Taiwan and Foreign Countries in Year Preceding Publication of Annual Report:**

The Company has taken the appropriate measures in response to changes in important policies and laws at home and abroad in the most recent year. In the future, the Company's legal, finance and accounting units will keep abreast of the latest changes in laws and regulations at all times, and will seek professional opinions from lawyers and CPAs to propose and formulate measures in response to changes in important policies and laws at home and abroad, so as to comply with the law and reduce the impact arising from such changes on the Company's finances and businesses.

**6.5. Technology Developments and Impacts on the Company and its subsidiaries from last year up to the Annual Report being published:**

The Company pays serious attention to the trends of technological development, and continues to actively promote informatization. In addition, the Company effectively utilizes manpower to reduce costs and improve the Company's competitiveness. The Company is also committed to the application of information technology, and continues to develop our own mobile app, which incorporates restaurant reservation, member management, and e-vouchers, in response to the transformation of the retail industry from traditional to intelligent sales. Due to the rapid development of e-commerce, which significantly affects physical department stores, the Company continues to update our official website, while closely monitoring and expanding online shopping. Besides, the Company is also committed to O2O integration, so as to develop omni-channel department store retailing, in hopes of improving the Company's operational performance, and enhancing the rights and interests of all shareholders.

In order to keep consumers' personal information safe, the Company established the Personal Information Review Committee in October 2012 to coordinate strategies and implement the resource integration among the management of the Company's personal data and privacy protection and information security. In connection with information security risk inspection and the purchase of information security insurance, the Company has established the Information Security Task Force, in order for the Company to carry out the necessary self-inspection before purchasing information security insurance. The Company has established regulations governing active directory (AD) management for information security-related equipment network, system account life cycle and authorized account management, data access record and off-site backup, network and communication security (antivirus/e-mail). On the other hand, the Company implements an internal control system and an information security policy, where the internal audit unit and CPAs monitor the implementation effectiveness of these regulations and procedures every year, in order to ensure the appropriateness and effectiveness of these regulations and procedures.

In 2020, the Company will implement relevant safety rules including performing personal information inventory check and de-identification of personal information and obtain third party certification in order to achieve the goal of avoiding information leakage and protecting members' personal information.

**6.6. Changes of Corporate Image and Impacts on the Company's Crisis Management in the Recent Years: None**

**6.7. Expected Benefits and Risks from Mergers in Recent Years until the Annual Report being Published:**

Our merged companies did not have any M&A plans in 2019 up to the publication date of this annual report. However, a future M&A plan will be carried out according to the merged company's Procedures for Acquisition and Disposition of Assets, by adhering to careful assessment, and by taking into consideration whether the merger can lead to specific performance at the company, in order to protect the interests of the company, as well as the rights and interests of shareholders.

**6.8. Expected Benefits and Risks from Plant Expansion in Recent Years until the Annual Report being Published:**

Our merged companies have established the relevant units to carry out detailed assessment and planning with regard to the expansion of business locations, and to fully assess the expected benefits and possible risks using a meticulous financial module. After the establishment of a new business location, the merged company will pay close attention to changes in the industry and the operating status of the business location at all times, and propose appropriate measures in response to possible risks arising therefrom.

**6.9. Risks from Concentration in Supply or Sales in the Recent Year until the Annual Report being Published:**

The Company belongs to the department store retailing industry, and sells a wide range of products. In addition, the Company has not engage in centralized purchase or sale of goods with a single manufacturer or customer. Therefore, the Company did not encounter any risk of centralized purchase or sale of goods.

**6.10. Impacts and Risks from Changes in Directors and Shareholders with Greater than 10% Shareholding or Their Selling of a Large Number of Shares in the Recent Years until the Annual Report being Published:**

**Our merged companies did not engage in any significant transfer or exchange of equity in 2019 up to the publication date of this annual report.**

**6.11. Impacts and Risks from Changes of Ownership in the Recent Year until the Annual Report being Published: None**

**6.12. Litigations or non-Litigations**

Please refer 2019 Annual Report from 103-70 to 103-71.

**6.13. Other Major Risks: not applicable**

**7. Others: None**





### 1.1.2. Information of Far Eastern Department Store and affiliates:

Unit: NT\$ thousands, unless stated otherwise

Company	Date of Incorporation	Address	Paid-in Capital	Major Business Activities
Far Eastern Department Stores, Ltd.	1967.08.31	18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C.	14,169,406	Department store
Far Eastern Ai Mai Co., Ltd.	1985.04.24	No.101, Guixing Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C.	877,440	Retail
Bai Ding Investment Co., Ltd.	1986.12.10	18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C.	1,800,000	Investment
Bai Yang Investment Co., Ltd.	1989.07.28	18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C.	9,249,911	Investment
Yu Ming Advertising Agency Co., Ltd.	1973.06.20	18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C.	35,000	Advertising and import agent
Ya Tung Department Stores, Ltd.	1972.09.16	1F., No.209,and B2-5F,No.203, Sec.2, Tun Hua S. Rd., Taipei , Taiwan, R.O.C.	410,000	Department store
Far Eastern Hon Li Do Co., Ltd.	1992.12.11	18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C.	28,300	Property leasing
FEDS Asia Pacific Development Co., Ltd.	1997.11.11	18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C.	2,130,000	Major Shopping Center
FEDS New Century Development Co., Ltd.	1999.11.11	18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C.	2,320,000	Major Shopping Center
Asians Merchandise Company	1980.04.17	P.O. BOX 245, LAKE FOREST, CA 92609	USD 950,000	Trading
FEDS Development Ltd.	1994.08.15	Portcullis TrustNet Chambers 4th Floor Ellen Skelton Building 3076 Sir Francis Drake Highway Road Town, Tortola British Virgin Islands VG1110	USD 4,032,640	Investment
Pacific Liu Tong Investment Co., Ltd.	1999.06.29	7F, No.64, Sec. 4, Ren Ai Rd., Taipei , Taiwan, R.O.C.	8,020,000	Investment
Pacific Sogo Department Stores Co., Ltd.	1985.04.16	B1-B3 and 1F-13F., No.45, Sec. 4, Zhongxiao E. Rd., Taipei , Taiwan, R.O.C	8,280,000	Department store
Pacific China Holdings (HK) Limited	2002.06.19	2503 Bank of America Tower 12 Harcourt Road, Central Hong Kong	USD110,200,000	Investment
Pacific China Holdings Ltd.	1996.09.20	Commence Chambers, P.O. Box 2208, Road Town, Tortola, British Virgin Islands	USD130,200,000	Investment
Bai Fa China Holdings (HK) Ltd.	2008.12.22	11/F, Lippo Leighton Tower, 103 Leighton RD, Causewaybay, Hong Kong	USD1,500	Investment

<b>Company</b>	<b>Date of Incorporation</b>	<b>Address</b>	<b>Paid-in Capital</b>	<b>Major Business Activities</b>
Shanghai Pacific Department Stores Co., Ltd.	1993.10.07	NO.932 HENGSHAN RD Xuhui Dist. SHANGHAI	USD17,700,000	Department store
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd	1996.01.12	NO.68, sec 2. of the people's middle Road, Chengdu, Sichuan	USD21,990,000	Department store
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	1997.01.09	NO.68 Zou Rong Road, Yuzhong District, Chongqing	USD3,000,000	Department store
Chongqing Pacific Consultant & Management Co., Ltd.	2000.01.27	NO.68 Zou Rong Road, Yuzhong District, Chongqing	USD73,000,000	Consulting services
Dalian Pacific Department Store Co., Ltd.	2002.04.09	No.19, jiefang road, zhongshan district, dalian city	RMB16,000,000	Department store
Shanghai Bai Ding Consultant & Management Co., Ltd.	2004.08.18	No.2703-2707, 27F, Shengai Tower, No.88, Caoxibei Road Xuhui Dist. SHANGHAI	USD100,000	Consulting services
Chongqing FEDS Co., Ltd.	2004.06.02	No.10, yanghe road, jiangbei district, chongqing	USD2,800,000	Department store
Far Eastern CitySuper Co., Ltd.	2004.09.16	7F, No.64, Sec. 4, Ren Ai Rd., Taipei, Taiwan, R.O.C.	500,000	supermarket
Pacific (China) Investment Co., Ltd.	2009.04.16	Room2104, bao'an building, no.800 dongfang road, pudong new area, shanghai	USD216,000,000	Investment
Chengdu FEDS Co., Ltd	2010.12.02	18 dongyu street, jinjiang district Chengdu	USD134,000,000	Department store
Far Eastern Big City Shopping Malls Co., Ltd.	2010.12.02	7F, No.64, Sec. 4, Ren Ai Rd., Taipei, Taiwan, R.O.C.	500,000	Department store
Chubei New Century Shopping Mall Co., Ltd.	2015.06.18	2, 3F, No. 231, Fuxing 2nd Road, Zhubei City, Hsinchu County, Taiwan, R.O.C.	2,000,000	Department store

1.1.3. Companies Presumed to Have a Relationship of Control and Subordination with Far Eastern Department Stores, Ltd. : not applicable °

1.1.4 Industries covered by the business operated by the affiliates and description of the mutual dealings and division of work among such affiliates: please refer to 2.

### 1.1.5 Directors, Supervisors and general managers of Far Eastern Department Store Ltd. and affiliates.

As of December 31, 2019 Unit: Number of Shares; %

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	%
Far Eastern Department Stores Ltd.	Director	Douglas Tong Hsu (Chairman)	1,779,835	0.13
		Ding&Ding Management Consultants Co., Ltd	73,009	0.01
		Nancy Hsu	—	—
		Far Eastern New Century Corporation	241,769,702	17.06
		Nicole Hsu 、Yvonne Li	—	—
		Asia Cement Corporation	80,052,950	5.65
		Jin-Lin Liang	—	—
		Yuli Investments Corporation	1,769,001	0.12
	Independent Director	Philby Lee	—	—
	President	Edward Way 、Eugene You-Hsin Chien 、Raymond R.M. Tai	—	—
		Nancy Hsu	1,173,788	0.08
Far Eastern Ai Mai Co., Ltd.	Director	Far Eastern Department Stores, Ltd.	87,744,000	100.00
		Douglas Tong Hsu (Chairman) 、Nancy Hsu 、Philby Lee 、James Tang 、Jhuang, Jin-Long 、Tony Liu 、Chang-Li Lin	—	—
		Far Eastern Department Stores, Ltd.	87,744,000	100.00
	Supervisors	Jia-Cong Wang 、Chris Liu	—	—
Bai Ding Investment Co., Ltd.	Director	Far Eastern Department Stores, Ltd	119,980,876	66.66
		Douglas Tong Hsu (Chairman) 、Nancy Hsu 、Shaw-Yi Wang 、James Tang 、Chris Liu	—	—
	Supervisors	Bai Yang Investment Co., Ltd	60,019,124	33.34
		Shyh-ching Ro 、Jia-Cong Wang	—	—
	President	Douglas Tong Hsu	—	—
Bai Yang Investment Co., Ltd	Director	Far Eastern Department Stores, Ltd	924,991,127	100.00
		Nancy Hsu (Chairman) 、Douglas Tong Hsu 、James Tang	—	—
	Supervisors	Far Eastern Department Stores, Ltd	924,991,127	100.00
		Jia-Cong Wang	—	—
Yu Ming Advertising Agency Co., Ltd.	Director	Far Eastern Department Stores, Ltd	3,500,000	100.00
		Nancy Hsu (Chairman) 、Douglas Tong Hsu 、Chang-Li Lin	—	—
	Supervisors	Far Eastern Department Stores, Ltd	3,500,000	100.00
		Jia-Cong Wang	—	—
Ya Tung Department Stores, Ltd	Director	Far Eastern Department Stores, Ltd	41,000,000	100.00
		Nancy Hsu (Chairman) 、Douglas Tong Hsu 、James Tang 、Chris Liu 、Zong Yuan Jhang	—	—
	Supervisors	Far Eastern Department Stores, Ltd	41,000,000	100.00
		Jia-Cong Wang 、Lily Y. T. Liu	—	—

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	%
Far Eastern Hon Li Do Co., Ltd.	Director	Far Eastern Department Stores, Ltd	1,570,650	55.50
		Nancy Hsu (Chairman) 、Douglas Tong Hsu 、 Jin-Long Jhuang	—	—
	Supervisors	Bai Ding Investment Co., Ltd.	1,259,350	44.50
		Shyh-ching Ro	—	—
FEDS Asia Pacific Development Co., Ltd.	Director	Bai Yang Investment Co., Ltd	149,100,000	70.00
		Douglas Tong Hsu (Chairman) 、Nancy Hsu 、 Jia-Cong Wang 、James Tang	—	—
		Asia Cement Corporation	53,250,000	25.00
		K.Y. Lee	—	—
	Supervisors	Yuan Ding Investment Co., Ltd	10,650,000	5.00
		Ling-Ling Wu 、Wei-Kun Jhou 、Ti-Hua Hsiung	—	—
FEDS New Century Development Co., Ltd.	Director	Bai Yang Investment Co., Ltd	232,000,000	100.00
		Douglas Tong Hsu (Chairman) 、Nancy Hsu 、James Tang	—	—
	Supervisors	Bai Yang Investment Co., Ltd	232,000,000	100.00
		Shaw-Yi Wang	—	—
Asians Merchandise Company	Director	Far Eastern Department Stores, Ltd	950,000	100.00
		Shyh-ching Ro 、Ting-Meng Chen 、 Ruei- Yuan Chen	—	—
	President	Shyh-ching Ro	—	—
FEDS Development Ltd.	Director	Far Eastern Department Stores, Ltd	217,800	54.01
		Douglas Tong Hsu 、Nancy Hsu 、Morton Mate Huang	—	—
Pacific Liu Tong Investment Co., Ltd.	Director	Douglas Tong Hsu (Chairman)	—	—
		FEDS Asia Pacific Development Co., Ltd.	19,800,000	2.47
		Morton Mate Huang	—	—
		FEDS New Century Development Co., Ltd.	19,800,000	2.47
		Shyh-ching Ro	—	—
	Supervisors	Da Ju Fiber Co., Ltd	27,681,274	3.45
		Chin-Sen Tu	—	—
Pacific Sogo Department Stores Co., Ltd.	Director	J.W. Huang (Chairman)	—	—
		Douglas Tong Hsu	672,077	0.08
		Pacific Liu Tong Investment Co., Ltd.	650,817,194	78.60
		Morton Mate Huang 、Chee Ching	—	—
		Shaw-Yi Wang	504,056	0.06
	Supervisors	Bai Ding Investment Co., Ltd.	11,253,943	1.36
		Eli Ching-I Wang	—	—

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	%
Pacific China Holdings (HK) Limited	Director	Pacific Sogo Department Stores Co., Ltd. J.W. Huang (Chairman) 、Humphrey Cheng 、 Shyh-ching Ro	*USD66,120,000 —	60.00 —
		Bai Yang Investment Co., Ltd Tsai, Min-Hsiung	*USD44,080,000 —	40.00 —
	President	Shyh-ching Ro	—	—
Pacific China Holdings Ltd.	Director	Pacific China Holdings (HK) Limited J.W. Huang (Chairman) 、Chin-Sen Tu 、R.H. Shao 、 Humphrey Cheng	*USD132,200,000 —	100.00 —
	President	Shyh-ching Ro	—	—
Bai Fa China Holdings (HK) Ltd.	Director	Pacific China Holdings Ltd. Nancy Hsu (Chairman) 、J.W. Huang 、Shyh-ching Ro	*USD1,500 —	100.00 —
	President	Shyh-ching Ro	—	—
Shanghai Pacific Department Stores Co., Ltd.	Director	Shanghai Xujiahui Center(Group) Bo Wang (Chairman) 、Jie Yin 、Lihuan Peng	*USD 4,867,500 —	27.5 —
		Pacific China Holdings Ltd. Chin-Sen Tu (Vise Chairman) 、Ting-Sung Wang Kuo 、Ai-Chia Li 、 Chung-Hsin Chen 、Cheng-Hsien Yang	*USD12,832,500 —	72.5 —
	Supervisors	Shanghai Xujiahui Center(Group) Zhongyong Yu	*USD 4,867,500 —	27.5 —
		Pacific China Holdings Ltd. Yong-He Chen	*USD12,832,500 —	72.5 —
	President	Yu-Tsung Tao	—	—
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Director	Pacific China Holdings Ltd. Chin-Sen Tu 、Chung-Hsin Chen 、Cheng-Hsien Yang,	* USD21,990,000 —	100.00 —
		China Railway Ruicheng Building Feiyue Shi (Chairman) 、Haitao Tang	— —	— —
	Supervisors	Pacific China Holdings Ltd. Ai-Chia Li	* USD21,990,000 —	100.00 —
		China Railway Ruicheng Building Xinying Han	— —	— —
	President	Chung-Hsin Chen	—	—
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Director	Pacific China Holdings Ltd. Chin-Sen Tu (Chairman) 、Ai-Chia Li 、 shyh-chingRo, Cheng-Hsien Yang,	* USD3,000,000 —	100.00 —
		Pacific China Holdings Ltd. Yong-He Chen	* USD3,000,000 —	100.00 —
	Supervisors			
Chongqing Pacific Consultant & Management Co., Ltd.	Director	Pacific China Holdings Ltd. Chin-Sen Tu (Vise Chairman) 、Yong-He Chen 、 Chung-Hsin Chen	*USD73,000,000 —	100.00 —

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	%
Dalian Pacific Department Store Co., Ltd.	Director	Pacific (China) Investment Co., Ltd. Chin-Sen Tu (Chairman) 、Chao-Yu Wang 、 Chung-Hsin Chen	*RMB16,000,000 —	100.00 —
	Supervisors	Pacific (China) Investment Co., Ltd. Yong-He Chen	* RMB16,000,000 —	100.00 —
	President	Jen-Hao Chiang	—	—
Shanghai Bai Ding Consultant & Management Co., Ltd	Director	FEDS Development Ltd. Chien-Cheng Wang, (Chairman) 、Min-Hsiung Tsai, 、Chris Liu	* USD100,000 —	100.00 —
Chongqing FEDS Co., Ltd.	Director	FEDS Development Ltd. Chien-Cheng Wang (Chairman) 、Min-Hsiung Tsai 、Cheng-Hsien Yang 、James Tang 、Chris Liu 、 Chung-Hsin Chen	* USD2,800,000 —	100.00 —
	Supervisors	FEDS Development Ltd. Yong-He Chen	* USD2,800,000 —	100.00 —
Far Eastern CitySuper Ltd.	Director	Far Eastern Department Store Ltd. Nancy Hsu (Chairman) 、Douglas Tong Hsu 、 Chang-Li Lin 、Tony Liu	47,826,920 —	95.65 —
		City Super(Labuan)Limited. Jia-Hua Wu	2,171,400 —	4.34 —
	Supervisors	Bai Ding Investment Co., Ltd. Chris Liu 、James Tang	1,680 —	0.01 —
Pacific (China) Investment Co., Ltd.	Director	Pacific China Holdings Ltd. Nancy Hsu (Chairman) 、Douglas Tong Hsu 、 Chin-Sen Tu 、R.H. Shao 、J.W. Huang 、Chris Liu 、 Ting-Sung Wang Kuo 、Philby Lee 、Shyh-ching Ro	*USD216,000,000 —	100.00 —
	Supervisors	Pacific China Holdings Ltd. James Tang 、Ting-Meng Chen	*USD216,000,000 —	100.00 —
	President	Shyh-ching Ro	—	—
Chengdu FEDS Co., Ltd.	Director	Pacific (China) Investment Co., Ltd. Chin-Sen Tu (Chairman) 、Ting-Sung Wang Kuo 、 Chung-Hsin Chen 、 Cheng-Hsien Yang 、Yong-He Chen	*USD134,000,000 —	100.00 —
	Supervisors	Pacific (China) Investment Co., Ltd. Chris Liu	*USD134,000,000 —	100.00 —
	President	Chung-Hsin Chen,	—	—
Far Eastern Big City Shopping Malls Co., Ltd.	Director	Pacific Sogo Department Stores Co., Ltd. Philby Lee (Chairman) 、Ting-Sung Wang Kuo 、 Shyh-ching Ro	30,000,000 —	60.00 —
		Bai Yang Investment Co., Ltd James Tang 、Chris Liu	20,000,000 —	40.00 —
	Supervisors	Cheng-Hsien Yang,	—	—

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	%
Chubei New Century Shopping Mall Co., Ltd.	Director	FEDS New Century Development Co., Ltd.	200,000,000	100.00
		Philby Lee (Chairman) 、Nancy Hsu 、James Tang 、	—	—
	Supervisors	Chang-Li Lin 、Chris Liu	200,000,000	100.00
		FEDS New Century Development Co., Ltd.	—	—
		Y.S. Yang		

Note 1 : Mainland companies are not Limited company, so there are no shares, which are listed in US dollars or RMB.

### 1.1.6 Operation Results of Each Subsidiary and Affiliate

Book closure date: 31 December 2019

Unit: NT\$ for EPS, NT\$ thousands for others

Name	Paid-in Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income (loss)	Net Income (After tax)	EPS (after tax)
Far Eastern Department Stores, Ltd	14,169,406	79,439,216	48,648,810	30,790,406	10,614,744	2,125,167	1,781,843	1.26
Far Eastern Ai Mai Co., Ltd.	877,440	8,809,300	7,954,300	855,000	10,538,494	148,355	3,168	0.04
Bai Ding Investment Co., Ltd.	1,800,000	5,274,733	1,669,791	3,604,942	185,367	162,492	160,365	0.89
Bai Yang Investment Co., Ltd	9,249,911	10,101,211	108,674	9,992,537	39,294	(59,331)	(70,050)	(0.08)
Yu Ming Advertising Agency Co., Ltd.	35,000	122,026	2,148	119,878	1,205	(4,474)	9,430	2.69
Ya Tung Department Stores, Ltd	410,000	533,281	401,559	131,722	106,149	(7,683)	(7,344)	(0.18)
Far Eastern Hon Li Do Co., Ltd.	28,300	30,576	550	30,026	695	573	573	0.20
FEDS Asia Pacific Development Co., Ltd.	2,130,000	3,574,858	1,009,659	2,565,199	340,690	300,648	(26,926)	(0.13)
FEDS Development Ltd.	126,278	2,598,267	255,899	2,342,368	108,978	79,288	68,052	168.75
Asians Merchandise Company	28,481	4,567	72	4,495	3,011	23	72	0.00
FEDS New Century Development Co., Ltd.	2,320,000	2,388,941	2,731	2,386,210	10,312	7,701	7,701	0.03
Chubei New Century Shopping Mall Co., Ltd.	2,000,000	1,995,369	2,717	1,992,652	274	(1,047)	734	0.00
Pacific Liu Tong Investment Co., Ltd.	8,020,000	10,734,596	31,407	10,703,189	388,773	365,441	364,972	0.46
Pacific Sogo Department Stores Co., Ltd.	8,280,000	42,289,734	31,394,238	10,895,496	11,829,132	2,263,370	485,212	0.59
Pacific China Holdings (HK) Limited	3,406,401	180,438	2,312,993	(2,132,555)	1,522	(2,202,476)	(2,202,476)	(19.99)
Pacific China Holdings Ltd.	895,747	250,599	788,519	(537,920)	8,896	(115,369)	(105,909)	(0.81)
Bai Fa China Holdings (HK) Ltd.	39	43	0	43	0	0	0	0.00



Name	Paid-in Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income (loss)	Net Income (After tax)	EPS (after tax)
Shanghai Pacific Department Stores Co., Ltd.	493,522	1,373,326	614,658	758,668	2,549,547	98,019	97,941	N/A
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	670,673	328,692	180,910	147,782	24,286	(157,849)	(173,826)	N/A
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	106,920	472,772	406,622	66,150	1,205,394	(194,371)	(204,491)	N/A
Chongqing Pacific Consultant & Management Co., Ltd.	2,114,047	1,820,533	694,126	1,126,407	1,922	(26,484)	(26,426)	N/A
Dalian Pacific Department Store Co., Ltd.	68,760	173,298	155,402	17,896	131,155	(11,047)	(16,709)	N/A
Far Eastern CitySuper Co., Ltd.	500,000	626,068	543,971	82,097	1,402,181	6,452	(25,395)	(0.51)
Shanghai Bai Ding Consultant & Management Co., Ltd	3,552	41,269	30,257	11,012	40,716	232	232	N/A
Chongqing FEDS Co., Ltd.	83,760	1,932,512	993,206	939,306	2,361,187	158,978	119,511	N/A
Pacific (China) Investment Co., Ltd.	6,132,718	148,718	123,732	24,986	25,920	(52,724)	(52,662)	N/A
Chengdu FEDS Co., Ltd.	3,735,822	126,818	248,107	(121,289)	1,875	(48,016)	(47,826)	N/A
Far Eastern Big City Shopping Malls Co., Ltd.	500,000	5,045,945	4,422,715	623,230	966,394	171,261	102,963	2.06

Note 1 : Because the mainland is not Limited company, it is can't to calculate the earnings per share.

Note 2 : Balance sheet data is based on exchange rate conversion at the end of 2019.

(US\$1 = NTD\$29.980 ; US\$1 = RMB\$6.9762)

Income statement data is based on the 2019 year average exchange rate.

(US\$1 =NTD\$30.912 ; US\$1 = RMB\$6.8967)

Note 3 : The above amount is based on the 2019 annual financial reports of each company.

## 1.2. Declaration of Consolidation of Financial Statements of Affiliates

### REPRESENTATION LETTER

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards 10 "Consolidated and Separate Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours

Far Eastern Department Stores

By

Douglas Tong Hsu

Chairman

March 27, 2020

### 1.3 Affiliation Report: Not applicable

### 2. Private Placement Securities in the Latest Year: None

### 3. The Company's Shares Held or Disposed by Subsidiaries in Recent Years until the Annual Report being Published

Unit: NT\$ thousands; shares; % As of March 31, 2020

Name	Paid-in Capital	Source of funding	Holdings percentage	Date of acquisition or disposal	Number & amount of shares acquired	Number & amount of shares disposed	Investment income	Number & amount of shares held until the annual report being published	Creation Of pledge	Amount of loan guaranteed by the Company	Amount of loan lent by the Company
Bai Ding Investment Co., Ltd.	1,800 million	-	67%	-	-	-	-	8,207,004 shares 177.682 million	N/A	700 million	-

### 4. Other Supplementary Information: None.

### 5. Pursuant to the Article 36-3-2 of Security Exchange Act, Event Having Material Impact on Shareholders' Equity or Share Price in the Latest Year until the Annual Report being Published: None.



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