



遠東百貨

FAR EASTERN DEPARTMENT STORES



# 2020 ANNUAL REPORT

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# I. Letter to Shareholders

## Preface

Given the global spread of coronavirus in 2020, the majority of countries has imposed border controls causing stagnant human flows, shrinking trade volume, slowing private investments, declining drastically in international oil prices, coupled with turbulent U.S.-China trade war resulting in the restructuring of supply chains as well as consequent impacts that lead into the great economic recession. According to International Monetary Fund, the year 2020 has registered the economic growth of -3.5%, the degree of recession was as serious as that of the 1930's Great Recession. Fortunately, with the launch and the more widely injections of vaccines, each nation has begun to re-open its economic program, the world economy is expected to be relieved from the impact to resume gradual recovery.

Thanks to the effective epidemic prevention, Taiwan's manufacturing sectors and private consumptions continue to progress smoothly. Added with changes in global supply chains, Taiwan businesses in China are making investments to benefit local exports and productions based in Taiwan. In spite of the global pandemic in 2020, Taiwan's economy outperformed and registered a stellar growth at 2.98%. According to National Development Council, looking into future economic prospects, the government will actively introduce private investments into physical constructions, expedite in building supply chains for emerging industries, and strengthen the key position of Taiwanese industries in the world in order to ensure steady economic growth.

During the first half year of Covid-19 impact, the department stores sector was not yet under steady control, people mostly stayed at home, thus reported significant declining revenues with much less customers. Since the second half of 2020, with the epidemic slowdown, the private consumption started to rebound, the sector was also fueled by the government's issuance of "triple stimulus coupons", people began to shop domestically as they cannot travel abroad, revenues of department stores gradually recovered from the decline in the first half. Taiwan department stores' total revenues reached NT\$354.1 billion in 2020, slightly down 0.3% year-over-year, halting the continuous growth in past ten years. Thanks to openings of new stores and consolidating revenues of existing stores, Far Eastern Department Stores (FEDS) continued to boost operating performance and registered sales of NT\$47.8 billion, up 7.7% year-over-year, created maximum value and return for its shareholders, and outperformed peers to deliver outstanding performance as an industry leader during the challenging retail landscape.

Post the pandemic, the global economies, industries, and lifestyle will be changed fundamentally into the "New Normal." FEDS is also adjusting its pace to respond with agility towards a nimbler, flexible, and sustainable operating model. During the past year, our comprehensive outstanding performances were often accredited by major domestic and international awards that were bestowed upon with 34 honors. It is worth noting that FEDS has received the "National Sustainable Development Award" by the Executive Yuan for the second time, making us Taiwan's first and only retail operator to win this award twice within three years. Based on its long-term commitment to sustainable operations, FEDS will continue to create sustainable benchmark, drive sustainable growth in terms of corporate governance, environmental sustainability, and inclusive society, so as to elevate its competitive edge, continue to ride through challenges, and open new opportunities.

## Operating Report of 2020

FEDS has delivered an outstanding performance in 2020. Under the guidance of the Board of Directors and the management team, the Company continued to grow and recorded consolidated sales of NT\$114.8 billion (according to IFRS, consolidated revenues were NT\$37.3 billion). Consolidated net profit was NT\$2.54

billion, up 18.2% year-over-year, company alone net profit was NT\$1.94 billion, and earnings per share were NT\$1.38. According to the 12<sup>th</sup> Board Meeting of the 18<sup>th</sup> Board of Directors of FEDS, total cash dividend payout for 2020 was NT\$1.1. Operating result of the Far Eastern Retail Group in 2020 is summarized as follows:

#### **(1) Far Eastern Department Stores**

1. Maintaining growth momentum, revenues and profits were both remarkable in 2020, pretax income stood at NT\$2.23 billion, marking new high in the past five years.
2. Under the coronavirus pandemic, FEDS has fully activated epidemic prevention measures, aside from adding hand sterilizer, infrared body temperature sensor, and increasing frequency of sterilizing sales space, the Company also requires the frontline staff to wear masks so as to provide customers a safe shopping environment.
3. While during the pandemic period, each branch store still went through different scales of counter adjustments such as introducing popular brands of 3C, sports, fast fashion, featured dining to cater to young customers, so as to maintain shopping attraction and management capability.
4. To embrace the trend of digitization, FEDS continued to optimize its APP use, customers can collect bank credit card gifts and voucher coupons directly via FEDS APP, there is no need to queue up at the gift service table, providing customers with more convenient digital services and shopping experiences.
5. Due to the pandemic, people cannot travel abroad. In order to let consumers experience the fun of “pseudo traveling”, each branch has consecutively sponsored nearly 60 exotic gourmet food and local agriculture product exhibitions, attracting crowds to boost revenue.
6. FEDS plans to strengthen its digitized management, create paperless working environment, shorten management, operation and service processes, and improve working efficiency. It currently has already completed 84 digital systems which allow staff to elevate productivity in a mobilized digital environment.
7. The company also fulfills its corporate social responsibilities. FEDS has set up its CSR standards and received a record high of 34 domestic and international major awards in 2020. It also sponsors 600 non-profit events, continue to make best use of channel resources, care for the under-privileged, and bring warmth to those in need.

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

1. Sales were NT\$41.84 billion in 2020, pretax income was NT\$1.21 billion. Under the impact of coronavirus, FEDS will enhance digital marketing and push for revenue growth through stimulus vouchers.
2. To improve customer services, FEDS promotes digital marketing and food delivery services, and elevate renovations, strengthen merchandise mix, introduce and adjust new brands of each store, altogether 543 counters were introduced and modified, accounting for 22.6% of total brands, attributing to achieving revenue targets.
3. During anniversary sales application of new generation retail sales methodologies such as SOGO APP, digital marketing, mobile payment, coupled with the promotion with popular Hello Kitty shop gifts, has driven a decade historical high of NT\$10.8 billion sales in revenue, registering 8% growth.
4. Under the impact of the pandemic, with the rise of stay-at-home economies and international travels on halt, the sales of household items, home appliances, 3C products, skin care products and cosmetics have increased, revenues of fine boutiques also grew more than 10% due to restriction of international travel. Post-Covid 19 era, consumers will focus more on home

products, leisure, sports, and health, FEDS will expand relevant products and brand collection so as to enhance growth momentum.

5. In October 2020, Shanghai Bright City concluded operation. Also, the Company has expedited to improve revenues of Shanghai Hsu Huei Store and Chongqing Jiangbei Store, and save operating cost of Chongqing FEDS Metropolitan Plaza Store in order to boost profits.

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

1. Sales in 2020 were NT\$13.82 billion, while under the pandemic, Far Eastern Ai-Mai grew slightly than that of the previous year.
2. Taichung Shuinan Hyper Mall 3.0 Store was opened on September 23, 2020.
3. Ai-Mai's counter-pandemic measures:
  - (1) Improve revenues
    - a. Continue to promote delivery businesses, island-wide foodpanda delivery services for 14 stores were launched online.
    - b. Elevate e-commerce, expand shipping areas of Taoyuan Store and add shipping areas of Tainan Store.
  - (2) Lower costs
    - a. Negotiate with landlords to lower leases.
    - b. Lower marketing expenses.
    - c. All staff take annual leaves between March and June in 2020.
    - d. Shorten business hours.
  - (3) Improve management
    - a. Strengthen food safety management.
    - b. Set up epidemic prevention zone, easy to cook, safe to dine.
    - c. Inventory management.

## **Business Plan**

Facing with diversified, digitized, smart retail development trends, the Far Eastern Retail Group is expediting its adjustments, integrating resources and strategies, continuing to inject the agile mindset and innovative spirit so as to satisfy customer shopping needs, optimize customers' shopping experiences, and continue to deliver outstanding performances and efficiencies.

### **(1) Far Eastern Department Stores**

1. FEDS continues to expand new stores, Chubei New Century Shopping Mall is expected to open in the second half of 2021 and will become the first large-scale shopping mall in Hsinchu County.
2. To stay with fashion trend, the Company maintains its competitive momentum, and creates unique features. Each branch store is adjusting its merchandise mix, elevating shopping capacity and merchandising power, further boosting operating performance.
3. The retail operator creates popular themes to ensure volume and exposure for the shopping space on social media with pop up shops of trendy brands and live stream of online celebrities to maintain freshness and popularity of the shopping mall.
4. FEDS intends to strengthen customer relationship and elevates transaction stickiness in order to seize consumption trend and direction more clearly via analytics of shopping data and application of digital technologies, so as to plan more flexible and diversified marketing campaigns to effectively incite shopping desire.



5. In responding to changes in media landscape and technological advancements, the Company will strengthen the application of digital media and social platforms, and attract customers in a lively and interesting engagement, and will also continue to enhance the interactions of FEDS APP and its official website, integrate virtual and physical channels, and allow customers to enjoy speedy and personalized services.
6. To increase interactions with the sales space, and in echo with recent artistic creative themes, FEDS shapes the store image as local CSR liason, each branch office continues to organize festivities and cooperate actively with local governments or private sectors to promote various CSR events, hopefully to stay more engaged by providing interactive and enhanced experiences, coupled with promotion of special local products, thus building each store as the daily hub for local commercial center.
7. Taiwan's consumers are highly interested in featured cultures, merchandise, and gourmet cuisines of different areas. In 2021, FEDS continues to sponsor various exotic cultural, local specialties and artistic creativity fairs etc. to attract consumers, emerging customers to get a real feel of the indigent art and culture with authentic local products, featured performances, and interactive experiences.
8. Focus on management: FEDS continues to promote digitization, expedite talent cultivation, reasonably control expenses, strengthen data security; it has also responded to the risk of climate change, continued to implement energy and water preservation, decreased packaging waste, lowered the impact to the environment during operating processes.

## **(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 38-41% of total annual revenues. In addition to conventional marketing, we will invest more in digital marketing to succeed in the new retailing era.
2. The quantity and quality of customers are the basic foundation for our business operation. Subsequent to cultivating Happy Go cardholders and the Bank's high-end spending clients in 2020, we will further enhance VIP services, and focus on market demassification to establish Beauty Club, Kid Club, etc. to manage members and raise loyalty.
3. Following top performing store strategies, the Fuxing Store will become more exquisitely high-end as the single store with the highest revenues in the northern Taiwan, while Zhongxiao Store will increase its customer flow by focusing on the family customer base to create a unique and friendly mega store, and will upgrade hardware through renovations to introduce boutique items and shoe collections.
4. SOGO also expedites digital developments to embrace the new economy, it has upgrade and revise SOGO APP to enhance mobile payment, digital marketing, social media , and e-commerce.
5. With dynamic digital advancements in China, each store is also integrating online and offline operations, fully utilizing digital communications, 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 profitability.
6. Draw up effective long-term and short-term strategies to promote operations with flexibility:
  - a. Talent cultivation, Big Data application, and precise marketing.
  - b. Expand internet voice by creating popular topics.
  - c. Implement contact-free sales mechanism, provide safe shopping environment, and establish consumption confidence.

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

1. Operation-wise: Extend the experience of Taichung Shuinan Store to the rest of existing stores
  - a. Provide more comfortable space for customers.
  - b. Improve operating efficiency: Introduce electronic labels store-wide.
  - c. Upgrade workshops, theme-oriented restaurants, and further enhance differentiation from peers.
  - d. Create shop-in-shop business models.
2. Merchandise-wise:
  - a. Continue to strengthen the Category Management: Make timely adjustment to align with market condition.
  - b. Continue to promote the Service Economy: E-commerce and delivery platforms.
  - c. Enlarge differentiation from PX Mart: Strengthen complete collection of merchandise, produce on spot delicacies and bakeries, and introduce meat and seafood cooking in-store for customers.
3. Marketing-wise:
  - a. Expedite the development of digital APP applications.
  - b. Apply Big Data algorithm to promote repurchases, and proceed with more precise marketing.
4. Information-wise:
  - a. Digital optimization: Renew Point of Sale (POS) system.
  - b. Increase e-commerce collaboration platform.

### **Future Prospective**

Technological innovation leads to dynamic changes in consumer behaviors. The degree of digitization has been increasing for spending with mobile payment and online shopping. Physical stores must expedite their digital transformation to satisfy consumers' shopping needs with digital services, such as: the use of AI to optimize shopping experiences, or analyze consumption data to understand customers' thoughts, and look for products and services to attract consumers according to their preferences, so as to maintain closer customer relationship and loyalty. Furthermore, physical stores also need to focus on virtual and physical channel integrations, take advantage of convenience and speed of virtual channel, enrich consumers online and offline experiences, and thus drive prosperous growth, and march into new retailing by virtual and physical integrations.

Sound corporate governance is the vital foundation for sustainable operations of corporations. As Taiwan's leading listed department stores, FEDS follows the "Corporate Governance 3.0 – Sustainable Development Roadmap" published by the Financial Supervisory Commission, continues to improve corporate governance mechanism, establishes sound governance structure, implements specification and accountability of job assignment, strengthens proficiency of Board of Directors and data transparency, and establishes various functional committees to help elevate efficiency and improve policy making, also actively engages in domestic and international retail associations to expand the vision of sustainable operations, protects shareholders' benefits as well as other stakeholders' interests.

Employee is the most important asset for corporations, FEDS is not only recruiting potential outstanding talents as well as continuing to introduce the new workforce, but also expediting in cultivating professional managers to fill for future developments, as a comprehensive talent team for the deployment of smart retailing. Presently the applications of 5G have emerged into each industry and daily lives. The new technology training with regards to AI, IoT, Big Data, as well as the elevation of foreign language capabilities are the focus of human resource management for the new retailing.

Entering into the post-pandemic era, people will need to deal with various New Normal situations, such as, social distancing measures has opened up contactless business opportunities and changed the shopping models. Facing with complexities of the New Normal, the industry must define its position and look for proper development targets. After adjusting operation mindset accordingly, through changes, transformations, innovation, elevation of competitiveness, so the operators can quickly adapt to the New Normal. In the future, the outstanding management team of the Company will continue to innovate and change, take the initiative to plan development strategies with foresight, lead the industry development, ensure lasting growth and excellence, continue to create maximum value for its shareholders, and seek for sustainable operation model to ensure its leading position in the next phase.

Chairman Douglas Tong Hsu

## II. Company Profile

### 1. Date of Incorporation

August 31, 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 opened in its own six-floor building on Yongsui Rd. in Taipei.
1969	October	FEDS Taichung Store was established..
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 on Wufu 4th Road in Kaohsiung City. FEDS made a 65% investment in it.
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	FEDS Taichung Store expanded its operations after helping to restore the neighboring building.
1981	December	EDS made a 64% investment to establish Yuan Yang Department Store Ltd. 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	FEDS Sanchong Store suspended its operation.
	August	FEDS Taoyuan Store was re-opened its second and third floors.
	December	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.
	April	The operation of FEDS first specialty electronic appliance store in Tienmu ended. 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 it 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.

		<p>Taichung Fuxing Store and Kaohsiung Pingtung Store of French Casino Group's Taiwan Branch D.F.I. Geant were renamed as Taichung Fuxing HYPER Store and Kaohsiung Pingtung HYPER Store of Far Eastern Ai Mai Co., Ltd.</p> <p>FEDS held the eleventh IDGS (International Group Department Store) Asia Summit in Taipei.</p>
	December	The operation of FEDS Taichung Store ended.
2001	September	Chunghsiao HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.
	October	<p>Taoyuan HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.</p> <p>The operation of FEDS Kaohsiung Store, located in front of the Kaohsiung Railway Station, ended.</p> <p>FE21' Mega Kaohsiung Store inaugurated its services.</p>
	December	Central HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.
2002	March	The operation of FEDS Hsinchu Store ended.
	July	<p>FE21' Mega Tainan Chenkong Store re-opened after FEDS Tainan Chenkong Stores was remodeled.</p> <p>FE21' Mega Tainan Konyuan Store comprised of a recreation center which was re-opened after FEDS Tainan Park Stores was remodeled.</p> <p>Yuanlin HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.</p>
	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	<p>Hsinchu HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.</p> <p>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.</p>
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	<p>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.</p> <p>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</p>

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.
	November	The operation of Pacific Chengdu Tsunsi Store ended.
2014	January	FEDS Chengdu Beicheng Store was opened.
2015	January	FEDS's head office has been relocated at 16F~18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City 220, Taiwan
	March	The operation of FEDS Tianjin Stores ended.

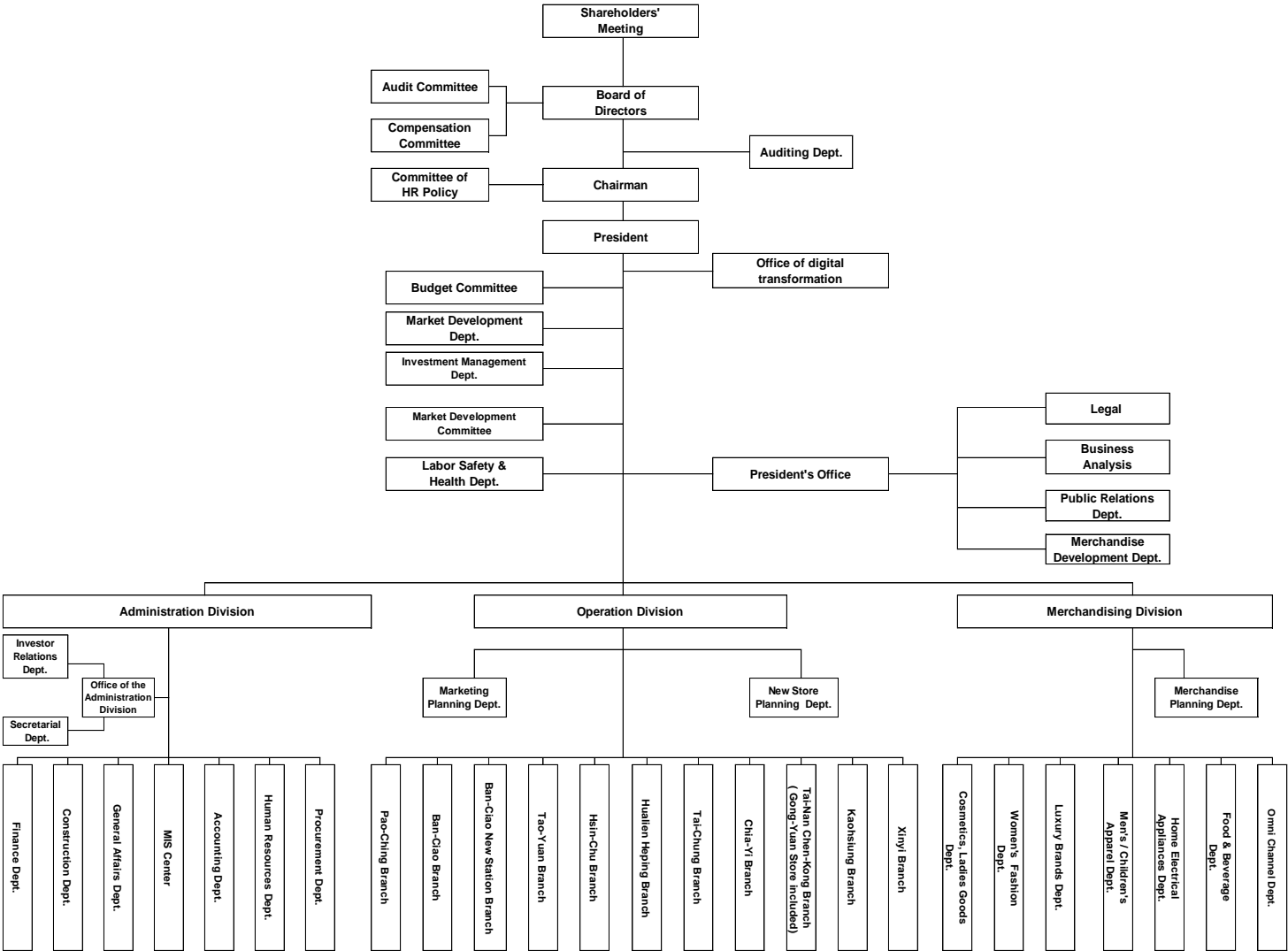


	April	Banqiao Nanya Hyper Store of Far Eastern Ai Mai Co., Ltd. was opened.
	June	Chubei New Century Shopping Mall Co., Ltd. was established.
	July	Chubei New Century Shopping Mall Co., Ltd. signed an investment contract of No.8 Parking Lot BOT Project, Zhubei City, Hsinchu County with Hsinchu County Government.
	August	FEDS issued the 2014 CSR Report, the first one issued by Taiwan Listed Department Store Chain Business.
	October	Panhsin Hyper Store of Far Eastern Ai Mai Co., Ltd. ended.
	December	WuXi FEDS Store Co. Ltd ended.
2016	August	Dalian Pacific Department Store Co. Ltd. transferred to Pacific (China) Investment Co. Ltd.
	October	Kaohsiung Hyper Store of Far Eastern Ai Mai Co., Ltd. ended. Taoyuan Tai Mall Store of Far Eastern City Super Ltd. was opened.
	December	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	April	FEDS Chengdu Beicheng Store ended. Yuanlin Hyper Store of Far Eastern Ai Mai Co., Ltd. ended.
	December	FEDS Chengdu Beicheng Store ended.
2019	March	Chungkang Hyper Store of Far Eastern Ai Mai Co., Ltd. ended. Yungfu Hyper Store of Far Eastern Ai Mai Co., Ltd. ended.
	April	FEDS Chengdu Luoma City store ended.
	August	SOGO Hsinchu Station Store ended.
	September	Taoyuan Tai Mall Store of Far Eastern City Super Ltd. ended.
2020	January	FEDS Xinyi A13 Store was opened Xinyi A13 Store of Far Eastern City Super Ltd. was opened.
	March	Log on Hsinchu Store of Far Eastern City Super Ltd. closed down.
	September	Shuinan Store of Far Eastern Ai Mai Co.,Ltd. opened

# III Corporate Governance Report

## 1. Organization

ORGANIZATION CHART



### Affairs in Charge for Each Major Department (organizational structure with 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>In accordance with the Company's Articles of Incorporation, internal control system, internal audit implementation rules and relevant laws and regulations, assess the potential risks of each unit's operations, and formulate and implement annual audit plans to reduce the Company's operating risks.</li> </ul>
Legal Office	Yuan-Chuan Chen manager	<ul style="list-style-type: none"> <li>Responsible for the Company's various contract agreements and reviews, handling of legal disputes, litigation and court appearances, immediate provision of company legal amendment information and various legal consultations to reduce the Company's risks of illegality.</li> </ul>
Office of digital transformation	James Tang Vice President	<ul style="list-style-type: none"> <li>Integrate digital events, planning, e-marketing, digital media and other related businesses of the head office and branches, build smart shopping malls, and develop "digital operations, digital management, and digital experience" to provide customers with more complete digital marketing and services.</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:</li> </ol> </li> <li>Handling engineering equipment and general affairs procurement management.</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.</li> </ol> </li> <li>Supervise operation business of branches.</li> <li>Plan and integrate new store preparatory affairs.</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>Handle online shopping e-commerce management matters.</li> </ul>

## 2. DIRECTORS AND MANAGEMENT TEAM

### 2.1 Directors

#### 2.1.1 Directors

May 1, 2021

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			Title	Name	Relation
Chairman	R.O.C	Douglas Tong Hsu	M	21 Jun 2018	3	2 Aug 1967	1,779,835	0.13	1,779,835	0.13	0	0.00	<ul style="list-style-type: none"> <li>Honorary Ph.D. of Management, National Chiao Tung University, Taiwan</li> <li>M.A. in Economics, Columbia University, USA.</li> </ul>	<ul style="list-style-type: none"> <li>Chairman of FEDS</li> <li>Chairman of Far Eastern New Century, Asia Cement, Oriental Union, U-Ming Marine, and Far Eastone Telecommunication</li> <li>Vice chairman of Far Eastern International Bank.</li> </ul>	Director	Nancy Hsu	Sister
Director	R.O.C	Ding & Ding Management Consultants, Co., Ltd.	F	21 Jun 2018	3	(Note 1)	73,009	0.01	73,009	0.01	0	0.00	Department of Fashion Design, Shih Chien University	<ul style="list-style-type: none"> <li>President, FEDS</li> <li>Chairman of Bai Yang Investment Co., Ltd.</li> <li>Director of Far Eastern Ai Mai Co. Ltd.</li> </ul>	Chairman	Douglas Tong Hsu	Brother
		Representative: Nancy Hsu					*1,173,788	*0.08	*1,173,788	*0.08	228,927	0.02					
	U.S.A	Far Eastern New Century Corporation	F	21 Jun 2018	3	2 Jun 2006	241,769,702	17.06	241,769,702	17.06	0	0.00	<ul style="list-style-type: none"> <li>Interior Design Arts, New York School of interior Design, USA.</li> <li>B.A., Simmons College, Boston, USA</li> <li>Senior Designer, Saradino Group, New York, USA.</li> </ul>	-	Chairman	Douglas Tong Hsu	Father
		Representative: Nicole Hsu					*0	*0.00	*0	*0.00	0	0.00					

Director	R.O.C	Far Eastern New Century Corporation	F	12 April 2019	2	12 April 2019	241,769,702	17.06	241,769,702	17.06	0	0.00	<ul style="list-style-type: none"> <li>• Ph. D., Management Information System, Purdue University</li> <li>• Chief Transformation Officer, FarEasTone</li> <li>• Vice President &amp; Assistant VP, Technology Development, AT&amp;T</li> <li>• Director, PMOSS Planning, Engineering, and Development, AT&amp;T</li> <li>• District Manager, GNOC, AT&amp;T</li> <li>• Assistant Professor, College of Business, Arizona State University</li> </ul>	<ul style="list-style-type: none"> <li>• President, Far EasTone Telecommunications Co., Ltd.</li> <li>• Chairwoman &amp; President, Far Eastern Info Service (Holding) Ltd.</li> <li>• Chairman, Arcoa Enterprise Co., Ltd.</li> <li>• Director &amp; President, New Century InfoComm Tech Co., Ltd.</li> <li>• Chairman, Yuanshi digital technology Co.,Ltd.</li> <li>• Chairman, Data Expresss(Taiwan) Ltd.</li> </ul>			
		Representative: Chee Ching					*0	*0.00	*0	*0.00	0	0.00					
	R.O.C	Yuli Investments Corporation	F	21 Jun 2018	3	(Note 2)	1,769,001	0.12	1,769,001	0.12	0	0.00	<ul style="list-style-type: none"> <li>• Department of Accounting, North Arizona State University, USA.</li> <li>• US CPA.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of Far Eastern Big City Shopping Malls Co., Ltd.</li> <li>• CEO of Far Eastern Group Synergy &amp; Retail Planning HQ</li> <li>• Director of Yuanshi digital technology Co.,Ltd.</li> <li>• Supervisor of Yuan Bao Fintech Co., Ltd</li> </ul>			
		Representative: Philby Lee					*76,483	*0.01	*76,483	*0.01	0	0.00					
	R.O.C	Asia Cement Corporation	F	21 Jun 2018	3	2 Jun 2006	80,052,950	5.65	80,052,950	5.65	0	0.00	<ul style="list-style-type: none"> <li>• M.A. in Mass Communication, University of Illinois, ISA</li> <li>• EMBA, National Taiwan University, Taiwan.</li> </ul>	<ul style="list-style-type: none"> <li>• President of Ding Ding Integrated Marketing Services Ltd.</li> <li>• Director of Yuan Ding Tech-info (Shanghai) Ltd.</li> <li>• Chairman, Yuan Hsin Digital Payment Co., Ltd.</li> </ul>			
		Representative: Jin-Lin Liang					*0	*0.00	*0	*0.00	0	0.00					

Independent Director	R.O.C	Eugene You-Hsin Chien	M	21 Jun 2018	3	21 Jun 2012	0	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• Ph.D., Aeronautics and Astronautics, New York University, USA.</li> <li>• Department of Mechanical Engineering, National Taiwan University</li> <li>• Minister of the Environmental Protection Administration</li> <li>• Minister of Transportation and Communications</li> <li>• Minister of Foreign Affairs</li> <li>• Legislator, Legislative Yuan (Member of Parliament)</li> <li>• Representative, Taipei Representative Office in the U.K.</li> </ul>	<ul style="list-style-type: none"> <li>• Independent Director, Eva Airways Corporation</li> <li>• Director, ECOVE Environment Corporation</li> </ul>	-	-	-
	R.O.C	Edward Way	M	21 Jun 2018	3	21 Jun 2012	0	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• MBA, University of Georgia, USA.</li> <li>• CEO of Deloitte Taiwan</li> <li>• Director of Deloitte Touche Tohmatsu</li> <li>• Chairman, United way of Taiwan</li> <li>• CPA of Georgia State, USA.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman, YCSY Co., Ltd.</li> <li>• Independent Director, Synnex Technology International Corp, Cathay Financial Holdings Co., Ltd., Cathay United Bank Ltd and Cathay Securities Corporation</li> <li>• Director, MiTAC Holdings Corp., and Iron Force Industrial Co. Ltd.</li> </ul>	-	-	-
	R.O.C	Dong, Ding Yu	M	24 Jun 2020	1	24 Jun 2020	0	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>• Assistant Professor, San Jose State University, USA</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman and President, Elite Material Co., Ltd.</li> <li>• Director, Newaisa Construction</li> </ul>	-	-	-

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

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

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

Note 4: No directors of the Company have shares held in the name of other persons.

Note 5: Cases of the Company's Chairman and President being the same person, spouses, or relatives within the first degree of kinship: N/A.

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

May 1, 2021

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. (2.23), Douglas Tong Hsu (1.71), Fubon Life Insurance Co., Ltd. (1.57), Der Ching Investment Co Ltd.(1.55), China Life Insurance Co., Ltd. (1.43)
Asia Cement Corporation	Far Eastern New Century Corp. (22.33), Far Eastern Medical Foundation (5.40), China Life Insurance Co., Ltd. (2.09), New Labor Pension Fund (1.70), Yuanta/P-shares Taiwan Dividend Plus ETF (1.70), Labor Pension Fund Committee of Far Eastern New Century Corp. (1.59), Yuan Ding Investment Co., Ltd. (1.57), Far Eastern Department Stores Ltd. (1.49), Chunghwa Post Co., Ltd. (1.46), Yuan Ze University (1.41)
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

May 1, 2021

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. (99.94), Asia Investment Corp. (0.03)
Asia Engineering Enterprise Corp.	Asia Cement Corporation (98.74) , 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), China Life Insurance Co., Ltd. (2.09), New Labor Pension Fund(1.70), Yuanta/P-shares Taiwan Dividend Plus ETF (1.70), Labor Pension Fund Committee of Far Eastern New Century Corp. (1.59), Yuan Ding Investment Co., Ltd. (1.57), Far Eastern Department Stores Ltd. (1.49), Chunghwa Post Co., Ltd. (1.46), Yuan Ze University (1.41)
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. (47.299), KGI Securities Co., Ltd. (8.655), Videoland Inc. (2.42), Cathay Life Insurance Co., Ltd. (1.27), ZHAN, LING-LANG(1.24), Song,Guang-Ming (0.72), ISHARES MSCI TAIWAN CAPPED ETF(0.66), Chen,Shih-Jin (0.63), The Norwegian Central Bank Investment Dedicated Account, under custody of CITI Bank (0.60), Huang,Pei-Ru (0.60)
Nan Shan Life Insurance Co., Ltd.	First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd. (55.5563), Ruenchen Investment Holding Co., Ltd. (33.9936), Ruen Hua Dyeing & Weaving Co., Ltd. (1.3441), Y. T. Du (1.1576), Ruen Tai Shing Co., Ltd. (0.9653), Ruentex Development Co., Ltd. (0.2319), Ruentex Industries Ltd. (0.2133), Yen Sin Corporation (0.1563), Ruentex Leasing Co., Ltd. (0.1321), Chi-Pin Investment Company (0.1069)

Name of Juridical persons	Major Shareholders of the Juridical Persons(%)
Fubon Life Insurance Co. Ltd.	Fubon Financial Holding Co., Ltd. (100.00)
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communications (100.00)
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. (2.23), Douglas Tong Hsu (1.71), Fubon Life Insurance Co., Ltd. (1.57), Der Ching Investment Co Ltd.(1.55), China Life Insurance Co., Ltd. (1.43)
Far Eastern Department Stores Co., Ltd.	Far Eastern New Century Corporation (17.06), Yuan Ding Investment Co., Ltd. (9.87), Asia Cement Corporation (5.65), Yuan Tong Investment Co., Ltd. (5.48), Chia Yuan Investment Company (5.31), Yuan Ze University (4.75), PJ Asset management Co., Ltd.(4.52), Labor Pension Fund Committee of Far Eastern Department Stores Ltd. (2.11), Yu Yuan Investment Co., Ltd. (2.06), Tranquil Enterprise Ltd. (2.03)
U-Ming Marine Transport Corp.	Asia Cement Corp. (39.25), Cathay Life Insurance Co., Ltd. (3.88), Management Board of the Public Service Pension Fund (1.10), Yuan Ding Investment Co., Ltd. (1.05), Yu Yuan Investment Co., Ltd. (0.94), Asia Investment Corp. (0.92), Allianz Global Investors Taiwan Fund (0.92), Ya Li Transportation Corp. (0.75), Vanguard Emerging Market Stock Index Fund, a Series of Vanguard International Equity Index Funds (0.71), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (0.71)
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. (0.01)
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

May 1, 2021

Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five-Year Work Experience			Compliance of independence (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	
Name																
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
Dong, Ding Yu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: If Directors and Supervisors meets any of the following criteria in the two years before being appointed or during the term of office, please check "✓" in the corresponding boxes.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Directors and supervisors who are not part of the Company or its affiliated companies (except if the Company and its parent company, subsidiary, or subsidiary of the same parent company are independent directors set up in accordance with this law or local laws and regulations).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a manager listed in (1) or spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship to any person listed in (2) and (3).
- (5) Directors, supervisors or legal shareholders who do not directly hold more than 5% of the total issued shares of the Company, in the top five for shareholdings, or appointed a representative as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (except for those who concurrently serve as independent directors established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with this law or local laws and regulations).
- (6) More than half of the non-company directors or voting shares are directors, supervisors or employees of other companies controlled by the same person (but concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (7) Directors, supervisors or employees of other companies or institutions that are not the same person or spouse as the chairman, president or equivalent positions of the Company (but concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).

- (8) Directors, supervisors, managers, or shareholders holding more than 5% of shares of a specific company or organization that is not in financial or business dealings with the Company (but if a specific company or organization holds more than 20% but less than 50% of the Company's total issued shares, and the concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or president of a sole proprietorship, partnership, company, or institution that, provides auditing and commercial, legal, financial, accounting services or consultation that does not exceed NT\$500,000 in remuneration over the last two years to the Company or to any affiliate of the Company, or a spouse thereof. However, this does not apply to members of the Remuneration Committee, Public Acquisition Review Committee, or Mergers and Acquisitions Special Committee who perform their duties in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Corporate Mergers and Acquisitions Act.
- (10) Not a spouse or relative within the second degree of kinship of any other Director of the company.
- (11) Does not have any of the situations set forth in Article 30 of the Company Act.
- (12) Not a government agency, legal person, or its representative set forth in Article 27 of the Company Act.

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

May1, 2021

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	F	Jun. 2, 2006	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	M	Mar. 20, 2007	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	M	Oct. 1, 2013	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	M	Jul. 1, 2015	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	M	Sep. 1, 2011	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	F	Sep. 1, 2011	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	M	Dec. 1, 2011	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	M	Jan. 15, 2014	2,132	0.00	0	0.00	Executive Master of Business Administration, National Tsing Hua University, Taiwan	-	-	-	-

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, Mega City Banqiao Store	R.O.C.	Chih-Yao Shih	M	Jan. 15, 2014	137	0.00	0	0.00	Master, Business Administration, Saint John's University, U.S.A.	-	-	-	-
Junior Vice President, Auditor Office	R.O.C.	Hwa-Ling Hsu	F	Aug. 12, 2014	0	0.00	0	0.00	Master, Business Administration, Yuan Ze University, Taiwan	-	-	-	-
Junior Vice President, Taoyuan Store	R.O.C.	Tian-Zuo Jiang	M	Jul. 13, 2015	563	0.00	0	0.00	Economy, Fu Jen Catholic University, Taiwan	-	-	-	-
Junior Vice President, Luxury Brands Dept.	R.O.C.	Rebecca Chan	F	Jul. 13, 2015	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	M	Jul. 13, 2015	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	M	Jul. 27, 2017	860	0.00	0	0.00	International Business, Fu Jen Catholic University, Taiwan	-	-	-	-
Junior Vice President, Hsinchu Store	R.O.C.	Wei-Hsing Hsu	M	Jan. 10, 2018	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	M	Jul. 31, 2018	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	M	Sep. 27, 2019	0	0.00	0	0.00	Department of Textiles and Clothing, Fu Jen Catholic University	-	-	-	-

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, Home Electrical Appliances Dept.	R.O.C.	Sophia Yu	F	Sep. 27, 2019	5,463	0.00	10,926	0.00	National Chao-chou Senior High School, Taiwan	-	-	-	-

Note 1: No President, Vice President, or Senior Vice President of the Company have shares held in the name of other persons.

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

Note 3: Cases of the Company's Chairman and President being the same person, spouses, or relatives within the first degree of kinship: N/A.

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

#### Remuneration Paid to Directors and Independent Directors

December 31, 2020 Unit: NT\$ thousand

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 (%) Operating Allowances (IV)		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)				Base Remuneration (I)		Severance Pay and Pension (II)		Directors' remuneration from distribution of earnings (III)						
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A		B		A	B	
Chairman	Douglas Tong Hsu	0	0	0	0	15,751	15,751	72	72	0.81	0.81	2,154	8,214	0	0	0	0	0	0	0.92	1.24	60,370
Director	Ding Ding Management Consultant Corp.	0	0	0	0	37,801	37,801	360	370	1.97	1.97	6,221	6,766	0	0	547	0	547	0	2.32	2.34	7,354
	Far Eastern New Century Corporation																					
	U-Li Investment Company																					
	Asia Cement Corporation																					
Independent Director	Edward Way	0	0	0	0	3,150	3,150	299	299	0.18	0.18	0	0	0	0	0	0	0	0	0.18	0.18	0
	Eugene You-Hsin Chien																					
	Dong, Ding Yu																					

\* 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, , Chee Ching

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

\* Independent Director Dong, Ding Yu new elected on 24 June 2020.

\* The remuneration from 2020 distribution of earnings is proposed amount, not actual payment amount yet.

### Range of Director Remuneration Chart

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	Dong, Ding Yu	Dong, Ding Yu	Dong, Ding Yu	Dong, Ding Yu
NT\$1,000,000 ~ NT\$1,999,999	Edward Way, Eugene You-Hsin Chien	Edward Way, Eugene You-Hsin Chien	Edward Way, Eugene You-Hsin Chien	Edward Way, Eugene You-Hsin Chien
NT\$2,000,000 ~ NT\$3,499,999	-	-	-	-
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, Chee Ching Representative of Asia Cement Corporation: Jin-Jin Liang Representative of Yuli Investments Corporation: Philby Lee	Representative of Far Eastern New Century Corporation: Nicole Hsu, Chee Ching Representative of Asia Cement Corporation: Jin-Jin Liang Representative of Yuli Investments Corporation: Philby Lee	Representative of Far Eastern New Century Corporation: Nicole Hsu, Chee Ching Representative of Asia Cement Corporation: Jin-Jin Liang Representative of Yuli Investments Corporation: Philby Lee	Representative of Far Eastern New Century Corporation: Nicole Hsu, Chee Ching Representative of Yuli Investments Corporation: Philby Lee
NT\$10,000,000 ~ NT\$14,999,999	Representative of Ding&Ding Management Consultants Co., Ltd: Nancy Hsu	Representative of Ding&Ding Management Consultants Co., Ltd: Nancy Hsu	-	Representative of Asia Cement Corporation: Jin-Jin Liang
NT\$15,000,000 ~ NT\$29,999,999	Douglas Tong Hsu	Douglas Tong Hsu	Douglas Tong Hsu 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	9	9	9	9

### Compensation Paid to President and Vice Presidents

December 31, 2020 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	12,508	12,998	271	271	17,345	17,345	1,519	0	1,519	0	1.63	1.66	224
Vice President	Chris Liu													
	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\$656 thousand.

### Range of remuneration for the 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

December 31, 2020    Unit: NT\$ thousands

Title	Name	Employee Compensation-in Stock	Employee Compensation-in Cash	Total	Ratio of Total Amount to Net Income (%)
President	Nancy Hsu	0	3,986	3,986	0.21
Vice President, Merchandise Division	Chris Liu				
Vice President, Administration Division	James Tang				
Vice President, Operation Division	Chang-Li Lin				
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				
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 2020 earnings distribution.**

## Employees' Compensation Paid to Top 10 Employee

Unit: NT\$ thousands				
Title	Name	Stock Dividend	Cash Dividend	Total Amount
President	Nancy Hsu	0	2,693	2,693
Vice Presidents	Chris Liu			
	James Tang			
	Chang-Li Lin			
Junior Vice Presidents	Chin-Shih Liao			
	Lily L. Y. Liu			
	Cho-Cheng Lan			
	Chih-Yao Shih			
	Greg Tseng			
	Rebecca Chan			

Note: Proposed amount of remuneration of 2019 earnings distribution.

### The remunerations to directors, presidents, and vice presidents

- (1) Analysis of the ratio of remuneration paid by the Company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, president, and vice presidents of the Company to the net profit after taxes:

The ratio of remuneration paid by the Company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, president, and vice presidents of the Company for 2020 to the net profit after taxes are 4.59% and 4.62%, respectively. In 2019, the remuneration paid to directors, presidents and vice-presidents accounted for 4.81% and 4.84% of the net profit after tax, respectively.

- (2) **Explain the relevance of remuneration policies, standards and combinations, procedures for determining remuneration and business performance**

- (A) Description of the policy, standard and combination of remuneration:

The remuneration paid to directors by the Company is in accordance with Article 27 of the Company's Articles of Incorporation. If the Company makes a profit during the year, no more than 2.5% shall be allocated as director remuneration. The ratio and amount of the actual distribution of director remuneration shall be determined by the Board of Directors considering its performance evaluation, the Company's operating results, targets achievements, future operating risks and other factors, and shall be reported to the shareholders meeting. In addition, business execution costs are mainly based on transportation fees, which are formulated with reference to the payment standards of relevant peers and listed companies.

The manager remuneration paid by the Company is divided into salaries, retirement pensions, bonuses and special expenses, plus employee remunerations, totaling four items. Among them, employee remuneration is handled in accordance with the Company's Articles of Incorporation, and the actual distribution rate, amount, and method are determined 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 usual level of payment in the industry, and considering the reasonableness of the relationship with personal performance, company operating performance, targets achievements, and future risks, and formulating incentive remuneration policies that can reasonably reflect performance.

- (B) Procedures for stipulating remuneration:

Set up a Remuneration Committee in accordance with the law, take into account the standards of

relevant peers and listed companies, convene meetings to evaluate and determine the salary and remuneration of directors and managers, and submit the suggestions to the Board of Directors for discussion. If the Board of Directors resolutions reject or modify the committee's recommendations, it should be specifically stated, but if the Board of Directors resolution has a higher salary than the committee's recommendation, the relevant announcement and declaration shall be handled in accordance with the committee's organizational rules.

(C) Relevance to business performance:

Business performance directly affects remuneration.

(D) Relevance to future risks:

Operational performance and remuneration are based on systematic operation to avoid the risks of human operation and ensure the overall interests of the enterprise.

## 4. Corporate Governance

### 4.1. Board of Directors

Total 6 meetings (A) were convened by the Board of Directors from 2020 up to the Annual Report being published. Attendance of each Director is as follows:

Title	Name		Attendance in person (B)	Attendance by proxy	Meetings during the term of office (A)	Attendance rate (%) (B/A)	Remarks
Chairman	Douglas Tong Hsu		6	0	6	100	-
Director	Ding Ding Management Consultant Corp.	Nancy Hsu	6	0	6	100	-
	Far Eastern New Century Corporation	Nicole Hsu	6	0	6	100	-
	Far Eastern New Century Corporation	Chee Ching	5	1	6	83	-
	U-Li Investment Company	Philby Lee	6	0	6	100	-
	Asia Cement Corporation	Jin-Lin Liang	6	0	6	100	-
Independent Director	Edward Way		6	0	6	100	-
	Eugene You-Hsin Chien		6	0	6	100	-
	Dong, Ding Yu		4	0	4	100	New-appointed on Jun 24, 2020

Other required disclosure:

- In the event of any of the following situations related to Board operations, specify the date of the Board meeting, term, motion content, opinions of all independent directors, and the Company's response to the independent directors' opinions: N/A.
  - Any circumstance described in Article 14-3 of the Securities and Exchange Act: Not applicable since The Company has established the Audit Committee.
  - Except for the matters above, other resolutions adopted by the Board of Directors to which an independent director has a dissenting or qualified opinion that is on record or stated in a written statement: N/A.
- Specify the name of directors, agenda item, reason for recusal, and participation in voting by directors who recused themselves from agenda items in which they had a conflict of interest:  
Regarding the first item on the agenda of the 11th meeting of the 18th Board of Directors (November 6, 2020), Chairman Xu-Dong Hsu should recuse himself because he was also serving as the chairman of Far Eastern Memorial Foundation. The item was passed by rest of the attending Directors.
- 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, etc.):  
The Company elected its Independent Directors in 2012 of which their independence 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 methods for assessing the performance of the Board of Directors and performs annual evaluations. The evaluation results are used as reference for remuneration and re-election nomination. In addition, every important resolution of the Board of Directors is announced and published on the Company's website, and liability insurance is purchased for the Directors to enhance the transparency of information regarding the operations of the Company, and protect the rights and interests of shareholders.
- TWSE/TPEx-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation content
Conducted once a year	6/22/2019 to 6/21/2020	Performance evaluation of the Board of Directors, individual directors, the Audit Committee and Remuneration Committee	Internal self-evaluation of the Board of Directors, self-evaluation of directors, internal self-evaluation of the Audit Committee and Remuneration Committee	<ol style="list-style-type: none"> <li>1. Self-evaluation by Board members: Focus on the six major aspects of the Company's goals and tasks, awareness of directors' responsibilities, participation in company operations, internal relationship management and communication, directors' professional and continuous education, and internal control.</li> <li>2. Performance Evaluation of the Board of Directors: Focusing on the five major aspects of the Board's participation in the Company's operations, improving the quality of board decisions, the composition and structure of the Board, the selection and continuing education of directors, and internal controls.</li> <li>3. Performance Evaluation of the Audit Committee: Aimed at the five major aspects of the Audit Committee's participation in the Company's operations, awareness of the Audit Committee's responsibilities, improvement of the Audit Committee's decision-making quality, Audit Committee composition and member selection, and internal controls.</li> <li>4. Performance Evaluation of the Remuneration Committee: Focusing on the five major aspects of the Remuneration Committee's participation in the Company's operations, the recognition of the compensation committee's responsibilities, the improvement of the decision-making quality of the compensation committee, the composition of the compensation committee, the selection of members, and internal controls.</li> </ol>

## 4.2 Audit Committee

### 4.2.1 Responsibilities of the Audit Committee

The Audit Committee should 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 directors' own interests, major asset-traded fund loans and endorsement guarantees, fundraising or private equity securities, appointment or remuneration of the CPA, the appointment or dismissal of accountants or the Internal Auditor, annual financial reports, etc.

#### 1. Audit of Financial Reporting

The Board of Directors has submitted the Company's 2020 Business Report, financial statements, and distribution of earnings. CPAs Shu-Chuan Yeh, Ming-Xin Zhuo from Deloitte Taiwan have audited the Company's financial statements and prepared an audit report. The Audit Committee has audited the aforementioned business report, financial statements, and distribution of earnings and found them to be in order.

#### 2. Appointment of CPAs

The independence and adequacy of CPAs have been evaluated by the Audit Committee and Board of Directors on March 23, 2021. The CPAs have no relations of interests nor kinship with the Company, and maintained an impartial and objective attitude while providing professional service. The CPAs received a disinterested and independent written statement produced by the certifying accounting firm compliant with the regulations 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 2020 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	Dong, Ding Yu	4	0	4	100	Newly-elected on June 24, 2020

#### Other required disclosure:

(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 :

A. Any circumstance described in Article 14-5 of the Securities and Exchange Act:

Meeting Date (Term)	Important resolutions	Resolution results and the Company's response to the Audit Committee's opinions
The 7th Meeting of the 2nd Term (March 27, 2020)	<ol style="list-style-type: none"> <li>1. Approved the Company's 2019 consolidated financial statements and individual financial statements.</li> <li>2. Approved the Company's 2019 distribution of earnings proposal.</li> <li>3. Approved of the Company's reiterated financial statements and complied with amending the "Procedures for the Preparation of Financial Statements" and "Rules for Managing the Application of International Financial Reporting Standards".</li> <li>4. Approved the Company's internal audit report.</li> <li>5. Approved amendments to certain provisions in the Company's "Internal Audit Implementation Rules".</li> <li>6. Approved the Company's 2019 "Statement on Internal Control".</li> </ol>	Approved by all presented committee members and submitted to the Board of Directors. Approved by all Directors present with no dissenting opinion expressed.
The 8th Meeting of the 2nd Term (May 5, 2020)	<ol style="list-style-type: none"> <li>1. Approved the Company's internal audit report.</li> <li>2. Approved the Company's 2019 business report.</li> </ol>	
The 9th Meeting of the 2nd Term (August 12, 2020)	<ol style="list-style-type: none"> <li>1. Approved the Company's 2020 2nd quarter financial report.</li> <li>2. Approved the Company's internal audit report.</li> <li>3. Approved amendments of certain provisions in the "Internal Audit Implementation Rules - Audit of the Management of Financial Statement Preparation".</li> <li>4. Approved revisions of the Company's "internal control system".</li> </ol>	
The 10th Meeting of the 2nd Term (November 6, 2020)	<ol style="list-style-type: none"> <li>1. Approved the Company's 2020 3rd quarter financial report.</li> <li>2. Approved the proposal to donate funds meant for Yuan Ze University to Far Eastern Memorial Foundation instead to cover some of the funds needed to build the "International Conference Center".</li> <li>3. Approved the Company's internal audit report.</li> <li>4. Approved the Company's 2021 Audit Plan.</li> </ol>	
The 11th	1. Approved the Company's 2020 consolidated financial	

Meeting of the 2nd Term (March 23, 2021)	statements and individual financial statements. 2. Approved the Company's 2020 distribution of earnings proposal. 3. Approved the Company's internal audit report. 4. Approved the Company's 2020 "Statement on Internal Control".	
The 12th Meeting of the 2nd Term (May 5, 2021)	1. Approved the Company's 2021 1st quarter financial report. 2. Approved the Company's internal audit report. 3. Approved the Company's 2020 business report.	

B. In addition to the matters above, any matters that were not passed by the Audit Committee but approved by more than two-thirds of all Directors: N/A.

(2) If independent directors recused themselves from agenda items due to conflicts of interests, specify the director's name, agenda item, reason for recusal, and participation in voting: N/A.

(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 internal auditor:

a. All audit reports shall be delivered to independent directors for inspection before the end of the next month after completion according to laws and regulations.

b. In addition to regular business reports to the Audit Committee, the Board of Directors and independent directors must: Depending on the degree of risk, conduct irregular communication and discussion when necessary, and the communication channel should be open.

B. Communication between independent directors and accountants: The CPA appointed by the Company will report the results of the quarterly financial report review or review and other communications required by relevant laws and regulations at the quarterly Audit Committee meetings. If there are special circumstances, they will also report to the Audit Committee immediately. The Audit Committee of the Company communicates well with the CPA, and the independent directors have no special recommendations.

C. Summary of communication between independent directors and internal auditors and accountants:

a. Communication between independent directors and accountants

Date/session	Main communicated points	Meeting results and The Company's response to Audit Committee's opinions
The 7th meeting of the 2nd Audit Committee on 3/27/2020	Accountant's 2019 Consolidated and Individual Financial Reports	All presented committee members have approved and submitted to the Board of Directors
The 8th meeting of the 2nd Audit Committee on 5/5/2020	Accountant's Consolidated Financial Report for the 1st quarter of 2020	
The 9th meeting of the 2nd Audit Committee on 8/12/2020	Accountant's Consolidated Financial Report for the 2nd Quarter of 2020	
The 10th meeting of the 2nd Audit Committee on 11/6/2020	Accountants' Consolidated Financial Report for the 3rd Quarter of 2020	
The 11th meeting of the 2nd Audit Committee on 3/23/2021	Accountant's 2020 Consolidated and Individual Financial Reports	
The 12th meeting of the 2nd Audit Committee on 5/5/2021	Accountant's Consolidated Financial Report for the 1st quarter of 2021	

b. Communication between independent directors and internal auditors		
Date/session	Main communicated points	Communication Result
The 7th meeting of the 2nd Audit Committee on 3/27/2020 The 8th meeting of the 18th Board of Directors on 3/27/2020	<ul style="list-style-type: none"> <li>• Audit Report for the 4th quarter of 2019</li> <li>• 2019 Statement on Internal Control</li> <li>• Amended the internal audit implementation rules</li> </ul>	Approved by Audit Committee and Board of Directors, and publicly announced on schedule and reported to the securities authority.
The 8th meeting of the 2nd Audit Committee on 5/5/2020 The 9th meeting of the 18th Board of Directors on 5/5/2020	<ul style="list-style-type: none"> <li>• Audit Report for the 1st quarter of 2020</li> </ul>	
The 9th meeting of the 2nd Audit Committee on 8/12/2020 The 10th meeting of the 18th Board of Directors on 8/12/2020	<ul style="list-style-type: none"> <li>• Audit Report for the 2nd quarter of 2020</li> <li>• Amended the internal audit implementation rules</li> <li>• Amended internal control system</li> </ul>	
The 10th meeting of the 2nd Audit Committee on 11/6/2020 The 11th meeting of the 18th Board of Directors on 11/6/2020	<ul style="list-style-type: none"> <li>• Audit Report for the 3rd quarter of 2020</li> <li>• 2021 Auditing Plan</li> </ul>	
The 11th meeting of the 2nd Audit Committee on 3/23/2021 The 12th meeting of the 18th Board of Directors on 3/23/2021	<ul style="list-style-type: none"> <li>• Audit Report for the 4th quarter of 2020</li> <li>• 2020 Statement on Internal Control</li> </ul>	
The 12th meeting of the 2nd Audit Committee on 5/5/2021 The 13th meeting of the 18th Board of Directors on 5/5/2021	<ul style="list-style-type: none"> <li>• Audit Report for the 1st quarter of 2021</li> </ul>	

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



#### 4.3 Corporate Governance Execution Results and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Assessment Items	Operating status			Discrepancy with industry standards in governance practices and reasons
	Yes	No	Summary	
1. Does the Company abide by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies when establishing and disclosing its Corporate Governance Best Practice Principles?	V		The Company has established Corporate Governance Principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies". The Company has implemented these principles and disclosed them on the Company website and the Market Observation Post System (MOPS).	No material difference.
2. Shareholding structure and shareholders' equity of the Company				
(1) Does the Company have the internal operating procedure for handling shareholders' suggestions, questions, disputes, or legal action in place and abide by it?	V		The Company has established Corporate Governance Principles, with a specific chapter titled "Protection of Shareholders' Rights and Interests". Based on the Principles, the Company appointed a spokesperson, acting spokesperson, and the stock affairs agent "Oriental Securities Corporation" to handle suggestions or questions from shareholders to protect shareholders' rights and interests. In cases of disputes and lawsuits, the Company will hire lawyers to provide assistance depending on the situation.	No material difference.
(2) Does the Company possess a list of major shareholders and a list of ultimate owners of these major shareholders?	V		Through its stock affairs agency, the Company keeps abreast of the list of major shareholders with actual control over the Company and the ultimate controllers of major shareholders, and reports any relevant changes in accordance with the "Rules Governing Information Reporting by Companies with TPEX Listed Securities"	No material difference.
(3) Does the Company have a risk management mechanism and "firewall" against its affiliates in place or implement it?	V		The financial and business operations between the Company and the affiliated companies have established written regulations, and clearly set the price conditions and payment methods to eliminate unconventional transactions and reduce operating risks. In addition to formulating the "Subsidiary Supervision and Management Measures", the Company also formulated the "Procedures for Extending Loans to Others", "Procedures for Endorsements and Guarantees", "Procedures for the Acquisition or Disposal of Assets" and "Guidelines for Related Party Transaction Management", and other measures to establish risk management mechanisms and firewalls for personnel, assets, and finances between the Company and affiliated companies.	No material difference.

Assessment Items	Operating status			Discrepancy with industry standards in governance practices and reasons
	Yes	No	Summary	
(4) Does the Company have internal regulations in place to prevent its people from trading securities based on information yet to be public on the market?	V		<p>The Company has established the "Procedures for Handling Material Inside Information", "Code of Ethics", and "Ethical Corporate Management Best Practice Principles", which stipulate that insiders of the Company may not use undisclosed information to purchase or sell securities. Such procedures and principles are announced to all Directors, management, and employees and disclosed on the Company website (<a href="http://www.feds.com.tw">http://www.feds.com.tw</a>) for all Company personnel to comply with so as to prevent violations or insider trading and promote the following:</p> <ol style="list-style-type: none"> <li>1. Insiders such as newly appointed directors and managers shall be given both the "Procedures for Applying for Handling Material Inside Information" and the latest edition of the "Regulations and Directions Governing Insiders' Equity at TWSE Listed Companies" compiled by TWSE for insiders to comply with.</li> <li>2. The Company conducts irregular management training on the "Procedures of Applying for Handling Material Inside Information of the Company" and other law and regulations prohibiting Company insiders from using undisclosed information to trade securities.</li> <li>3. Newly appointed managers and employees shall sign confidentiality agreements, and the Company shall inform them of the "Procedures of Applying for Handling Material Inside Information of the Company".</li> <li>4. The implementation status is disclosed on the Company website.</li> </ol>	No material difference.
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board of Directors establish and consolidate the diversification policy for its composition?	V		<p>The nomination and election of Board members are carried out by way of candidate nomination, with reference to the opinions of independent directors and the curriculum vitae of each member. The nomination and election are also carried out 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.</p> <p>Members of the Company's 18th Board of Directors (4 male directors and 5 female directors) are highly specialized in business management, leadership and decision-making, and relevant industry knowledge, with education backgrounds in accounting, finance, sales, diplomacy, engineering, as well as information and communications technology. Independent director accounted for 33% of all directors. The Company has achieved its target of 20% female representation on the Board with 5 female directors accounting for 56% of all directors. The Board's diversity policies and their implementation status are detailed in Appendix 1 and disclosed on the Company website. The succession plan is detailed in Appendix 2.</p>	No material difference.
(2) Besides the Remuneration Committee and the Audit Committee set up according to law, does the Company have other types of functional committees in place that it spontaneously set up?	V		<p>A "Remuneration Committee" was established on August 31, 2011 to strengthen corporate governance and improve the Company's compensation system. The committee convenes irregularly to examine and evaluate whether directors and managers are reasonably compensated.</p> <p>The Company has established its Remuneration Committee and Audit Committee according to the law, along with other functional committees such as the Personnel Evaluation Committee, the Market Development Committee, and the Budget Committee. Departments are responsible for corporate</p>	No material difference.

Assessment Items	Operating status			Discrepancy with industry standards in governance practices and reasons
	Yes	No	Summary	
			governance operations within the scope of their duties. Going forward, the Company shall establish other functional committees if necessary.	
(3) Has the Company established and implemented methods for assessing the performance of the Board of Directors, conducted performance evaluation annually, presented the performance evaluation results to the Board of Directors, and used the results as reference for individual director remuneration and re-election nomination?	V		To implement corporate governance, enhance the functions of the Board of Directors, and set performance targets to improve the efficiency of the Board, the Company established "Rules for Performance Evaluation of the Board of Directors" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies". On the 7th meeting of the 18th Board of Directors on November 7, 2019, the Board approved amendments to the Rules to add performance evaluations of the Audit Committee and Remuneration Committee, and announced the Rules on the Company website. Regular "Performance Evaluation for Board of Directors" are conducted every year. Members of the Board of Directors, Audit Committee, and Remuneration Committee were evaluated through a questionnaire in November 2020. The performance evaluation indicators are established according to the Company's operations and requirements to effectively improve the quality of Board decisions and its performance. The evaluation results have been submitted to the Board of Directors in the first quarter of 2021 to be used as reference for director nominations and remuneration.	No material difference.
(4) Does the Company evaluate the independence of CPAs regularly?	V		The accounting department of the Company evaluates the independence of CPAs once a year, and submits the results to the Audit Committee and the Board of Directors on March 23, 2021 for review and approval. The accounting department of the Company assessed that both CPAs, Shu-Chuan Yeh and Ming-Xin Zhuo, of Deloitte Taiwan meet the Company's independence assessment standards (Appendix 3), and are suitable to serve as CPAs of the Company. In addition, they have obtained the independent certification issued by the accounting firm.	No material difference.
4. Does the TWSE/TPEX-listed company have a suitable number of competent corporate governance personnel? Has it appointed a chief governance officer responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, and preparing meeting minutes for Board meetings and shareholders' meetings)?	V		The main responsibilities of the Head of Corporate Governance and the performance of said responsibilities are as follows: Handle matters related to Board of Directors' meetings and shareholders' meetings, and prepare minutes for those meetings in accordance with the law: 1. Draw up Board meeting agendas and notify Directors of these agendas at least seven days in advance, convene Board meetings and provide meeting information and materials, notify directors in advance if recusals are required for specific agendas due to conflicts of interest, and complete meeting minutes within 20 days after Board meetings. (1) Pre-register Board of Directors' meeting dates in accordance with the law; prepare meeting notices, meeting handbooks, and meeting minutes within the statutory time limit; and change the registered information when amendments are made to the Articles of Incorporation or when directors are re-elected. (2) Assist directors in taking office and undergoing continuing education and training: 2. 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.	No material difference.

Assessment Items	Operating status			Discrepancy with industry standards in governance practices and reasons																											
	Yes	No	Summary																												
			<p>3. Provide directors with the information required for them to carry out their responsibilities and assist them in legal compliance:</p> <p>(1) Regularly notify Board members of the latest developments and amendments to rules and regulations related to the Company's field and corporate governance.</p> <p>(2) Review relevant confidentiality levels and provide company information required by directors to maintain smooth communication between directors and department supervisors.</p> <p>(3) Assist in arranging meetings between independent directors and the Chief Audit Executive or CPAs when necessary in accordance with the Corporate Governance Best Practice Principles.</p> <p>(4) Confirm whether the convening of shareholders' meetings and Board of Directors' meetings are in line with relevant laws and the Best Practice Principles of Ethical Corporate Management.</p> <p>(5) Assist and remind directors of regulations and suggestions that need to be followed when carrying out their duties or making formal resolutions in Board meetings.</p> <p>(6) Examine the announcement of major information regarding important resolutions passed by the Board of Directors and ensure the legality and accuracy of said announcements to ensure information symmetry for investment transactions.</p> <p>4. Other matters stipulated in the Company's Articles of Incorporation or contracts.</p> <p>Head of Corporate Governance training status:</p> <table><tr><th>Advanced study date</th><th>Organizer</th><th>Hours</th></tr><tr><td>2020.3.12</td><td>Securities &amp; Futures Institute</td><td>3</td></tr><tr><td colspan="3">Directors and Supervisors (Including Independent) and Corporate Governance Executives Advanced Seminar - Analysis and Decision-making of Corporate Financial Information</td></tr><tr><td>2020.4.16</td><td>Securities &amp; Futures Institute</td><td>3</td></tr><tr><td colspan="3">Directors and Supervisors (Including Independent) and Corporate Governance Executives Advanced Seminar - Early Warning and Type Analysis of Corporate Financial Crises</td></tr><tr><td>2020.4.16</td><td>Securities &amp; Futures Institute</td><td>3</td></tr><tr><td colspan="3">Directors and Supervisors (Including Independent) and Corporate Governance Executives Advanced Seminar - Principles and Application of Artificial Intelligence</td></tr><tr><td>2021.3.25</td><td>Accounting Research and Development Foundation</td><td>3</td></tr><tr><td colspan="3">New "Director and Supervisor Compensation" Rules and Corporate Governance Practice Study</td></tr></table>	Advanced study date	Organizer	Hours	2020.3.12	Securities & Futures Institute	3	Directors and Supervisors (Including Independent) and Corporate Governance Executives Advanced Seminar - Analysis and Decision-making of Corporate Financial Information			2020.4.16	Securities & Futures Institute	3	Directors and Supervisors (Including Independent) and Corporate Governance Executives Advanced Seminar - Early Warning and Type Analysis of Corporate Financial Crises			2020.4.16	Securities & Futures Institute	3	Directors and Supervisors (Including Independent) and Corporate Governance Executives Advanced Seminar - Principles and Application of Artificial Intelligence			2021.3.25	Accounting Research and Development Foundation	3	New "Director and Supervisor Compensation" Rules and Corporate Governance Practice Study			
Advanced study date	Organizer	Hours																													
2020.3.12	Securities & Futures Institute	3																													
Directors and Supervisors (Including Independent) and Corporate Governance Executives Advanced Seminar - Analysis and Decision-making of Corporate Financial Information																															
2020.4.16	Securities & Futures Institute	3																													
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2021.3.25	Accounting Research and Development Foundation	3																													
New "Director and Supervisor Compensation" Rules and Corporate Governance Practice Study																															

Assessment Items	Operating status			Discrepancy with industry standards in governance practices and reasons
	Yes	No	Summary	
5. Does the Company have a communication channel in place with stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and set up a stakeholders only section on its website to properly address stakeholders' concerns such important corporate social responsibilities?	V		The Company's CSR website has a dedicated section for stakeholders. All stakeholders can communicate with Far Eastern Department Store through the online suggestion mailbox and CSR office contact window at any time. At the same time, a complete system and handling mechanisms have been established to respond to the concerns related to important corporate social responsibility issues of the stakeholders in real time.	No material difference.
6. Has the Company entrusted a professional shareholder services agent to handle shareholders' meeting matters?	V		The Company has appointed the Stock Transfer Agent Department of Oriental Securities Corporation to serve as a stock transfer agent and assist in handling matters related to shareholders' meetings.	No material difference.
7. Disclosure of information				
(1) Has the Company established a corporate website to disclose information regarding the Company's financial, business and corporate governance status?	V		A shareholders' section has been established on the Company website in Chinese and English to disclose comprehensive information regarding financial statements and revenues, major news, and corporate governance information. URL: <a href="http://www.feds.com.tw">http://www.feds.com.tw</a>	No material difference.
(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)?	V		The Company has established and implemented a spokesperson and acting spokesperson system to hold irregular investor conferences and announce public information. The Company has also appointed designated personnel to compile company information and disclose major news on MOPS. The Company website has a shareholders' section in both Chinese and English.	No material difference.
(3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operating status before the prescribed time limit?		V	In accordance with Article 36 of the Securities and Exchange Act, the Company announces and declares its annual financial report within three months after the end of each fiscal year, and declares the financial reports and operating status of each month within 45 days after the end of the first, second, and third quarters.	The Company handles the reporting in accordance with Article 36 of the Securities and Exchange Act.
8. Does the Company have other important information to facilitate better understanding of the its corporate governance practices	V		1. Employee rights and interest: The Company and its 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 treat them with integrity while safeguarding employee rights and interests in accordance with the Labor Standards	No material difference.

Assessment Items	Operating status			Discrepancy with industry standards in governance practices and reasons
	Yes	No	Summary	
(including without limitation employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?			<p>Act.</p> <p>2. Employee care: To improve the living and safety standards of employees, the Company and its affiliates implemented various employee care measures such as insurance for employees and their dependents, employee health checkups, solatium for injuries and illnesses, and hospital treatment discounts at Far Eastern Memorial Hospital.</p> <p>3. Investor relations: The Company has appointed dedicated personnel to handle suggestions and questions from investors in order to maintain a good channel of communication between investors and the Company.</p> <p>4. Supplier relations: The Company have always maintained good long-term partnerships with suppliers based on mutual trust and benefits in order to provide customers with products that meet their needs.</p> <p>5. Stakeholders' rights: Stakeholders may establish communication with the Company and offer suggestions to protect their legal rights and interests. They may also look up financial, business and corporate governance information on the Company website.</p> <p>6. Continuing education for director and managers: See Appendix 4 and Appendix 5.</p> <p>7. The Company's risk management policy 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 managed by each business and administrative departments and audited by the Internal Audit Department through planned, project, or for-cause audits. Audit results are regularly reported to the Company for decision-making, allowing the Company to adjust and revise its risk management policies appropriately. (For the relevant implementation status, refer to VI. Review and Analysis of Risk Issues in Chapter 7. Risk Analysis and Assessment )</p> <p>8. Implementation of Customer Policies: Regarding customer policies for all consumers, the strategies we have adopted are as follows: In terms of products, we provide high-quality and diversified products and kept up with changes in the market, constantly introducing new brands to maintain product competitiveness. In terms of management, in addition to the launching ISO quality management system and implementing standardized operating procedures, all stores regularly hold supervisor meetings, striving to do the best in terms of relevant hardware equipment and sales services and take care of customers.</p> <p>9. Liability insurance purchased for directors by the Company: The Company purchased liability insurance for all directors on June 30, 2020, reducing the legal risks and financial liabilities of directors, thereby protecting directors from possible damage in performing their duties. The purchase was reported to the Board of Directors on August 12, 2020.</p> <p>10. Relevant certifications obtained by personnel related to financial information transparency as required by the competent authority: See Appendix 6.</p>	

Assessment Items	Operating status			Discrepancy with industry standards in governance practices and reasons
	Yes	No	Summary	

#### Appendix 1. Implementation of Diversity Policies for Board Members

- The Board of Directors conduct annual performance evaluations to confirm the diversity and competency of its members.

Key Diversification Item Name	Gender	Age	Business judgment	Finance & accounting	Business management	Crisis response	Industry knowledge	An international market perspective	Leadership & decision-making
Douglas Tong Hsu	M	Above 60	✓	✓	✓	✓	✓	✓	✓
Nancy Hsu	F	Above 60	✓	✓	✓	✓	✓	✓	✓
Nicole Hsu	F	50~60	✓	✘	✓	✓	✓	✓	✓
Chee Ching	F	50~60	✓	✓	✓	✓	✓	✓	✓
Jin-Lin Liang	F	Above 60	✓	✓	✓	✓	✓	✓	✓
Philby Lee	F	50~60	✓	✓	✓	✓	✓	✓	✓
Edward Way	M	Above 60	✓	✓	✓	✓	✓	✓	✓
Eugene You-Hsin Chien	M	Above 60	✓	✓	✓	✓	✓	✓	✓
Dong, Ding Yu	M	Above 60	✓	✓	✓	✓	✓	✓	✓

Note: ✘ Indicates those with some of the skills.

The tenure of the two new independent directors, Edward Way and Eugene You-Hsin Chien, is 6 to 9 years. Independent Director Ting-Yu Tong took office on June 24, 2020.

#### Appendix 2. Succession planning and management goals for board members and important management

- In the succession plan of the Company's board members and important management, the successor should not only have excellent academic experience, professional knowledge and excellent work ability, but also the business philosophy must be consistent with the Company. The successors understand and agree with the Company's business philosophies of integrity, diligence, simplicity, caution, and innovation and the participation of the Company's business goals, the communication of the business team, and the status of the industry.
- In order to ensure that directors and successors can immediately grasp the ever-changing management and competitive environment and corporate governance related laws, the Company also plans various exclusive courses for directors to ensure that corporate governance is up to date.
- Regarding important management personnel, the Company has planned a series of annual training courses and special management training programs to identify and actively train the management and operation succession talents required for the continuous operation of the stores. The course content is mainly to strengthen management, operation and foreign language skills, and with performance and promotion, gradually strengthen the internal high-quality talent pool to ensure sustainable operation.

#### Appendix 3. CPA independence assessment criteria

Assessment Items	Assessment result	Compliance
1. Whether the accountant has a direct or significant indirect financial relationship with the Company.	No	Yes
2. Whether the accountant has any financing or guarantee actions with the Company or its directors.	No	Yes
3. Whether the accountant has a potential employment relationship with the Company.	No	Yes
4. Whether accountants and members of the audit service team currently serve or have served within the last two years as directors, supervisors, managers, or positions that have a significant influence on audit cases.	No	Yes
5. Whether the accountant has provided non-audit services to the Company that will directly affect the important items of the audit case.	No	Yes
6. Whether the accountant promotes or mediates the stocks or other securities issued by the Company.	No	Yes
7. Whether the accountant serves as a defender of the Company, or on behalf of the Company to coordinate conflicts with other third parties.	No	Yes
8. Whether the accountant is related to the Company's directors, managers, or persons with positions that have a significant influence on the audit case.	No	Yes

Assessment Items		Operating status				Discrepancy with industry standards in governance practices and reasons
		Yes	No	Summary		

Appendix 4. Board Directors’ training status:					
Title	Name	Advanced study date		Organizer	Hours
		Start	End		
Chairman	Douglas Tong Hsu	2020.07.22	2020.07.22	Taiwan Academy of Banking and Finance	3
		Seminar on Board Operation Practice and Corporate Governance			
		2020.12.09	2020.12.09	Taiwan Academy of Banking and Finance	3
		Seminar on Board Operation Practice and Corporate Governance			
Director	Nancy Hsu	2020.07.22	2020.07.22	Taiwan Academy of Banking and Finance	3
		Seminar on Board Operation Practice and Corporate Governance			
		2020.12.09	2020.12.09	Taiwan Academy of Banking and Finance	3
		Seminar on Board Operation Practice and Corporate Governance			
Director	Nicole Hsu	2020.07.22	2020.07.22	Taiwan Academy of Banking and Finance	3
		Seminar on Board Operation Practice and Corporate Governance			
		2020.07.31	2020.07.31	Taiwan Corporate Governance Association	3
		Business Management Risks and Corporate Governance			
Director	Philby Lee	2020.07.22	2020.07.22	Taiwan Academy of Banking and Finance	3
		Seminar on Board Operation Practice and Corporate Governance			
		2020.12.09	2020.12.09	Taiwan Academy of Banking and Finance	3
		Seminar on Board Operation Practice and Corporate Governance			
Director	Jin-Lin Liang	2020.07.22	2020.07.22	Taiwan Academy of Banking and Finance	3
		Seminar on Board Operation Practice and Corporate Governance			
		2020.12.09	2020.12.09	Taiwan Academy of Banking and Finance	3
		Global Economic Trends and Development Opportunities for Taiwan			
Director	Chee Ching	2020.07.22	2020.07.22	Taiwan Academy of Banking and Finance	3
		Seminar on Board Operation Practice and Corporate Governance			
		2020.12.09	2020.12.09	Taiwan Academy of Banking and Finance	3
		Global Economic Trends and Development Opportunities for Taiwan			
Independent Director	Eugene You-Hsin Chien	2020.02.05	2020.02.05	Taiwan Institute for Sustainable Energy	2
		The 19th CEO Lecture and Keynote Speech			
		2020.05.13	2020.05.13	Taiwan Institute for Sustainable Energy	2
		The 20th CEO Lecture and Keynote Speech			
		2020.07.22	2020.07.22	Taiwan Academy of Banking and Finance	3
		Seminar on Board Operation Practice and Corporate Governance			
		2020.07.30	2020.07.30	Taiwan Institute for Sustainable Energy	2



Assessment Items			Operating status				Discrepancy with industry standards in governance practices and reasons
			Yes	No	Summary		
			The 21st CEO Lecture and Keynote Speech				
			2020.07.31	2020.07.31	Taiwan Corporate Governance Association		3
			New Practices of Corporate Governance by the Board of Directors - Advanced Deployment and Realization of Information and Network Security				
			2020.08.05	2020.08.05	Securities & Futures Institute		3
			5G Key Technologies and Application Opportunities				
			2020.09.21	2020.09.21	Taiwan Stock Exchange Corporation		3
			“Corporate Governance 3.0 - Blueprint for Sustainable Development” summit				
			2020.10.29	2020.10.29	Taiwan Institute for Sustainable Energy		2
			The 22nd CEO Lecture and Keynote Speech				
Independent Director	Edward Way	2020.01.14	2020.01.14	Taiwan Insurance Institute		3	
		Lecture on Corporate Governance - The Impact of IFRS17 on Insurance Business Strategies					
		2020.05.29	2020.05.29	Taiwan Corporate Governance Association		3	
		A Complete Guide to Cybersecurity for Directors and Supervisors					
		2020.06.23	2020.06.23	Taiwan Corporate Governance Association		1	
		Issues related to risk management, corporate sustainability and ESG that need to be considered by the directors and supervisors after the pandemic					
		2020.07.14	2020.07.14	Securities & Futures Institute		3	
		New KPIs and Performance Management in the Digital Economy Era					
		2020.07.16	2020.07.16	Securities & Futures Institute		3	
		Principles and Applications of Artificial Intelligence					
		2020.07.22	2020.07.22	Taiwan Academy of Banking and Finance		3	
		Seminar on Board Operation Practice and Corporate Governance					
		2020.08.25	2020.08.25	Taiwan Corporate Governance Association		1	
		Discussion of the collapse of corporate governance and its impact starting from the Datong case					
		2020.08.28	2020.08.28	Taiwan Corporate Governance Association		3	
		Mastering the AI Risk Management Framework and Increasing Trust in AI Applications					
		2020.09.14	2020.09.14	Taiwan Insurance Institute		3	
		New Trends in Green Finance					
		2020.09.21	2020.09.21	Taiwan Stock Exchange Corporation		3	
		Corporate Governance 3.0 - Blueprint for Sustainable Development summit					
		2020.09.24	2020.09.24	Taiwan Insurance Institute		3	
		Analysis of the Principles of Fair Hospitality					
		2020.09.29	2020.09.29	Taiwan Corporate Governance Association		1.5	
		The Current State of Liability Insurance for Directors and Supervisors and Case Sharing					
		2020.09.29	2020.09.29	Taiwan Corporate Governance Association		1.5	
		Competition for management rights and case analyses					
		2020.12.09	2020.12.09	Taiwan Academy of Banking and Finance		3	
Seminar on Board Operation Practice and Corporate Governance							
2020.12.31	2020.12.31	Taiwan Corporate Governance Association		1			
Strategies for corporation to utilize the capital market in today’s environment							
Independent Director	Dong, Ding Yu	2020.07.22	2020.07.22	Taiwan Academy of Banking and Finance		3	

Assessment Items		Operating status			Discrepancy with industry standards in governance practices and reasons
		Yes	No	Summary	
		Seminar on Board Operation Practice and Corporate Governance			
		2020.07.31	2020.07.31	Taiwan Corporate Governance Association	3
		The General Trend of CSR and Sustainable Governance			
		2020.08.07	2020.08.07	Taiwan Corporate Governance Association	3
		Taxation Disputes on Salaries Received by Expatriate Employees in China - From the Perspectives of Corporate and Personal Tax			
		2020.09.18	2020.09.18	Taiwan Institute of Directors	3
		2020 Institute of Directors Annual Meeting: In Search of New Growth Momentum in the Year of Strategy Turning Points			
		2020.09.24	2020.09.24	Taiwan Corporate Governance Association	3
		2020 Seminar on Legal Systems for Substantive Beneficiaries			
		2020.12.09	2020.12.09	Taiwan Academy of Banking and Finance	3
		Seminar on Board Operation Practice and Corporate Governance			

(The above data are as of 12/31/2020)

#### Appendix 5. Advanced studies for managers

Title	Name	Advanced study date		Organizer	Hours
		Start	End		
President	Nancy Hsu	2020.07.22	2020.07.22	Taiwan Academy of Banking and Finance	3
		Seminar on Board Operation Practice and Corporate Governance			
		2020.12.09	2020.12.09	Taiwan Academy of Banking and Finance	3
		Global Economic Trends and Development Opportunities for Taiwan			
Junior Vice President	Hwa-Ling Hsu	2020.07.06	2020.07.06	The Institute of Internal Auditors, R.O.C.	6
		Introduction to Ethical Corporate Management Best Practice Principles and ISO37001 Implementation Practice			
		2020.07.07	2020.07.07	The Institute of Internal Auditors, R.O.C.	6
		EU GDPR Compliance and Personal Data Protection			
Junior Vice President	Lily Y.T. Liu	2020.03.12	2020.03.12	Securities & Futures Institute	3
		Directors and Supervisors (Including Independent) and Corporate Governance Executives Advanced Seminar - Analysis and Decision-making of Corporate Financial Information			
		2020.04.16	2020.04.16	Securities & Futures Institute	3
		Directors and Supervisors (Including Independent) and Corporate Governance Executives Advanced Seminar - Early Warning and Type Analysis of Corporate Financial Crises			
		2020.04.16	2020.04.16	Securities & Futures Institute	3
		Directors and Supervisors (Including Independent) and Corporate Governance Executives Advanced Seminar - Principles and Application of Artificial Intelligence			
		2020.12.24	2020.12.25	Accounting Research and Development Foundation	12
		Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer			

(The above data are as of 12/31/2020)

Assessment Items	Operating status			Discrepancy with industry standards in governance practices and reasons
	Yes	No	Summary	

**Appendix 6. Certificates designated by the competent authority held by the Company's personnel involved in transparency of financial information:**

Department Certification	The Company			All companies in the Financial Report		
	Finance unit	Accounting unit	Audit unit	Finance unit	Accounting unit	Audit unit
Republic of China Accountant	1	2	1	2	3	1
Chinese Accountant					3	
Chinese Intermediate Accountant				1	8	
Chinese Junior Accountant				6	9	
Senior Commercial Accountant (ACCA)					1	
International Registered Internal Auditors					1	
Intermediate Accountant Title					1	
Junior Accountant Title			1		2	1
Accounting Qualification Certificate				1	2	
Class C Technical Certification for Accounting Services		5	3	1	12	4
Basic proficiency test for internal control		1	4		1	4
International Certified Internal Auditor			1	1		1
Computer Audit Software Application Engineer (JCCP)			17			17
International Computer Audit Software Application Engineer			9			9
Bank internal control and internal audit	1		2	2	1	2
Leading auditor of information security management system			2			2
SME financial personnel	1			1		
Financial planning personnel	2	1		3	1	
Securities practitioner qualification certificate					1	
Securities investment analyst			1	1		1
Senior securities sales clerk	2		1	4		1
Securities firm salesperson			2	1	1	2
Securities investment and trust investment advisory salesperson			2			2
Trust agents	2		2	3	2	2
Bookkeeper		1	1		1	1
Property insurance salesperson			2			2
Life insurance salesperson	4		2	4		2
Futures dealer salesperson	1		2	1	1	2
Common knowledge and professional ethics of the financial market	3	1	3	3	1	3
Corporate governance basic ability test	1			1		
Professional subject test for stock affairs personnel	1		1	1		1
Wealth management personnel			1			1

Assessment Items	Operating status			Discrepancy with industry standards in governance practices and reasons
	Yes	No	Summary	
<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 Composition, duties, and operation of the Remuneration Committee

### 1. Remuneration Committee member information

Identity (Note 1)	Criteria	Has at least 5 years of work experience and meets one of the following professional qualifications			Compliance of independence (Note 2)										Number of other public companies in which the member also serves as a member of their Remuneration Committee	Note
		An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university	Certified judge, prosecutor, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Have work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Edward Way		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Independent Director	Eugene You-Hsin Chien	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Others	Mei-Xue Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: Please fill in director, independent director or other in Identity.

Note 2: If the committee member meets any of the following criteria in the two years before being appointed or during the term of office, please check "✓" the corresponding boxes.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Directors and supervisors who are not part of the Company or its affiliated companies (except if the Company and its parent company, subsidiary, or subsidiary of the same parent company are independent directors set up in accordance with this law or local laws and regulations).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a manager listed in (1) or spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship to any person listed in (2) and (3).
- (5) Directors, supervisors or legal shareholders who do not directly hold more than 5% of the total issued shares of the Company, in the top five for shareholdings, or appointed a representative as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (except for those who concurrently serve as independent directors established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with this law or local laws and regulations).
- (6) More than half of the non-company directors or voting shares are directors, supervisors or employees of other companies controlled by the same person (but concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (7) Directors, supervisors or employees of other companies or institutions that are not the same person or spouse as the chairman, president or equivalent positions of the Company (but concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (8) Directors, supervisors, managers, or shareholders holding more than 5% of shares of a specific company or organization that is not in financial or business dealings with the Company (but if a specific company or organization holds more than 20% but less than 50% of the Company's total issued shares, and the concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or president of a sole proprietorship, partnership, company, or institution that, provides auditing and commercial, legal, financial, accounting services or consultation that does not exceed NT\$500,000 in remuneration over the last two years to the Company or to any affiliate of the Company, or a spouse thereof. However, this does not apply to members of the Remuneration Committee, Public Acquisition Review Committee, or Mergers and Acquisitions Special Committee who perform their duties in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Corporate Mergers and Acquisitions Act.
- (10) Does not have any of the situations set forth in Article 30 of the Company Act.

## 2. The Remuneration Committee's responsibilities

The operation method is handled in accordance with the Company's "Remuneration Committee Charter", and its main responsibilities are:

- (1) Stipulate and review regularly the remuneration policies, systems, standards and structures, and performance of directors and managers.
- (2) Regularly review and adjust director and manager remuneration.

## 3. Operation Status of the Remuneration Committee

- (1) The Remuneration Committee is comprised of 3 members.
- (2) Current term of office: August 9, 2018 to June 20, 2021. Three meetings of the Remuneration Committee were held in the period from January 1, 2020 to the Annual Report publication date. The attendance of committee members is as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Expected attendance in person (A)	Attendance rate (%) (B/A)	Note
Convener	Edward Way	3	0	3	100%	
Committee member	Eugene You-Hsin Chien	3	0	3	100%	
Committee member	Mei-Xue Lin	3	0	3	100%	
Other details that need to be recorded in the meeting minutes: (1) If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, it shall state the date of the Board of Directors, the date, the content of the proposal, the results of the resolutions of the Board of Directors and the Company's handling of the opinions of the Remuneration Committee (if the remuneration and remuneration approved by the Board of Directors are better than the recommendations of the Remuneration Committee, The differences and reasons should be stated): None. (2) For the resolutions of the Remuneration Committee, if members have objections or reservations and have records or written statements, the Remuneration Committee's date, period, proposal content, all members' opinions, and the handling of their opinions should be stated: None.						

## 4. In the most recent year, the reasons for discussion and resolution of the Remuneration Committee of the Company, and the Company's handling of members' opinions are as follows

Remuneration Committee	Agenda content	Resolution result	The Company's opinion on the Remuneration Committee
March 27, 2020 (4th meeting of the 4th committee)	2019 Distribution of employee and director remuneration	Passed by all attending committee members	Presented in the board meeting and passed by all attending directors as proposed
March 23, 2021 (6th meeting of the 4th committee)	2020 Distribution of employee and director remuneration	Passed by all attending committee members	Presented in the board meeting and passed by all attending directors as proposed

**5. Performance of Corporate Social Responsibility and deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and their causes**

Assessment Items	Operating status			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and their causes						
	Yes	No	Summary							
1. Does the Company perform risk assessments in environmental, social, and corporate governance issues relevant to its business activities according to the materiality principle and devise risk management policies and strategies accordingly?	V		<div><div>1. The Company has long used a sound risk management mechanism to identify risks and threats based on the principle of the importance of corporate social responsibility, and has established power and responsibility committees and departments to manage and control, to ensure that the Company actively engages in various business developments under the risk management system to reduce The impact of business activities on the environment, society and corporate governance, and to prevent problems from recurring.</div><div>2. Various types of risks are managed by the internal authority and responsibility units of the organization to formulate management rules for the front-line prevention and management. Through consistent standards, all levels of the Company can identify, measure, monitor and control risks when engaging in various businesses. The audit office also regularly performs various audit operations and projects to ensure the effective operation of the risk management system of each unit, and regularly reports the annual audit plan and quarterly audit reports to the Board of Directors.</div><div>3. From the perspective of "systematic risk" and "non-systematic risk", Far Eastern Department Store regularly assesses possible changes in the risks that the Company may face in the course of its business operations, including "regulatory compliance risk", "product safety risk", "shopping mall operation risk", and "financial management" The management and countermeasures for the six types of risks, such as "risk", "human resource risk", and "personal asset management risk", are as follows. For more details, please refer to the Corporate Social Responsibility Report of Far East Department Store.</div></div> <table><tr><th>Risk type</th><th>Control focus</th></tr><tr><td>Legal compliance risk</td><td><ul style="list-style-type: none"><li>Implement the annual audit plan and internal audit reporting operations</li><li>Revise the internal control system and internal audit implementation rules</li><li>Consolidate the special areas of the financial management committee, the stock exchange and other transaction laws and letters every month, and keep up to date with the latest news from the competent authority, and perform inspections in accordance with the latest regulations in a timely manner</li></ul></td></tr><tr><td>Commodity safety risks</td><td><ul style="list-style-type: none"><li>Inspect the quality and safety of the merchandise sold and displayed in the store</li></ul></td></tr></table>	Risk type	Control focus	Legal compliance risk	<ul style="list-style-type: none"><li>Implement the annual audit plan and internal audit reporting operations</li><li>Revise the internal control system and internal audit implementation rules</li><li>Consolidate the special areas of the financial management committee, the stock exchange and other transaction laws and letters every month, and keep up to date with the latest news from the competent authority, and perform inspections in accordance with the latest regulations in a timely manner</li></ul>	Commodity safety risks	<ul style="list-style-type: none"><li>Inspect the quality and safety of the merchandise sold and displayed in the store</li></ul>	No significant difference.
Risk type	Control focus									
Legal compliance risk	<ul style="list-style-type: none"><li>Implement the annual audit plan and internal audit reporting operations</li><li>Revise the internal control system and internal audit implementation rules</li><li>Consolidate the special areas of the financial management committee, the stock exchange and other transaction laws and letters every month, and keep up to date with the latest news from the competent authority, and perform inspections in accordance with the latest regulations in a timely manner</li></ul>									
Commodity safety risks	<ul style="list-style-type: none"><li>Inspect the quality and safety of the merchandise sold and displayed in the store</li></ul>									

Assessment Items	Operating status			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and their causes
	Yes	No	Summary	
			<div>Department store operational risks</div> <ul style="list-style-type: none"> <li>• Ensure safe operations in department stores and provide safe shopping environments</li> <li>• Draw up fixed assets of branches to reduce the risk of loss of operating assets</li> </ul> <div>Financial management risk</div> <ul style="list-style-type: none"> <li>• Remind and advise the financial management unit to comply with the requirements of the competent authority in due course</li> <li>• Remind the subsidiary company to perform financial management related operations in accordance with the regulations of the competent authority in a timely manner</li> <li>• Perform audits of financial and accounting operations in accordance with laws and regulations, including capital loans, back guarantees, asset acquisition and disposal, branch financial/treasury security control measures</li> </ul> <div>Human resources management risk</div> <ul style="list-style-type: none"> <li>• Welfare payments and allowances comply with the principle of fairness</li> </ul> <div>Personal asset management risk</div> <ul style="list-style-type: none"> <li>• Protect Far Eastern Department Store members and consumers' personal data application/delete operations, in line with legal requirements</li> <li>• To verify the effectiveness of personal asset protection against Far Eastern Department Store APP, strengthen protection management and control</li> <li>• Protect personal data security in the cloud, verify the security mechanism of cloud services, and strengthen personal data protection measures</li> </ul>	No significant difference.
2. Does the Company have exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing corporate social responsibilities and let the Board of Directors entrust the high-ranking management with the implementation and the latter will report to the Board of Directors on the implementation status?	√		<ol style="list-style-type: none"> <li>1. Since 2015, a "Corporate Social Responsibility Committee" has been set up, with the president as the chairman, the chief financial officer as the chief executive, and an executive office responsible for the implementation of strategy research, activity recommendations, and preparation of CSR reports.</li> <li>2. There are eight functional committees under the Corporate Social Responsibility Committee, which hold regular monthly meetings to report and track the progress of each project.</li> <li>3. Regarding the major decision-making and implementation of CSR, we regularly report to the Board of Directors at the meeting of the Board of Directors every quarter. In 2020, the Board of Directors has passed 24 resolutions.</li> </ol>	No significant difference.



Assessment Items	Operating status			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and their causes
	Yes	No	Summary	
3. Environmental issues				
(1) Has the Company developed an appropriate environmental management system based on its distinctive characteristics?	√		The Company its subsidiaries actively promote various energy management and energy conservation goals, including: (1) water chiller switch control, (2) reduced backstage lighting, (3) reduced elevator-usage during off-peak hours, and (4) addition of automatic escalator speed control devices and replacement of old equipment in order to follow government policies, slow global climate change, and fulfill the corporate social responsibility of protecting the environment.	No material difference.
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	√		In order to properly protect the natural environment, the Company actively promotes the implementation of a code of practice that strives to improve the efficiency of various resources. Ecological impacts are always considered before any operating activity is conducted to reduce the Company's environmental impact.	No material difference.
(3) Does the Company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?	√		Global warming has caused the gradual rise of annual average temperatures. In response to relevant risks and opportunities, the Company's energy team referenced the internal control charts "indoor air-conditioning temperature limits" and "air-conditioning on/off timetable" as well as the operating hours, region, and category of different stores to establish standards for indoor temperature range and air-conditioning on/off hours. The Company also introduced the ISO 50001 energy management system to the FEDS Head Office and Mega City Banqiao and the ISO 14064-1:2018 to the Hualien Store to conduct greenhouse gas inspections, constantly achieving its goal to improve energy efficiency and carbon-emission management.	No material difference.
(4) Does the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon reduction, greenhouse gas reduction, water reduction, or waste management?	√		<p>The Company compiles monthly/quarterly water and electricity usage information to review internally, establish energy management indicators, and set reduction targets to manage an control energy usage. Since 2012, the Company's electricity usage has maintained a downward trend for 9 consecutive years. In 2020, the Company's 10 stores used a total of 178.956 million kWh of electricity, down 4.7% in terms of both electricity usage and carbon emissions from 2019. For 2021, the Company continues to aim for a 1% decrease in electricity consumption.</p> <p>Changes in the business structure of department stores in recent years with the addition of large-scale food and dining counters has resulted in more waste being produced. To effectively control the volume of waste produced, the Company has implemented a zero waste growth project since 2019.</p> <p>1. Goals:</p> <p>    (1) Improve waste sorting and increase the amount of waste recycled to reduce the volume of waste going into incinerators.</p> <p>    (2) Ban single-use utensils.</p> <p>2. Activity: Set a target for recycling paper and conduct monthly efficacy reviews.</p> <p>3. Results: 774 tons in 2018, 922.5 tons in 2019, 937</p>	No material difference.

Assessment Items	Operating status			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and their causes
	Yes	No	Summary	
			tons in 2020.	
4. Social issues				
(1) Does the Company comply with relevant laws and regulations and internationally recognized covenants on human rights, and have related management policies and procedures in place?	V		<p>In order to protect the basic human rights of employees and create an environment that protects the human rights of employees, the Company agrees with the principles of the ILO Tripartite Declaration of Principles for Multinational Enterprises and Social Policies, the Guiding Principles for Multinational Enterprises of the Economic Cooperation and Development Organization, the United Nations Universal Declaration of Human Rights and the principles of the United Nations Global Covenant the Company's labor policies and regulations are formulated in accordance with labor laws and gender-work equality related laws and regulations. Check regularly every month to ensure compliance with all laws and regulations.</p> <p>In order to ensure a good labor-management relationship, labor-management meetings are held regularly, and any matters related to employee rights can be decided after full communication between labor and management. At the same time, in order to motivate employees' morale, ensure their legal rights and interests, and promote harmonious labor-management relations, we have specially formulated the Company's employees' opinions handling methods, and employees whose rights have been violated or unfair events can submit appeals.</p> <p>The Company complies with the relevant regulations of the occupational safety and health laws and regulations, and the Company's most senior management signs an occupational safety and health policy declaration to demonstrate the Company's determination to promote occupational safety and health management matters. Occupational safety and health committee meetings are held regularly every quarter to discuss and review the Company's safety and health management related matters and work rules, management regulations, occupational safety and health management plan revisions, and record keeping.</p>	No material difference.
(2) Does the Company establish and implement reasonable employee benefits (including remuneration, leave, and other benefits), and ensure business performance or results are reflected adequately in employee compensation?	V		<p>The Company's articles of incorporation are disclosed in the Annual Report and the Company's official website, which clearly stipulate the provision of employee compensation. If the Company makes a profit during the year, it shall allocate 2% to 3.5% as employee compensation. For this purpose, the actual distribution ratio, amount, method and number of shares shall be decided by the Board of Directors and shall be processed after reporting to the shareholders meeting.</p> <p>In addition, in addition to setting up a "Remuneration Committee", the Company strengthens corporate governance and improves the salary and remuneration system. It also takes into account the salary standards of relevant peers and listed companies, formulates reasonable remuneration policies for employees, and clearly establishes incentive bonus systems such as monthly performance appraisal bonuses and weekly rewards. Bonuses for the achievement of celebration</p>	No material difference.

Assessment Items	Operating status			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and their causes
	Yes	No	Summary	
			activities and year-end bonuses are all issued in conjunction with individual or departmental performance to promote overall business performance. At the same time, it also accelerates the promotion of key talents through annual appraisal, performance and salary adjustments, and promotes performance improvement. In 2020, the salary will not be adjusted comprehensively, and the salary will be adjusted according to the needs of the business. The average salary adjustment is about 3%~5%. Other working conditions, such as vacations and other welfare matters, are given in accordance with the law or even better than the law, to ensure the employees' legal and reasonable welfare measures.	
(3) Does the Company provide its employees with safe and healthy workplaces, and organize training on safety and health for its employees on a regular basis?	V		<ol style="list-style-type: none"> <li>1. Implementation of self-management and automatic inspection plans, the Company's general management office regularly conducts occupational safety and health management plan performance reviews and safety and health site inspections to each branch company. The branch company independently manages on-site inspection operations every week.</li> <li>2. The work environment monitoring plan is regularly implemented every six months, and work environment monitoring (carbon dioxide and noise) operations are carried out to ensure the safety and health of the workplace, and provide colleagues and customers with a high-quality office and shopping environment.</li> <li>3. Regular drinking water quality inspections (total colony counts and coliforms) are carried out every season, and the test results meet the standards, allowing colleagues to drink with peace of mind.</li> <li>4. Implementation of safety and health education, training, and exercises for new employees. Formulate education and training plans to promote safety and health and workplace health issues for in-service employees, and implement safety and health related license personnel (occupational safety and health management personnel, labor health service nurses, first aid personnel, fire protection managers, indoor air quality maintenance Professional training and regular retraining for management professionals and AED managers, etc.).</li> <li>5. The physical and mental health protection plan is implemented (musculoskeletal hazard prevention, overwork prevention, workplace violence prevention, maternal health protection) to protect the physical and mental health of colleagues and maintain their health and well-being.</li> <li>6. For health check results and physical and mental health protection hierarchical management, identify high-risk groups, provide on-site physician services, provide case tracking management and health education guidance, and jointly check the health of colleagues.</li> <li>7. Handle health promotion activities, each year for different health themes. In 2020, organize the "Challenge 60 Days to Reduce Major Battles"</li> </ol>	No material difference.

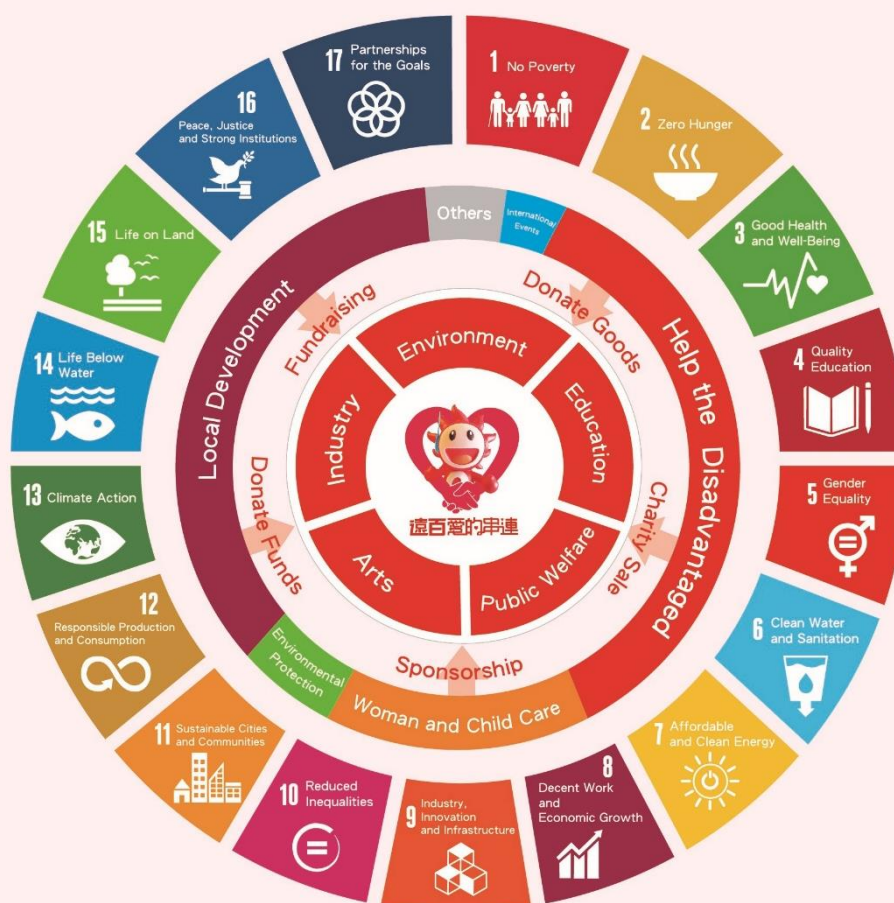
Assessment Items	Operating status			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and their causes
	Yes	No	Summary	
			<p>competition, encourage colleagues whose BMI value exceeds the standard to participate, and establish the correct diet and exercise through healthy eating and health exercise courses. Good life habits, the body is naturally healthy and strong.</p> <p>8. Regularly conduct a fire drill every six months, and conduct regular drills for group A personnel every month, so that colleagues are familiar with firefighting marshalling tasks and emergency response.</p> <p>9. Set up first aid personnel and first aid kits to provide preliminary treatment of accidental injuries in the workplace.</p> <p>10. Set up health stations to provide health promotion materials, sphygmomanometers, body fat meters, ear thermometers, first aid kits, masks and alcohol disinfectants.</p> <p>11. Set up AED (Automated External Cardiac Defibrillator), AED administrators regularly return to training and more than 70% of colleagues regularly receive AED+CPR training. In 2020, the Company's Xinyi Store, Baoqing Store, Banqiao Store, Banxin Store, Taoyuan Store, The Hsinchu Store, Taichung Store, Chiayi Store, Tainan Chenggong Store, Tainan Park Store, Kaohsiung Store and Hualien Store have all received the Ministry of Health and Welfare "AED Safe Place Certification".</p> <p>12. To implement smoking prevention management and health management, take care of the physical and mental health protection of colleagues, the Company's 2020 general management office, Baoqing Store, Banxin Store, Banqiao Store, Taoyuan Store, Hsinchu Store, Taichung Store, Chiayi Store, Tainan Store, Kaohsiung Both the store and Hualien store have obtained the "Healthy Workplace-Health Promotion Mark" certification from the Ministry of Health and Welfare. Xinyi Store also received the "Healthy Workplace Health Launching Mark" from the Ministry of Health and Welfare.</p> <p>13. At least 6 safety and health lectures are held every year. The content of the courses is rich and diverse. Colleagues can participate freely according to their interests (for example: Oral, vision care, cardiovascular prevention, self-defense techniques, employee stress relief, healthy eating, health exercises, workplace violations and traffic safety advocacy, etc.).</p> <p>14. To continue to create zero-hazard workplaces, the Company's 2020 General Management Office, Baoqing Store, Taoyuan Store, Hsinchu Store, Taichung Store and Chiayi Store have all obtained the "Certificate of No Accident Working Hours Record" from the Ministry of Labor.</p> <p>15. Share and send safety and health-related information from time to time in the health information area of the EIP mobile office, and post posters in the pantry to provide colleagues with the latest news and related knowledge.</p> <p>16. Human rights-related education and training held in</p>	

Assessment Items	Operating status			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and their causes
	Yes	No	Summary	
			2020 include labor-related, labor safety and health management, with a total of 3,070 person-times and 3,784 hours.	
(4) Does the Company offer its employees effective occupational empowerment training programs?	V		According to personal work needs, performance appraisal results and career development needs, provide diversified learning channels and development resources, and strive to create a learning environment, including on-the-job training, classroom training, job guidance and job rotation, etc., so that employees can advance their personal careers and continue to learn happily with the development of the Company.	No material difference.
(5) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and has it established relevant consumer protection policies and grievance procedures?	V		<p>Products are provided by ethically and legitimately operated counters and exhibit the terms of use, country of origin, and certification labels which indicate that they comply with national standards. All products are in compliance with laws and regulations. In the event of any damage to their rights or interests, customers may report the problem to the customer service center of each store, our customer service hotline, or customer service mailbox. Complaints will be addressed and handled within 3 days.</p> <p>Mega City values the protection of consumers' personal data and privacy. Internally, the Company controls its personnels' use of consumers' personal data according to the Information Security Management Regulations. Externally, the Company discloses its consumer personal data protection clauses and provides avenues for consumers to delete their personal data and make complaints, appointing dedicated personnel to answer consumers' questions or delete their data. The Company also conducts irregular audits based on the aforementioned regulations to protect consumers' personal data. Customers may report any damages to their rights or interests to the customer service center at each store, customer service hotline/mailbox, the Mega City official website, or Mega City app. Complaints will be addressed and handled within 3 days.</p>	No material difference.
(6) Has the Company established supplier management policies, which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights? If so, describe the implementation results.	V		<p>In order to ensure that suppliers meet social and ethical standards in the process of providing products and services, understand and abide by laws, actively respond to environmental protection and social-related issues, and have the courage to assume corporate social responsibility and continue to improve, the Company has established "Contractor Management Regulations" "Regulate the operation of suppliers in terms of occupational safety and health.</p> <p>In addition to selecting suppliers by referring to supplier evaluation records, the Company also requires suppliers to sign the "Supplier Social Responsibility Commitment", instructing suppliers to continue to pay attention to "labor and human rights, health and safety, environmental protection, and business ethics." Standard" and use this as one of the supplier selection criteria.</p> <p>the Company has set up "Contractor Management Regulations" to comply with safety and health related laws and regulations, fulfill the obligation of notification</p>	No significant difference.

Assessment Items	Operating status			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and their causes
	Yes	No	Summary	
			<p>of hazards, implement safety and health management and effectively implement safety and health work, reduce the incidence of disasters, and ensure personal safety.</p> <p>the Company's contracts with various suppliers have detailed the management of building environment, shopping mall management, product quality, store safety, personnel management, accounting treatment, customer service and other related matters, in order to achieve the goal of jointly enhancing corporate social responsibility. If the supplier violates it, it shall be dealt with in accordance with the law.</p>	
5. Does the Company adopt internationally widely recognized standards or guidelines when producing corporate social responsibility reports and reports disclosing the Company's non-financial information? Does the Company obtain a third-party assurance or verification for such reports?	V		<p>(1) the Company's corporate social responsibility report is compiled with reference to the GRI Standards issued by the Global Reporting Initiative (GRI), and adopts the core option disclosure principles.</p> <p>(2) The report is guaranteed by a third-party verification unit to confirm that it complies with the core options of GRI Standards and the AA1000 Type 1 Moderate Level.</p>	No significant difference.
<p>6. If the Company has established social responsibility principles based on Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the principles and their implementation:</p> <p>the Company has a "Corporate Social Responsibility Policy" and actively fulfills its role as a corporate citizen; Regularly publish the "Corporate Social Responsibility Report" every year to explain the implementation of corporate social responsibility information and continue to improve the transparency of disclosure; There is a full-time "Corporate Social Responsibility Committee" to plan the corporate sustainability vision, achieve ESG sustainability goals such as "implementing corporate governance, developing a sustainable environment, and maintaining social welfare", and usher in a better life with the public.</p>				

Assessment Items	Operating status			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and their causes
	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**

Assessment Items	Operating status (Note)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
1. Establishment of ethical corporate management policy and approaches				
(1) Has the Company implemented a board-approved business integrity policy and stated in its regulations and external correspondence its business integrity policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	V		The Company adopted the resolution of the Board of Directors to formulate the "Code of Ethical Conduct" and the "Code of Integrity Management" to regulate the Company's personnel to operate various business activities in accordance with the principle of integrity, and clearly stipulate that "bribery and acceptance of bribes" and "illegal political contributions are prohibited" "", "Prohibition of improper charitable donations or sponsorships", "Prohibition of unreasonable gifts, entertainment or other improper benefits" and other behavioral norms matters, of which the "Code of Integrity Management" applies to the Company's subsidiaries. In order to ensure the implementation of the policy, the Company's website ( <a href="http://www.feds.com.tw">http://www.feds.com.tw</a> ) and Annual Report have clearly stated the policy of honest operation. The Board of Directors and senior management should commit to actively implement it and implement it in internal management and business activities. Through internal publications, various meetings and other channels, the ethical code of conduct and the concept of ethical management are implemented to all employees' daily business execution, and the Company's stakeholders are reminded to observe and respect the Company's ethics and integrity standards.	No significant difference.
(2) Does the Company have mechanisms in place to assess the risk of unethical conduct and perform regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	V		The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure the continued effectiveness of the design and enforcement of the systems.	No significant difference.



Assessment Items	Operating status (Note)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary	
(3) Did the Company specify operating procedures, guidelines for conduct, punishments for violation, and complaint filing systems in the unethical conduct prevention plan? Does it implement and periodically review and revise the plan?	V		In order to implement the ethical management policy, the "Ethical Corporate Management Operating Procedures and Code of Conduct" has been formulated to specifically regulate the matters that the Company's personnel should pay attention to when performing business, establish a punishment and reporting appeal system for violations, and announce internal and external independent reporting mailboxes, with a view to Restrict the abuse of dishonesty and implement the policy of honest operation.	No significant difference.
2. Implementation of ethical corporate management (1) Does the Company evaluate credit records of its counterparts and specify good faith terms and conditions in the contracts entered into?	V		<p>the Company has been deeply cultivated and developed in the country for many years. With the entrepreneurial spirit of "honesty, diligence, simplicity, prudence and innovation" as the highest guiding principle of business development, it will require stakeholders who have business dealings with the Company, such as suppliers and contractors. Suppliers or other partners must comply with the same ethical standards as the managers and colleagues of the Company. For example, the Company has gradually required suppliers, contractors or other partners to sign the "Supplier" in the service contract since October 2016. "Social Responsibility Commitment" includes the integrity behavior clause, and is committed to complying with the content of the commitment, or clearly stipulates the integrity behavior clause in the important contract, and continues to seize the opportunity to communicate with stakeholders and continue to remind and promote, to avoid unethical behavior.</p> <p>The Company asks the supplier to provide product-related inspection records before dealing with suppliers, and carefully evaluates and understands the supplier's past information. The Company's contract with each supplier lists various management measures to achieve common and mutually beneficial operations, and against breach of contract and the contract suspension and confidentiality are all listed. If the supplier violates it, it shall be dealt with in accordance with the law.</p>	No significant difference.

Assessment Items	Operating status (Note)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary	
<p>2. Implementation of ethical corporate management</p> <p>(1) Does the Company evaluate credit records of its counterparts and specify good faith terms and conditions in the contracts entered into?</p>	V		<p>the Company has been deeply cultivated and developed in the country for many years. With the entrepreneurial spirit of "honesty, diligence, simplicity, prudence and innovation" as the highest guiding principle of business development, it will require stakeholders who have business dealings with the Company, such as suppliers and contractors. Suppliers or other partners must comply with the same ethical standards as the managers and colleagues of the Company. For example, the Company has gradually required suppliers, contractors or other partners to sign the "Supplier" in the service contract since October 2016. "Social Responsibility Commitment" includes the integrity behavior clause, and is committed to complying with the content of the commitment, or clearly stipulates the integrity behavior clause in the important contract, and continues to seize the opportunity to communicate with stakeholders and continue to remind and promote, to avoid unethical behavior.</p> <p>The Company asks the supplier to provide product-related inspection records before dealing with suppliers, and carefully evaluates and understands the supplier's past information. The Company's contract with each supplier lists various management measures to achieve common and mutually beneficial operations, and against breach of contract and the contract suspension and confidentiality are all listed. If the supplier violates it, it shall be dealt with in accordance with the law.</p>	No significant difference.
<p>(2) Did the Company establish a dedicated unit under the Board of Directors to promote ethical corporate management and periodically (at least once a year) report to the Board of Directors about the supervision and implementation of the ethical corporate management policy and unethical conduct prevention plan?</p>	V		<p>In order to improve the management of ethical management, the Company's corporate governance director and the human resources department under the Board of Directors are responsible for the formulation, supervision and implementation of ethical management policies and prevention plans, and report to the Board of Directors on a regular basis (at least once a year). At the same time, internal audits conduct annual self-assessment operations in accordance with laws and regulations, include the implementation of ethical management in self-evaluation, summarize the results of self-evaluation by various departments, and report to the Board of Directors.</p>	No significant difference.

Assessment Items	Operating status (Note)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary	
(3) Does the Company have policies that help prevent against conflict of interests and appropriate channels for filing related complaints in place and precisely enforce them?	V		When the directors, managers, or other personnel of the Company discover conflicts of interest with themselves, the legal persons or stakeholders they represent, etc., when performing the Company's business, the directors and managers shall be avoided when discussing and voting at the current Board of Directors. Other personnel should report the relevant situation to the direct supervisor and the Company's dedicated unit at the same time, and the direct supervisor should provide appropriate guidance.	No significant difference.
(4) Does the Company have an effective accounting system and internal control systems set up to facilitate ethical corporate management? Does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results? Does it audit compliance with the unethical conduct prevention plan or commission an accountant to perform the audit?	V		<p>The Company clearly stipulates the "Ethical Corporate Management Operating Procedures and Code of Conduct" and "Reporting and Disciplinary Measures for Violating Ethical Behaviors and Ethical Business Operations". If any personnel violates the ethical management regulations, they will be punished according to the rewards and punishments measures based on the severity of the circumstances. the Company has a complaint system to provide remedies for violators in accordance with relevant regulations.</p> <p>the Company's internal audit personnel shall irregularly, without warning, review the status of the Company's compliance with the foregoing provisions according to the establishment of the Company's accounting system and internal control system, and prepare audit reports for submission to the Board of Directors.</p>	No significant difference.
(5) Does the Company organize internal and external educational trainings periodically to help enforce honest operations?	V		<p>In order to implement education and publicity, the code and other documents are posted on the Company's website. In addition to the education of new colleagues on ethical behavior and integrity requirements, the establishment of internal regulations, internal management requirements, education and training are also used to implement the ethical management policy.</p> <p>In 2020, internal and external education and training related to ethical management issues (including courses related to ethical management regulations and compliance, accounting systems and internal control) will be held, with a total of 234 person-times and 325 hours.</p>	No significant difference.

Assessment Items	Operating status (Note)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary	
<p>3. Implementation status of the Company's reporting system</p> <p>(1) Does the Company have a substantial reporting and reward system as well as a convenient reporting channel in place with appropriate personnel to be assigned to assist the party being reported on?</p> <p>(2) Has the Company established standard operating procedures for investigating and processing reports, as well as follow-up actions and relevant post-investigation confidentiality measures?</p> <p>(3) Does the Company adopt measures to prevent reporters from improper treatment for filing the report?</p>	V		<p>The Company has specified relevant normative matters in the "Code of Ethical Conduct", "Ethical Corporate Management Best Practice Principles", "Ethical Corporate Management Operating Procedures and Code of Conduct", and "Report and Disciplinary Measures for Violations of Ethical Behavior and Ethical Management".</p> <p>the Company's personnel should proactively report to the Audit Committee, managers, internal audit supervisors, corporate governance supervisors, human resources department, or other appropriate supervisors if they find any violations of the regulations on ethical management. Upon investigation, if the violation of the regulations on ethical management is confirmed, the Company will punish them according to the rewards and punishments based on the severity of the circumstances. the Company will keep the identity of the informant and the content of the report confidential, and promises to protect the informant from being improperly handled due to the report.</p>	No significant difference.
<p>4. Enhance information disclosure</p> <p>Has the Company disclosed its Ethical Corporate Management Best Practice Principles and progress onto its website and MOPS?</p>	V		<p>In order to implement the "Code of Ethical Conduct", "Ethical Corporate Management Best Practice Principles" and "Report and Disciplinary Measures for Violation of Ethical Behavior and Ethical Management" set by the Company, the regulations are posted on the Market Observation Post System (<a href="http://www.feds.com.tw">http://www.feds.com.tw</a>), as the code of conduct followed by every Far Eastern employee.</p>	No significant difference.
<p>5. If the Company has established Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancies between the principles and their implementation: No discrepancies</p>				
<p>6. Other important information to facilitate a better understanding of the Company's implementation of ethical corporate management (such as the Company's review and revision of the Ethical Corporate Management Best Practice Principles): The Company abides by the Company law, securities exchange law, commercial accounting law, listing-related regulations and other business conduct related laws and regulations, and reviews the Company's internal regulations at any time to ensure the implementation of ethical management</p>				

**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 The "Procedures for Handling Material Inside Information", which was established to manage the Company's material inside information, has been announced to all directors, managers, and employees and published on the Company website (<http://www.feds.com.tw>) for all personnel to follow in order to avoid violations or instances of insider trading.

4.8.2 Insiders such as newly appointed directors and managers shall be given the latest edition of "Regulations and Directions Governing Insiders' Equity at TWSE Listed Companies" formulated by TWSE for insiders to comply with.

4.8.3 The Company irregularly educates insiders about information regarding insider trading published on the TWSE website.

## **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: 23 March 2021

Based on the self-examination results of the internal control system for the year of 2020, Far Eastern New Century Corporation (the Company) therefore declares the following:

1. 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.
2. 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.
3. 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.
4. 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..
5. The Company management declares that the internal control system (including Subsidiary Governance) as of 31 Dec. 2020 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..
6. 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.
7. The Board of Directors has approved the Declaration of Internal Control System in the board meeting held on 23 March 2021. All of 9 Directors present consented to the Declaration, and no dissenting opinion was expressed

**Far Eastern Department Stores Ltd**

Chairman: Douglas Tong Hsu

President: Nancy Hsu

**4.10 Penalty on the Company and its personnel, punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement in the most recent year and during the current fiscal year up to the date of publication of the Annual Report:**

None.

**4.11 Major resolutions of shareholders' meetings and Board meetings in the recent year and up to the Annual Report publication date**

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

Date June 24, 2020

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

Resolutions of Shareholders' Meeting	
Reported Items	<ol style="list-style-type: none"> <li>1. 2019 Business Report.</li> <li>2. 2019 Financial Report.</li> <li>3. The Audit Committee's review report of the 2019 financial statements.</li> <li>4. 2019 employees' compensation and Directors' remuneration</li> <li>5. Amended certain provisions in the Company's Ethical Corporate Management Best Practice Principles.</li> </ol>
Approving Items	<ol style="list-style-type: none"> <li>1. 2019 Financial Statements. Resolution: The number of votes in favor has exceeded the statutory amount, resolution passed.</li> </ol>
	<ol style="list-style-type: none"> <li>2. the Company's 2019 distribution of earnings proposal. Resolution: The number of votes in favor has exceeded the statutory amount, resolution passed. Implementation status: 2019 distribution of earnings. Cash dividend was NT\$0.8 per share. The ex dividend date was settled as July 21, 2020, and cash dividends were distributed by August 11, 2020.</li> </ol>
Discussions and elections	<ol style="list-style-type: none"> <li>1. Amended certain provisions in the Company's Articles of Incorporation. Resolution: The number of votes in favor has exceeded the statutory amount, resolution passed. Implementation status: Executed according to the resolution of the shareholders' meeting. Approved by the Ministry of Economic Affairs on August 25, 2020 and published on the Company website.</li> </ol>
	<ol style="list-style-type: none"> <li>2. Amended certain provisions in the Company's Rules of Procedure for Shareholders' Meetings. Resolution: The number of votes in favor has exceeded the statutory amount, resolution passed. Implementation status: Executed according to the resolution of the shareholders' meeting, operated based on amended procedures, and announced on the Company website.</li> </ol>
	<ol style="list-style-type: none"> <li>3. Re-election to fill an independent director vacancy. Independent director elected: Dong, Ding Yu Implementation status: Approved for registration by the Ministry of Economic Affairs on August 25, 2020 and announced on the Company website.</li> </ol>



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

Term	Date	Important Resolutions
<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 the 2019 employee compensation and director remuneration.</li> <li>2. Approved the removal of non-compete clauses for the head of accounting.</li> <li>3. Approved amendments to certain provisions in the Company's "Ethical Corporate Management Best Practice Principles".</li> <li>4. Approved amendments to certain provisions in the Company's Articles of Incorporation.</li> <li>5. Approved the Company's 2019 consolidated financial statements and individual financial statements.</li> <li>6. Approved the Company's 2019 distribution of earnings proposal.</li> <li>7. Approved the Company's 2020 operating budget.</li> <li>8. Approved of the Company's reiterated financial statements and complied with amending the "Procedures for the Preparation of Financial Statements" and "Rules for Managing the Application of International Financial Reporting Standards".</li> <li>9. Approved amendments to certain provisions in the Company's "Internal Audit Implementation Rules".</li> <li>10. Approved the Company's 2019 "Statement on Internal Control".</li> <li>11. Approved amendments to certain provisions in the Company's "Rules of Procedure for Shareholders' Meetings".</li> <li>12. Approved the reelection of independent directors.</li> <li>13. Approved the date of the 2020 Annual General Shareholders' Meeting and relevant matters.</li> </ol>
<b>9<sup>th</sup> Board Meeting of the 18<sup>th</sup> term</b>	2020/05/05	<ol style="list-style-type: none"> <li>1. Reported 2020 1st quarter financial statements.</li> <li>2. Approved the Company's 2019 business report.</li> <li>3. Approved the list of nominees for the Company's independent directors.</li> <li>4. Approved amendments to certain provisions in the Company's Articles of Incorporation.</li> </ol>
<b>10<sup>th</sup> Board Meeting of the 18<sup>th</sup> term</b>	2020/08/12	<ol style="list-style-type: none"> <li>1. Reported 2020 2nd quarter financial statements.</li> <li>2. Approved amendments to certain provisions in the Company's "Internal Audit Implementation Rules - Audit of the Management of Financial Statement Preparation".</li> <li>3. Approved revisions to the Company's "Internal Control System".</li> </ol>
<b>11<sup>th</sup> Board Meeting of the 18<sup>th</sup> term</b>	2020/11/06	<ol style="list-style-type: none"> <li>1. Reported 2020 3rd quarter financial statements.</li> <li>2. Approved the proposal to donate funds meant for Yuan Ze University to Far Eastern Memorial Foundation instead to cover some of the funds needed to build the "International Conference Center".</li> <li>3. Approved the Company's 2021 Audit Plan.</li> <li>4. Approved amendments to the Company's "Corporate Governance Principles", "Board of Directors Meeting Policy", and "Company's "Remuneration Committee Charter".</li> </ol>
<b>12<sup>th</sup> Board Meeting of the 18<sup>th</sup> term</b>	2021/03/23	<ol style="list-style-type: none"> <li>1. Approved the 2020 employee compensation and director remuneration.</li> <li>2. Approved the Company's 2020 consolidated financial statements and individual financial statements.</li> <li>3. Approved the Company's 2020 distribution of earnings proposal.</li> <li>4. Approved the Company's 2021 operating budget.</li> <li>5. Approved the Company's 2020 "Statement on Internal Control".</li> <li>6. Approved the total reelection of the Company's directors (including independent directors).</li> <li>7. Approved the date of the 2021 Annual General Shareholders' Meeting and relevant matters.</li> </ol>
<b>13<sup>th</sup> Board Meeting of the 18<sup>th</sup> term</b>	2021/05/05	<ol style="list-style-type: none"> <li>1. Reported 2021 1st quarter financial statements.</li> <li>2. Approved the Company's 2020 business report.</li> <li>3. Approved the list of candidates for Company directors.</li> <li>4. Passed the proposed removal of non-compete clauses for directors.</li> </ol>

- 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 Any resignation or dismissal of the Company's Chairman of the Board, President, Accounting Director, Financial Director, internal audit manager, corporate governance manager, and research and development manager in the most recent year up to the publication date of this report: 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	Ming-Hsing Cho	2020/01/01-2020/12/31	

Unit: NT\$ thousands

Amount \ Item		Audit fee	Non-audit fee	Total
1	Less than 2,000			
2	2,000 (inclusive) to 4,000			
3	4,000 (inclusive) to 6,000		✓	
4	6,000 (inclusive) to 8,000	✓		
5	8,000 (inclusive) to 10,000			
6	10,000 (inclusive) or above			✓

Unit: NT\$ thousands

Accounting Firm	CPA name		Audit fee	Non-audit Fees					Audit Period
				System Design	Registration	Human Resources	Other	Total	
Deloitte & Touche	Vivian Ye	Ming-Hsing Cho	6,600	0	0	0	4,685	4,685	2020/01/01-2020/12/31
Remarks	Non-audit Fees are mainly for project service public expenses								

**5.2 If accounting firm was replaced and if the audit fees paid for the fiscal year in which such replacement took place are lower than those for the previous year, the fees before and after the change and the reason(s) should be disclosed:** the Company has not changed its accounting firm.

**5.3 If the audit fee is more than 10% less than that paid in the previous year, the amount and percentage of decrease and reason shall be disclosed:** None.

## 6. Information For Change Of CPA:

### 6.1 About the previous CPA

Replacement Date	October 2018		
Replacement reasons and explanations	The original CPAs Shu-Chuan Yeh and Guo-Tian Hong were replaced by accountants Shu-Chuan Yeh and Ming-Hsing Cho due to the internal organization adjustment of Deloitte Taiwan.		
Describe whether the Company terminated or the CPA did not accept the appointment	Party		CPA
	Situation		The Company
	Termination of appointment		Not Applicable
Audit opinions other than unqualified opinions in the most recent two years and reason	No longer accepted (continued) appointment		Not Applicable
	None		Not Applicable
	None		Not Applicable
Has different opinion from the Company	Yes	Accounting principles or practices	
		Disclosure of Financial Statements	
		Audit scope or steps	
		Others	
	None	✓	
Other disclosures (Disclosures required in accordance with Items 1-4 to 1-7, Subparagraph 6, Article 10 of these guidelines)	Description		
	None		
	None		

### 6.2 About the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	Shu-Chuan Yeh and Ming-Hsing Cho
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 predecessor auditor regarding Article 10, Subparagraph 6, Item 1 and Point 3 of 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	2020		From Jan 1 to May 1, 2021	
		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
	Representatives of Far Eastern New Century Corporation	0	0	0	0
	Nicole Hsu & 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
	Philby Lee	0	0	0	0
Independent Director	Edward Way	0	0	0	0
	Eugene You-Hsin Chien	0	0	0	0
	Dong, Ding Yu	0	0	0	0
Manager	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. Relationships Between Top 10 Shareholders:

May 1, 2021

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 Tranguil Enterprise Ltd  Yuan Tong Investment Co., Ltd	The same Chairman 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
Yuan Ding Investment Co., Ltd. Representative: Douglas Tong Hsu	139,785,985	9.87	0	0	0	0	Far Eastern New Century Corporation Asia Cement Corporation  Yuan Ze University  Tranguil Enterprise Ltd.  Yuan Tong Investment Co., Ltd.	The same Chairman 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
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. Tranguil Enterprise Ltd  Yu Yuan Investment Co., Ltd.	The same Chairman The same Chairman The same Chairman The same Chairman Invested by evaluated by Asia Cement Corporation and evaluated by equity method	N/A
Yuan Tong Investment Co., Ltd Representative: Jian Cheng Wang	77,684,530	5.48	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
Chia Yuan Investment Co., Ltd. Representative: Su Ciou Wu	75,235,000	5.31	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	Far Eastern New Century Corporation Asia Cement Corporation Yuan Ding Investment Co., Tranguil Enterprise Ltd	The same Chairman	N/A
PJ Asset management Co., Ltd. Representative: Chen Hai Lin	63,997,000	4.52	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	N/A	N/A	N/A
Yu Yuan Investment Co., Ltd. Representative: Chun Ming Chen	29,130,476	2.06	0	0	0	0	Asia Cement Corporation	Invested by evaluated by Asia Cement Corporation and evaluated by equity method	N/A
Tranguil Enterprise Ltd Representative: Douglas Tong Hsu	28,833,590	2.03	0	0	0	0	Far Eastern New Century Corporation Asia Cement Corporation Yuan Ze University Yuan Ding Investment Co., Ltd.	The same Chairman	N/A



**10. The combined shareholding ratio of the Company, Director, Supervisor, President and the Business that is Controlled by the Company Directly or Indirectly on the Invested Company:**

31 Dec, 2020 unit: Thousand shares; %

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 Advertising 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	141,980	20	377,615	52	519,595	72
Ding Ding Integrated Marketing Services. Ltd.	3,631	10	3,631	10	7,262	20
Yuan Hsin Digital Payment Co., Ltd.	8,226	11	8,226	11	16,452	22

Note 1: Long-term investment accounted for using equity method

## IV. Capital Overview

### 1. Capital and shareholding of the Company

#### 1.1 Issued Shares

May 1, 2021 unit: shares; NT\$

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
12/2015	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

May 1, 2021

Shareholder Structure Amount	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Head count	13	10	144	60,819	183	61,169
Number of shares held	8,477,710	12,091,529	1,014,872,693	220,255,807	161,242,850	1,416,940,589
Shareholding (%)	0.60	0.85	71.62	15.56	11.37	100

#### 1.3 Distribution Profile of Share Ownership

May 1, 2021

Shareholder Ownership	Number of Shareholders	Number of shares held	%
1 - 999	32,409	7,093,999	0.50
1,000 - 5,000	20,661	43,791,603	3.09
5,001 - 10,000	4,113	28,738,332	2.03
10,001 - 15,000	1,535	18,232,258	1.29
15,001 - 20,000	658	11,479,283	0.81
20,001 - 30,000	701	16,956,716	1.20
30,001 - 40,000	265	9,159,274	0.65
40,001 - 50,000	149	6,751,816	0.48
50,001 - 100,000	307	20,813,811	1.47
100,001 - 200,000	173	23,849,747	1.68
200,001 - 400,000	79	21,011,205	1.48
400,001 - 600,000	26	12,615,333	0.89
600,001 - 800,000	14	9,670,454	0.68
800,001 - 1,000,000	5	4,590,915	0.32
1,000,001 - 999,999,999	74	1,182,185,843	83.43
Total	61,169	1,416,940,589	100

## 1.4 Major Shareholders

May 1, 2021

	Shares	Shares	%
<b>Major Shareholders</b>			
Far Eastern New Century Corporation		241,769,702	17.06
Yuan Ding Investment Co., Ltd.		139,785,985	9.87
Asia Cement Corporation		80,052,950	5.65
Yuan Tong Investment Co., Ltd		77,684,530	5.48
Chia Yuan Investment Company		75,235,000	5.31
Yuan-Ze University		67,373,794	4.75
PJ Asset management Co., Ltd.		63,997,000	4.52
Labor Pension Fund of Far Eastern Department Stores Ltd.		29,926,799	2.11
Yu Yuan Investment Co., Ltd.		29,130,476	2.06
Tranguil Enterprise Ltd		28,833,590	2.03

## 1.5 Stock price, net worth, earnings, and dividends for the most recent two years

		Year	2019	2020	From 1 Jan., 2021 to 31 Mar., 2021
Market Price per Share	High		27.10	26.70	24.15
	Low		15.40	20.20	21.20
	Average		20.80	24.19	22.76
Net Value per Share	Before distribution		21.85	22.14	22.90 (Note 1)
	After distribution		21.05	(Note 2)	(Note 2)
Earnings per Share	Weighted Average Shares (thousand shares)		1,408,734	1,408,734	1,408,734
	Earnings per share	Before adjustment	1.26	1.38	0.5 (Note 1)
		After adjustment	1.26	(Note 2)	-
Dividends per Share (Note 3)	Cash dividend		0.80	1.1	-
	Stock dividend	Distribution of surplus	-	-	-
		Additional Paid-In Capital	-	-	-
	Accumulated un-distributed dividend ( NT\$ '000 )		33,017	35,486	37,874
Return on Investment Analysis	Price/Earnings Ratio (Note 4)		16.51	17.53	45.52
	Price/Dividend Ratio (Note 5)		26.00	21.99	-
	Cash dividend yield (Note 6)		3.85	4.55	-

Note 1: The numbers is calculated based on 2021 Q1 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 The Company's dividend policy declared in the Articles of Incorporation:

If there is a surplus in the Company's annual final accounts, after paying the income tax for profitable businesses in accordance with the law, it shall first make up for the previous years' losses. Ten percent of the legal earnings reserve is set aside, and the special surplus reserve is set aside according to laws and regulations, together with the accumulated undistributed surplus of the previous year, as the surplus available for distribution, but a portion may be reserved depending on the business situation, share dividends to shareholders evenly based on all shares, but in case of capital increase, the dividends that should be distributed to the new shares in the current year shall be handled in accordance with the resolutions of the shareholders meeting.

The Company's dividends shall be distributed with the objective of maintaining stable dividends, taking into account the characteristics of the business climate change, considering the impact of the life cycle of each product or service on the future demand for funds and the tax system. The distribution of dividends shall not be less than the balance of the current year's after-tax net profit after deducting the amount of loss, the legal earnings reserve and the special surplus reserve, except for the improvement of the financial structure and the capital needs to support transfer investment, capacity expansion or other major capital expenditure 50%, the cash dividend shall not be less than 10% of the shareholder dividend for the year.

Taking the dividends paid by the Company in the last three years as an example, the dividend payout rates for 2018, 2019 and 2020 are 90%, 63% and 80%, respectively. The distribution of cash dividends is in line with the cash dividends in the Company's Articles of Incorporation and is not less than 10% of the shareholders' dividends for the year. The calculation method is as follows

Year	EPS (A)	Cash Dividend (B)	Stock Dividend (C)	Dividend Per Share (D=B+C)	Payout Ratio (D/A)	Cash Payout Ratio (B/D)
2018	0.94	0.85	0.00	0.85	90%	100%
2019	1.26	0.80	0.00	0.80	63%	100%
2020	1.38	1.10	0.00	1.10	80%	100%

### 1.6.2 Current year dividend distribution proposal to the shareholders' meeting: A cash dividend of NT\$1.10 per share will be distributed.

## 1.6 Effects on Business Performance and EPS Resulting from Stock Dividend Distribution Proposed by 2021 Annual General Shareholders' Meeting:

Item		Year	Unit: NT\$
Paid-in Capital (beginning of the year)		2021 (Estimate)	14,169,405,890
Stock & Cash Dividend Distribution	Cash Dividend (NT\$/per share)		1.10
	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: The Company has not prepared and announced the financial forecast for 2021. According to the letter issued by the Securities and Futures Management Commission of the Ministry of Finance of the Ministry of Finance of the Tai-Cai-Zheng (1) Zi No. 00371 dated February 1, 2000 (1989), there is no need to disclose 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 2020 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 23, 2021. 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 2020 employees' compensation and Directors' remuneration was resolved on 23 March 2021 by 12th Board Meeting of the 18th 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\$75.603 million in 2020 and directors' compensation is NT\$56.702 million. These amounts are not different from the amount recognized in the 2020 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 2019. The discrepancy, if there is any, between the total amount being actually paid as employees' compensation, remuneration for Directors for 2019 (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 2019 employees for NT\$74.392 million and actually issued NT\$74.323 million.

- (2) The Board of Directors resolved to allot 2019 directors' compensation for NT\$55.794 million and actually issued NT\$45 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 2020 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 Depository 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. Business Overview

### 1. Business activities

#### 1.1 Business Scope

1. The Company's main business activity is as follows:  
The Company and its subsidiaries are single industries that operate retail department stores and supermarkets.
2. Main business content and proportion: Refer to page 92 for sales volume and value during the most recent two years.
3. New product development plan: None.

#### 1.2 Industry Overview

1. The industry's current status and developments

The performance of Taiwan's department store market in 2020 is impacted by the new crown pneumonia. Compared with convenience stores (annual growth of 8.9%), supermarkets (annual growth of 10.7%) and mass merchandise stores (annual growth of 8.9%), its annual growth rate is slightly A decrease of 0.3% and a turnover of NT\$354.1 billion. Taking this as a turning point, the department store retail industry began to reflect and change, thinking about how to use technology to achieve a more resilient operating model in response to potential risks in the future, so that department store retail can continue in the future, it will not only pursue revenue, but will further focus on corporate resilience and sustainable development capabilities.

According to the 2020 survey report of the Statistics Department of the Ministry of Economic Affairs, among the major business difficulties of department stores, the "e-commerce market" is the main business problem, accounting for 63.8%. Under the strong competition of e-commerce, the shopping channels of Taiwanese customers are controlled by entities. Moving online, and under the trend of diversification of retail channels, supermarkets and mass merchandisers, and changes in customer shopping and lifestyle patterns, department stores have also begun to keep pace with the times, integrating human-oriented physical stores and online channels to assist sales. An omnichannel sales network that is more in line with consumer needs.

In the post-epidemic era, technology retail has become the focus of development. In order to provide customers with a more convenient shopping journey and increase shopping adhesion, various department store operators have invested a lot of resources to upgrade their own apps, introduce online shopping systems, and use electronic channels as an extension of creation camp. Through its own mobile payment system, customers are encouraged to bind department store membership exclusive apps, provide convenient parking, real-time promotional information, and enjoy double discounts such as e-vouchers and reward points, and collect users through the app. Information, understand customer preferences, analyze consumer behavior to achieve precise marketing, create virtual and physical channels that are integrated and mutually guided, and complement each other, so that customers can enjoy a 24-hour zero-day shopping environment online and offline.

Department stores shifted the focus of their business model from brands, products, and channels to focus on customer needs, focusing on customer convenience and needs, breaking the distinction between online and offline, innovating digital services, and strengthening experiential marketing in each channel through self-media Promote and strengthen APP online shopping functions to improve customers' shopping experience. With the rapid development of digital technology and the popularization of mobile devices, payment methods have become more diversified, and the proportion of customers using cash transactions has declined. Credit card and other diversified payments have



surpassed cash transactions and become the number one payment model in department stores. Therefore, a large number of department stores introduce diversified payment tools, hoping to create an all-channel convenient consumption model.

## 2. Relationship between the industry's up-, mid-, and down-stream

Department stores belong to the general merchandise retail industry under the definition of the industry category, which refers to the type of business that engages in a variety of goods and retails by departments in one place. Therefore, the relevance of the upper, middle and lower reaches of the department store industry is mainly composed of the manufacturers (or counters) that provide products in the upstream, the department stores that provide sales places in the midstream, and the customers who come to buy the products from the downstream. Factors such as the location of the department store, the characteristics of the business district, the crowds of consumers, and the convenience of transportation are all closely related to the performance of the department store.

## 3. Product development trends and competition

The application of digital technology has deeply affected the department store industry, and physical department stores have moved towards digitalization, reshaping the consumption model with digitalization, and changing the consumption journey from in-store to out-of-store. Department stores are actively building a complete and high-quality shopping journey and brand experience. In addition to investing heavily in advanced digital technology as operating infrastructure, digital physical department stores also make extensive use of smart technologies such as mobile devices, big data, Internet of Things, AI, AR, and VR to enhance the efficiency of mall operations and services, and improve customer shopping convenience and experience, and greatly increase customer satisfaction and adhesion, and finally through big data analysis combined with online and offline customer basic information and consumption behavior, accurate marketing.

Each department store will be more active in developing its own online shopping system in 2020, backed by a high degree of customer trust, combined with the advantages of the product diversity of the department store retail industry, to promote a one-stop rapid consumption model, and at the same time use big data to clearly grasp the characteristics and needs of customers, provide convenient new services, meet their needs before customers propose or even realize their needs, and create new benefits.

Due to the e-commerce boom, the traditional retail business model has been greatly challenged, and the relationship between shopping malls, customers, and products has been redefined. Department stores must continue to create unique services and products that are different from e-commerce to attract customers. Customers have shifted from simply satisfying the needs of items to the supremacy of "consumer experience". The focus of consumption is whether it can enhance personal value and whether it can increase the richness of the experience, including social media or self-media sharing, etc. Customers expect shopping itself to become its fun leisure and entertainment activities like watching a movie, instead of the simple consumption behavior of shopping for lack of goods in the past, customers are also more willing to spend more money on customized goods with good service experience. Therefore, "innovative services" and "Strengthening Experience Marketing" will be regarded as the main development direction in the future.

In 2020, the three major chain department stores including Far East Department Store, Far East SOGO, and Shin Kong Mitsukoshi totaled more than NT\$171.4 billion in sales, with a market share of over 48%, indicating that the development trend of Evergrande, a major department store market, is quite obvious. As the channel is king, chain groups with abundant resources have the greatest advantages in investment promotion and operation. The competitive situation of department store operations moving towards large-scale and chain-oriented businesses will continue and will not be easy to change.

### 1.3 Overview of technology and R&D

According to different professional needs, Far Eastern Department Store plans complete courses for employees, so that employees' functions can continue to grow. The total number of education and training hours in 2020 will be 20,006 hours, with new recruits, professionals and management leaders at different levels as the three main axes. Including basic staff training, professional core training, self-development training and other three categories, the annual investment in education and training is more than 10.9 million. Through the resource investment and design of physical and online courses, the staff's professionalism and knowledge can be continuously improved, and the staff can show their core values. Growing steadily with Far East Department Store.

As a leading domestic listed department store company, Far Eastern Department Store is the only representative of Taiwan to become a member of IGDS (Intercontinental Group of Department Stores). In Taiwan, it also joined the Republic of China Department Store Retailers Association, the Republic of China Shopping Center Association, and societies. Forty-five department store business associations and other related public associations, including the Republic of China Chamber of Commerce and Industry Association, Taiwan Enterprise Sustainability Research and Training Center, and 45 other related public associations, aim to promote the booming development of the domestic department store retail industry and enhance its own management capabilities, and contribute to the prosperity of the industrial economy, and lay the key cornerstone of a sustainable enterprise.

### 1.4 Long-term and short-term business development plans

#### 1. short term:

- (1) To enhance growth momentum, each branch company will continue to adjust the brand lineup and industry segments in response to market trends and the local characteristics of the business district to enhance the merchandise power and characteristics of the mall.
- (2) Organize special events, organize international exhibitions and various activities in accordance with festivals, seasons and popular topics, increase interaction with customers, and strengthen malls' ability to gather customers and operate.
- (3) Optimize APP digital tools, strengthen social marketing, combine data analysis, provide customers with warm service and experience, use CRM big data to carry out more detailed and in-depth segmentation, design various types of unique experience activities, and provide more refined and intelligent personal services.
- (4) Embracing digital technology, developing online shopping, constructing all-customer channels, optimizing customer shopping experience, and moving towards innovative and smart new retail.
- (5) Cross-industry and different industry integration, co-operating with industry players to launch a series of merchandise or exhibition activities to create topical department stores and increase shopping retention rate.

#### 2. long:

- (1) Deeply cultivate local operations, continue to build a new type of digital shopping mall, expand the scale of operation and grow niche.
- (2) Develop the mainland market, optimize the types of existing stores in mainland China, and develop new operating bases.
- (3) Create a smart shopping mall with technology and environmental protection, create customer-specific happiness and fashion, become a sustainable retail leading brand, and fulfill corporate social responsibilities.

## 2. Market, production and sales

### 2.1 Market analysis

1. The main regions where our products (services) are sold (provided):  
Taiwan and China.
2. Domestic market share of main products (KPI value):  
the Company's market share in Taiwan (including Far Eastern SOGO Department Store and Ya Tung Department Store) is 26%.
3. Supply and demand and growth potential of the market:  
In the next three years, the department store market will continue to have new shopping malls opening, which will become a driving force to boost market revenue, but it is also expected to bring more fierce market competition.
4. main competitor:  
Shinkong Mitsukoshi Department Store.
5. Competitive niche and favorable and unfavorable factors for long-term growth and response strategies:
  - (1) Competitive niche
    - ① Long-term accumulation of professional industry knowledge and experience.
    - ② Decent, pragmatic, forward-looking and innovative business philosophy and strategy.
    - ③ Excellent management team, loyal customer base.
    - ④ Good corporate reputation, all suppliers fully support and cooperate
  - (2) Favorable conditions for future development
    - ① The two sides of the Taiwan Strait continue to exhibit stores, expand the market scale, and increase revenue and profits.
    - ② With abundant resources, the Group will develop smart retail in conjunction with related companies and move towards omni-channel operations.
  - (3) Unfavorable conditions for future development
    - ① E-commerce, chain convenience stores, and retail sales grew strongly.
    - ② Competitors in the same industry in department stores are aggressively selling drugs for promotion, which significantly increases operating costs.
    - ③ Large shopping malls and outlet malls have opened successively to increase market competition.
  - (4) Countermeasures
    - ① According to the conditions of each store's business circle, adjust the product structure, screen the target audience, and carry out differentiated marketing.
    - ② Strengthen experience marketing and create a more interactive and experience shopping service.
    - ③ Develop online shopping and jointly innovate mobile marketing with the group to provide a more convenient consumer experience.
    - ④ Expand the integration of virtual and real, move towards mutual guidance of virtual and real, and develop high-quality O2O.
    - ⑤ Create management efficiency, increase revenue and reduce expenditure, and save costs.

**2.2 Important applications and manufacturing processes of major products:** Not applicable because the Company is in the department store industry.

**2.3 State of supply of major raw materials:** Not applicable because the Company is in the department store industry.

**2.4 The names of customers who have accounted for more than 10% of the total purchases (sales) in any of the most recent two years, their purchases (sales) amount and proportion, and the reasons for the increase or decrease. However, because of the contractual agreement, the name of the customer or the transaction partner, if it is an individual and not a related party, can be codenamed.**

1. Procurements: None.

2. Sales: None.

**2.5 Production volumes and values for the most recent two years:** Not applicable because the Company is in the department store industry.

**2.6 Sales volume and value during the most recent two years**

unit: Thousand NT\$

Item	Year	2019		2020	
		Turnover	Weight (%)	Turnover	Weight (%)
Sales revenue		22,794,827	60	23,070,901	62
Commission revenue		11,803,340	31	11,023,289	30
Advertising revenue		803,134	2	794,739	2
Rent revenue		1,656,803	5	1,613,378	4
Others		837,958	2	785,642	2
Total		37,896,062	100	37,287,949	100

Note: Department of Consolidated Statement Data

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

Year		2019		2020		As of March 31, 2021	
		The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report
Number of employees	Management	437	1,414	422	1,406	416	1,390
	Other personnel	1,002	4,167	935	4,023	942	3,873
	Total	1,439	5,581	1,357	5,429	1,358	5,263
Average age		37.4	39.2	38.4	39.7	38.5	39.9
Average years of service		11.6	11.1	12.5	11.6	12.6	11.8
Education distribution	Ph.D.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Masters	5.4%	3.4%	6.0%	3.5%	5.6%	3.5%
	College	78.0%	67.0%	78.0%	67.0%	77.6%	67.4%
	High School	16.1%	27.7%	15.6%	27.6%	16.3%	27.3%
	High School and below	0.5%	1.9%	0.4%	1.9%	0.5%	1.9%

## 4. Environmental protection expenditure information

In the most recent year and up to the publication date of the Annual Report, losses suffered due to environmental pollution (including compensation and environmental protection inspection results that violate environmental protection laws and regulations, the date of punishment, the type of punishment, the violation of laws and regulations, the content of violations, and the content of punishment should be listed), It also discloses the estimated amount and corresponding measures that may occur at present and in the future. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be explained:

None (the consolidated company is a single industry operating retail department stores and supermarkets, not a production institution).

## 5. Labor relations

### 5.1 Current employee welfare measures and systems:

#### 1. Employee benefits measures

##### (1) the Company:

- ① Establish an employee welfare committee to allocate welfare funds to handle various employee welfare measures. In addition to bonuses, year-end, and three festival bonuses, there are also birthdays, marriages, childbirth, hospitalization, funerals, children's school allowances, and employee travel subsidies, etc. A number of welfare measures.
- ② Staff shopping discounts at the Company and related companies' consumption discounts.
- ③ Employee group insurance guarantees the safety of employees' lives.

##### (2) Affiliated enterprises:

Following the Group's spirit of labor-management harmony, various employee welfare measures have also been planned to provide employees with a safe and secure working environment.

#### 2. Staff training and training:

##### (1) the Company:

- ① In order to meet the work needs of various positions and levels, the Company also plans to handle relevant professional training in operation management, marketing services, and product information to meet the needs of colleagues at work. In 2020, a total of 35,719 person-times and a total of 34,674 hours were handled. hour.
- ② Each year, according to the needs of colleagues' business and work, and in line with their personal development potential, suitable colleagues are selected to participate in various training courses conducted by the Far East Group's Human Development Center. In 2020, there will be a total of 247 people and 1,839 training hours.
- ③ In order to enhance the professional ability of colleagues and absorb the latest information to increase work efficiency, we recommend that colleagues participate in various professional courses conducted by professional institutions from time to time. In 2020, there will be a total of 98 person-times and 818 hours of training.
- ④ The average training hours per person in 2020 is 14.9 hours, and the training expenses are about 1,095 thousand yuan.

##### (2) Affiliated enterprises:

According to the management needs of each company, complete and diversified education and training courses are planned to cultivate various professional and career development capabilities of employees.

#### 3. Retirement plan:

##### (1) The Company:

the Company has established employee retirement policies and established a labor retirement reserve supervision committee in accordance with the provisions of the Labor Standards Law.

The old retirement reserve is allocated at 2% of the salary every month and deposited in the special account of the Taiwan Bank for the management of the labor retirement reserve. After the implementation of the New Labor Retirement Regulations, for employees who choose the new system, the Company also contributes 6% of their wages to the special account of the Labor Insurance Bureau on a monthly basis, and appoints a consulting company to conduct the actuarial calculation of the old retirement reserve every year. Ensure the pension rights of all employees.

(2) Affiliated enterprises:

In accordance with the Labor Standards Law, Labor Pension Regulations and local laws and regulations, or better than the laws and regulations, the relevant matters concerning the allocation and payment of employee pensions are handled.

5.2 The Company's various administrative measures strive to be fair and reasonable. If colleagues have different opinions, they can reach communication and coordination through complaint channels such as suggestion boxes and e-mails. Both employers and employees can coexist in harmony and communicate rationally to establish mutual benefits. Virtuous circle.

5.3 Losses due to labor-management disputes during in the most recent year and up to the Annual Report publication date:

Company	Disposition dates	Disposition reference numbers	Violated article	Violation	The content of the dispositions
Far Eastern Ai Mai Co., Ltd.	2021.3.2	New Taipei Labor Inspection No. 1104715558	Article 24 of the Labor Standards Act	4 workers did not take full 8 days of official holidays and rest days in a four-week period, and the workers went on duty during the rest period, and did not count the extended working hours wages	Set a fine of NT\$40,000

## 6. Important contracts

Nature of contract	Company	Party	Start and end date of the contract	Main items covered	Restriction clauses
Commercial Real Estate Lease Contract	Far Eastern Ai Mai Co., Ltd.	Hsinchu Chemical Company	11/2001 to present	Land leasing and construction of wholesale stores	None
	Far Eastern Department Stores Co., Ltd.	Ministry of Education	4/2006 to 4/2027	Lease of state-owned school property land located at Nos. 89 and 91 in Huiguo Section, Xitun District, Taichung City	None
	Pacific SOGO Department Store Co., Ltd.	Taipei City Government MRT Engineering Bureau Taipei City Government Finance Bureau Hong Tong Commercial Development Company	1/2007 to present	Public real estate lease of joint development building at Zhongxiao Fuxing Station (BR4) of MRT Muzha Line	None
	Far Eastern Department Stores Co., Ltd.	Far Eastern Ai Mai Co., Ltd.	10/2009~10/2029	B1 & 3F, No. 581, Heping Road, Hualien City storage area lease	-
	Far Eastern Department Stores Co., Ltd.	Far Eastern Department Stores Co., Ltd.	10/2016~10/2036	B5 - 18F, No. 21, Sanduo 4th Road, Kaohsiung City real estate lease	-
	Far Eastern Department Stores Co., Ltd.	Taoyuan City Farmers' Association	5/2018 to 5/2033	Commercial building lease in front of Taoyuan City Farmers' Association Station	None
	Far Eastern Ai Mai Co., Ltd.	Yuan Yang Construction Company	3/2020 to present	Land leasing and construction of wholesale stores	None
Set up a superficies contract	FEDS Asia Pacific Development Co., Ltd.	Asia Cement Corporation	1/1998 to present	Land leaseing construction and operation of Kaohsiung Asia Corporate Finance Center Building (Far Eastern Department Store Asia Pacific Shopping Center)	None
	Far Eastern Department Stores Co., Ltd.	Taipei City Government	10/2003 to present	Obtaining superficies by the Taipei City Government, Taipei City Xinyi Project District No. A13	None
	Chubei New Century Shopping Mall Co., Ltd.	Hsinchu County Government	7/2015 to present	Entrusting private participation in the construction and operation of Tanba Parking Lot in Zhubei City, Hsinchu County	None
Joint venture contract	Far Eastern Department Stores Co., Ltd.	Malaysia City Super Limited	7/2004 to present	To develop the integrity of the retail system in food and everyday products	None
Building in charge contract	Far Eastern Department Stores Co., Ltd.	Far Eastern Construction Co., Ltd.	6/2011~12/2021	Utilization and management of B4 to 13F of lots 8, 9, 10, 14, 14-1 and B1 to 3F of lot 8 at Subsection 2, Xinban Section, Banqiao District, New Taipei City.	None

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses	Contract Type
Long-term borrowings	Far Eastern Department Stores Co., Ltd.	Mega Bank	9/2020~9/2022	borrowings	None
		Bank of Taiwan	7/2020~7/2023		
		Hua Nan Bank	7/2020~7/2022		
		CTBC Bank	11/2020~10/2022		
		Bank of China	7/2020~7/2022		
		KGI Bank	1/2021~1/2024		
Long-term borrowings	Chubei New Century Shopping Mall Co., Ltd.	Management bank: Hua Nan Bank	2/2018~2/2023	borrowings	None
Long-term borrowings	Pacific Sogo Department Store	Mizuho Bank	9/2020~9/2022	borrowings	None
		Bank of China	7/2020~7/2022		
		Bank SinoPac	5/2020~4/2022		
		First Commercial Bank	1/2021~1/2023		
		Chang Hwa Bank	7/2020~5/2023		
		Sumitomo Mitsui Banking Corporation	8/2020~8/2022		
		Mega Bank	8/2020~8/2022		
		Yuanta Bank	12/2019~12/2022		
		KGI Bank	1/2021~1/2022		
		Bank of Kaohsiung	10/2020~9/2022		
		Hua Nan Bank	12/2020~12/2022		
		Taiwan Cooperative Bank	11/2020~11/2022		
		BNP Paribas	3/2020~3/2022		



## 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

Item		Year	Five-Year Financial Summary					Mar 31, 2021
			2016	2017	2018	2019	2020	
Current Assets			21,741,067	25,311,692	25,052,856	20,746,075	21,116,116	16,496,907
Property, plant and equipment			43,626,582	43,699,225	43,532,941	34,323,257	33,945,566	33,849,623
Intangible assets			6,244,854	5,059,516	3,449,258	2,477,815	2,581,127	2,607,784
Other assets			34,583,107	31,638,018	31,711,286	72,963,958	70,780,960	70,807,318
Total assets			106,195,610	105,708,451	103,746,341	130,511,105	128,423,769	123,761,632
Current liabilities	Before distribution		48,187,858	51,115,648	46,630,770	47,667,701	45,683,684	41,030,725
	After distribution		49,179,716	52,532,588	47,835,170	48,801,253	-	-
Non-current liabilities			21,564,950	17,734,625	19,425,181	43,939,597	42,951,797	41,570,861
Total liabilities	Before distribution		69,752,808	68,850,273	66,055,951	91,607,298	88,635,481	82,601,586
	After distribution		70,744,666	70,267,213	67,260,351	92,740,850	-	-
Equity attributed to owners of parent			28,630,571	28,998,718	29,523,906	30,790,406	31,193,920	32,265,725
Common stock			14,169,406	14,169,406	14,169,406	14,169,406	14,169,406	14,169,406
Capital surplus			3,319,868	3,315,931	3,315,420	3,327,466	3,338,791	3,338,878
Retained earnings	Before distribution		7,443,007	7,931,970	7,904,938	8,095,475	8,828,962	9,532,624
	After distribution		6,451,149	6,515,030	6,700,538	6,961,923	-	-
Other equity			3,795,400	3,678,521	4,231,252	5,295,169	4,953,871	5,321,927
Treasury stocks			(97,110)	(97,110)	(97,110)	(97,110)	(97,110)	(97,110)
Non-controlling interests			7,812,231	7,859,460	8,166,484	8,113,401	8,594,368	8,894,321
Total equity	Before distribution		36,442,802	36,858,178	37,690,390	38,903,807	39,788,288	41,160,046
	After distribution		35,450,944	35,441,238	36,485,990	37,770,255	-	-

### 1.1.2 Condensed Consolidated Statements of Comprehensive Income

Unit: NT\$ thousands, except earnings per share

Item \ Year	Five-Year Financial Summary ( Note 1 )					Mar 31, 2021
	2016	2017	2018	2019	2020	
Operating Revenues	43,496,489	41,166,982	39,242,551	37,896,062	37,287,949	9,342,221
Gross Profit	21,901,122	20,493,375	20,150,967	19,642,613	18,707,278	4,752,657
Operating Profit	3,161,116	3,086,724	4,187,329	4,538,651	4,084,964	1,274,557
Total Non-Operating Income And Expenses	(1,039,835)	(387,882)	(1,638,214)	(1,435,713)	(1,084,193)	(28,189)
Profit Before Income Tax	2,121,281	2,698,842	2,549,115	3,102,938	3,000,771	1,246,368
Net Profit For The Year	1,495,558	1,845,022	1,650,495	2,152,269	2,544,897	995,721
Other Comprehensive (Loss) Income For The Year, Net Of Income Tax	(289,010)	(159,208)	907,277	1,237,650	(429,988)	375,929
Total Comprehensive Income For The Year	1,206,548	1,685,814	2,557,772	3,389,919	2,114,909	1,371,650
Owners Of The Company	1,134,252	1,535,986	1,318,150	1,781,843	1,939,139	703,212
Non-Controlling Interests	361,306	309,036	332,345	370,426	605,758	292,509
Owners Of The Company	797,192	1,363,957	2,029,426	3,044,048	1,525,741	1,071,718
Non-Controlling Interests	409,356	321,857	528,346	345,871	589,168	299,932
EPS (NT\$/Share)	0.81	1.09	0.94	1.26	1.38	0.50

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

Unit: NT\$ thousands

Year		2016	2017	2018	2019	2020
Item						
<b>Current assets</b>		1,892,513	1,886,095	2,519,024	2,061,664	2,077,748
<b>Property, plant and equipment</b>		25,385,789	25,020,048	25,314,067	18,724,837	18,176,915
<b>Intangible assets</b>		24,189	50,001	50,207	55,892	69,628
<b>Other assets</b>		31,059,094	33,934,933	33,674,667	58,596,823	57,701,949
<b>Total assets</b>		58,361,585	60,891,077	61,557,965	79,439,216	78,026,240
<b>Current liabilities</b>	<b>Before distribution</b>	17,806,328	20,999,068	18,588,427	20,207,931	17,726,400
	<b>After distribution</b>	18,798,186	22,416,008	19,792,827	21,341,483	—
<b>Non-current liabilities</b>		11,924,686	10,893,291	13,445,632	28,440,879	29,105,920
<b>Total liabilities</b>	<b>Before distribution</b>	29,731,014	31,892,359	32,034,059	48,648,810	46,832,320
	<b>After distribution</b>	30,722,872	33,309,299	33,238,459	49,782,362	—
<b>Common stock</b>		14,169,406	14,169,406	14,169,406	14,169,406	14,169,406
<b>Capital surplus</b>		3,319,868	3,315,931	3,315,420	3,327,466	3,338,791
<b>Retained earnings</b>	<b>Before distribution</b>	7,443,007	7,931,970	7,904,938	8,095,475	8,828,962
	<b>After distribution</b>	6,451,149	6,515,030	6,700,538	6,961,923	—
<b>Other equity</b>		3,795,400	3,678,521	4,231,252	5,295,169	4,953,871
<b>Treasury stocks</b>		(97,110)	(97,110)	(97,110)	(97,110)	(97,110)
<b>Total equity attributable to owners of the Company</b>	<b>Before distribution</b>	28,630,571	28,998,718	29,523,906	30,790,406	31,193,920
	<b>After distribution</b>	27,638,713	27,581,778	28,319,506	29,656,854	—

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

Unit: NT\$ thousands, except earnings per share

Year		2016	2017	2018	2019	2020
Item						
<b>Operating Revenues</b>		10,524,713	10,581,149	10,781,588	10,614,744	11,037,055
<b>Gross Profit</b>		6,680,975	6,483,723	6,496,456	6,445,982	6,631,224
<b>Operating Profit</b>		1,844,302	1,882,157	2,089,339	2,125,167	1,986,745
<b>Total Non-Operating Income And Expenses</b>		(457,339)	(100,506)	(455,490)	69,386	243,534
<b>Profit Before Income Tax</b>		1,386,963	1,781,651	1,633,849	2,194,553	2,230,279
<b>Net Profit For The Year</b>		1,134,252	1,535,986	1,318,150	1,781,843	1,939,139
<b>Other Comprehensive (Loss) Income For The Year, Net Of Income Tax</b>		(337,060)	(172,029)	711,276	1,262,205	(413,398)
<b>Total Comprehensive Income For The Year</b>		797,192	1,363,957	2,029,426	3,044,048	1,525,741
<b>EPS (NT\$/Share)</b>		0.81	1.09	0.94	1.26	1.38

### 1.2 Auditors and opinions in the most recent five years

Year		2016	2017	2018	2019	2020
Auditor						
Deloitte & Touche		Shu-Chuan Yeh Kenny Hong	Shu-Chuan Yeh Kenny Hong	Shu-Chuan Yeh Ming-Hsing Cho	Shu-Chuan Yeh Ming-Hsing Cho	Shu-Chuan Yeh Ming-Hsing Cho
Opinions		Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion

## 2. Financial analysis of the most recent 5 years

### 2.1 Financial Ratio Analysis (Consolidated)

Year (Note 1) Item (Note 2)		Five-Year Financial Summary					Mar 31, 2020
		2016	2017	2018	2019	2020	
Financial structure	Ratio of liabilities to assets (%)	65.68	65.13	63.67	70.19	69.01	66.74
	Ratio of long-term capital to property, plant and equipment (%)	132.96	124.92	131.20	241.36	243.74	244.40
Liquidity analysis	Current ratio (%)	45.11	49.51	53.72	43.52	46.22	40.20
	Quick ratio (%)	37.17	42.62	45.59	36.62	40.33	32.54
	Interest coverage ratio (times)	5.95	7.05	6.82	4.71	4.52	7.27
Operating ability	Receivables turnover(times)	52.79	37.63	26.32	28.62	45.63	57.02
	Average collection period (days)	6.91	9.69	13.86	12.75	7.99	6.40
	Inventory turnover (times)	7.37	7.6	7.03	6.49	7.06	7.08
	Payables turnover (times)	1.28	1.16	1.03	1.08	1.17	1.31
	Average sales days (days)	49.52	48.02	51.92	56.24	51.69	51.55
	Property, plant and equipment turnover (times)	0.97	0.94	0.89	1.11	1.09	1.10
	Total assets turnover (times)	0.40	0.38	0.37	0.28	0.28	0.29
Profitability analysis	Return on total assets (%)	1.74	2.09	1.91	2.14	2.49	3.66
	Return on equity	4.08	5.03	4.42	5.67	6.46	9.84
	Pre-tax income to paid-in capital (%) (Note 6)	14.97	19.04	17.99	21.89	21.17	35.18
	Ratio of net income to sales (%)	3.43	4.48	4.20	5.67	6.82	10.65
	EPS (NT\$/share)	0.81	1.09	0.94	1.26	1.38	0.50
Cash flow	Cash flow ratio (%)	11.41	14.02	9.62	16.54	23.39	-
	Cash flow adequacy ratio (%)	115.74	148.24	148.96	166.06	210.85	207.74
	Cash reinvestment ratio (%)	6.70	10.82	4.92	7.82	11.40	-
Leverage	Operating leverage	2.05	1.98	1.65	2.23	2.44	2.06
	Financial leverage	1.16	1.17	1.11	1.22	1.26	1.18
Please describe the reasons for changes in financial ratios in recent two years. (Not necessary if the change does not reach 20%)							
1. Increase in account receivable turnover rate and decrease in average collection days: This is due to the decrease in the balance of receivables.							
2. Net profit margin increase: It was caused by the increase in after-tax profit and loss.							
3. Increase in cash flow ratio, cash flow fair ratio and cash reinvestment ratio: Mainly attributed to the increase in cash flow from operating activities.							

## 2.2 Financial Ratio Analysis (Stand-alone)

Year Item (Note 2)		2016	2017	2018	2019	2020
Financial structure	Ratio of liabilities to assets (%)	50.94	52.37	52.03	61.24	60.02
	Ratio of long-term capital to property, plant and equipment (%)	159.75	159.44	169.74	316.32	331.73
Liquidity analysis	Current ratio (%)	10.62	8.98	13.55	10.20	11.72
	Quick ratio (%)	6.98	6.29	10.16	6.27	7.98
	Interest coverage ratio (times)	7.85	9.94	10.66	6.80	5.78
Operating ability	Receivables turnover(times)	30.29	23.00	16.79	17.60	29.53
	Average collection period (days)	12.05	15.86	21.73	20.73	12.36
	Inventory turnover (times)	9.45	10.97	11.54	8.89	9.66
	Payables turnover (times)	1.09	0.93	0.81	0.91	1.11
	Average sales days (days)	38.62	33.27	31.62	41.05	37.78
	Property, plant and equipment turnover (times)	0.40	0.41	0.42	0.58	0.59
	Total assets turnover (times)	0.17	0.17	0.17	0.13	0.14
Profitability analysis	Return on total assets (%)	2.20	2.85	2.37	2.70	2.93
	Return on equity	3.91	5.33	4.50	5.96	6.25
	Pre-tax income to paid-in capital (%) (Note 6)	9.78	12.57	11.53	15.48	15.74
	Ratio of net income to sales (%)	10.77	14.51	12.22	16.78	17.56
	EPS (NT\$/share)	0.81	1.09	0.94	1.26	1.38
Cash flow	Cash flow ratio (%)	15.84	22.23	14.93	13.62	24.50
	Cash flow adequacy ratio (%)	114.26	142.52	146.46	140.45	156.98
	Cash reinvestment ratio (%)	3.46	9.21	3.16	2.61	5.32
Leverage	Operating leverage	1.70	1.63	1.49	1.79	2.04
	Financial leverage	1.12	1.11	1.08	1.21	1.30

Please describe the reasons for changes in financial ratios in recent two years. (Not necessary if the change does not reach 20%)

1. Quick ratio increase: Mainly due to the decrease in current liabilities.
2. Receivables turnover ratio (times) increase: Mainly due to the decrease in average receivables.
3. Average collection days decrease: Mainly due to the increase in the turnover rate of accounts receivable.
4. Payables turnover ratio (times) increase: Mainly due to the decrease in average payables.
5. Cash flow ratio (%) increase: Mainly attributed to the increase in net cash flow from operating activities.
6. Cash reinvestment ratio (%): Mainly attributed to the increase in net cash flow from operating activities.

Note 1: The numbers is calculated based on 2021 Q1 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 =  $[\text{Net income} + \text{Interest expenses} \times (1 - \text{Tax rate})] / \text{Average total assets}$
- (2) Return on shareholders' equity =  $\text{Net income} / \text{Average shareholders' equity}$
- (3) Net income to sales ratio =  $\text{Net income} / \text{Net sales}$
- (4) Earnings per share =  $(\text{Net income} - \text{Preferred stock dividend}) / \text{Weighted-average number of outstanding shares}$ .

**5. Cash flow**

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

**6. Leverage**

- (1) Operating leverage =  $(\text{Net sales} - \text{Variable operating costs and expenses}) / \text{Operating income}$
- (2) Financial leverage =  $\text{Operating income} / (\text{Operating income} - \text{Interest expenses})$

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

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

To the 2021 General Shareholders Meeting of Far Eastern Department Stores, Ltd.

In accordance with Article 14-4 of Securities and Exchange Act and Article 219 of the Company Law, we have examined the Business Report, the Resolution for Distribution of Surplus Earning, and Financial Statements which had been certified by Deloitte & Touche, submitted by the Board of Directors for the year ending 2020 and found them in order.

The Convener of the Audit Committee: Edward Wei

5 May, 2021

- 4. If the Company and affiliated enterprises encountered any financial difficulties in the most recent year and up to the Annual Report publication date, specify the impact on the Company's financial situation: None.**

## 5. 2020 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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 matter identified in the Group's consolidated financial statements for the year ended December 31, 2020 is stated as follows:

#### Fair Value Evaluation of Investment Properties

As of December 31, 2020, the carrying amount of investment properties was NT\$9,021,607 thousand, accounting for 7% of consolidated total assets and 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 estimates and judgments. Therefore, the fair value evaluation of investment property was considered to be a key audit matter. Refer to Notes 4(i), 5 and 16 to the accompanying consolidated financial statements for the relevant detailed information.

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

1. We evaluated the expertise, competency and independence of external valuation specialists appointed by management. We verified the qualification of valuation specialists to ensure that their objectivity and scope of work were not influenced or restricted, and confirmed that the methodology adopted was in compliance with relevant 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 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, 2020 and 2019 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, 2020 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 23, 2021

#### 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, 2020 AND 2019** **(In Thousands of New Taiwan Dollars)**

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 14,791,434	12	\$ 13,424,223	10
Financial assets at fair value through profit or loss - current (Note 7)	450,046	-	457,256	1
Financial assets at fair value through other comprehensive income - current (Notes 8 and 34)	278,539	-	297,456	-
Financial assets at amortized cost - current (Notes 9 and 34)	1,171,058	1	1,443,974	1
Notes receivable (Note 10)	1,864	-	1,132	-
Trade receivables (Note 10)	600,242	-	744,436	1
Trade receivables from related parties (Notes 10 and 33)	124,738	-	161,935	-
Other receivables (Notes 10 and 33)	1,007,684	1	915,309	1
Current tax assets (Note 27)	1,063	-	10,812	-
Inventories (Note 11)	2,374,459	2	2,780,889	2
Prepayments (Notes 18 and 33)	211,102	-	398,558	-
Other current assets (Notes 19 and 33)	<u>103,887</u>	-	<u>110,095</u>	-
Total current assets	<u>21,116,116</u>	<u>16</u>	<u>20,746,075</u>	<u>16</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 34)	4,659,302	4	5,030,564	4
Financial assets at amortized cost - non-current (Notes 9 and 34)	24,000	-	146,000	-
Investments accounted for using the equity method (Notes 13 and 34)	10,164,724	8	10,107,165	8
Property, plant and equipment (Notes 14, 33 and 34)	33,945,566	26	34,323,257	26
Right-of-use assets (Note 15)	42,712,637	33	44,764,810	34
Investment properties (Notes 16 and 34)	9,021,607	7	9,086,641	7
Intangible assets (Notes 17 and 34)	2,581,127	2	2,477,815	2
Deferred tax assets (Note 27)	572,186	1	589,225	-
Net defined benefit assets (Note 23)	205,863	-	234,035	-
Long-term prepayments for lease (Notes 18, 33 and 34)	1,517,865	1	1,060,658	1
Other non-current assets (Notes 19 and 33)	<u>1,902,776</u>	<u>2</u>	<u>1,944,860</u>	<u>2</u>
Total non-current assets	<u>107,307,653</u>	<u>84</u>	<u>109,765,030</u>	<u>84</u>
<b>TOTAL</b>	<u>\$ 128,423,769</u>	<u>100</u>	<u>\$ 130,511,105</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 20, 33 and 34)	\$ 9,045,746	7	\$ 9,630,896	7
Short-term bills payable (Notes 20 and 34)	3,729,003	3	3,622,993	3
Contract liabilities - current (Notes 25 and 33)	8,121,734	6	7,770,828	6
Notes payable	6,626	-	3,184	-
Trade payables	15,844,472	12	15,120,910	11
Trade payables to related parties (Note 33)	68,101	-	93,455	-
Other payables (Notes 21, 24 and 33)	3,721,330	3	3,971,660	3
Current tax liabilities (Note 27)	485,553	1	772,780	1
Provisions - current (Note 22)	3,000	-	3,000	-
Lease liabilities - current (Notes 15 and 33)	3,473,928	3	3,381,049	3
Advance receipts (Note 33)	510,474	1	440,970	-
Current portion of long-term borrowings (Notes 20 and 34)	299,933	-	2,540,000	2
Other current liabilities (Notes 21 and 33)	<u>373,784</u>	-	<u>315,976</u>	-
Total current liabilities	<u>45,683,684</u>	<u>36</u>	<u>47,667,701</u>	<u>36</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 20 and 34)	15,139,828	12	14,999,757	12
Provisions - non-current (Note 22)	25,047	-	24,823	-
Deferred tax liabilities (Note 27)	2,348,055	2	2,312,954	2
Lease liabilities - non-current (Notes 15 and 33)	24,335,088	19	25,406,473	19
Net defined benefit liabilities (Note 23)	737,454	-	738,431	1
Other non-current liabilities (Notes 21 and 33)	<u>366,325</u>	-	<u>457,159</u>	-
Total non-current liabilities	<u>42,951,797</u>	<u>33</u>	<u>43,939,597</u>	<u>34</u>
Total liabilities	<u>88,635,481</u>	<u>69</u>	<u>91,607,298</u>	<u>70</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital				
Ordinary shares	<u>14,169,406</u>	<u>11</u>	<u>14,169,406</u>	<u>11</u>
Capital surplus	<u>3,338,791</u>	<u>2</u>	<u>3,327,466</u>	<u>3</u>
Retained earnings				
Legal reserve	3,424,615	3	3,298,695	3
Special reserve	2,709,263	2	2,865,351	2
Unappropriated earnings	<u>2,695,084</u>	<u>2</u>	<u>1,931,429</u>	<u>1</u>
Total retained earnings	<u>8,828,962</u>	<u>7</u>	<u>8,095,475</u>	<u>6</u>
Other equity	<u>4,953,871</u>	<u>4</u>	<u>5,295,169</u>	<u>4</u>
Treasury shares	<u>(97,110)</u>	-	<u>(97,110)</u>	-
Total equity attributable to owners of the Company	31,193,920	24	30,790,406	24
<b>NON-CONTROLLING INTERESTS</b>	<u>8,594,368</u>	<u>7</u>	<u>8,113,401</u>	<u>6</u>
Total equity	<u>39,788,288</u>	<u>31</u>	<u>38,903,807</u>	<u>30</u>
<b>TOTAL</b>	<u>\$ 128,423,769</u>	<u>100</u>	<u>\$ 130,511,105</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, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 25 and 33)	\$ 37,287,949	100	\$ 37,896,062	100
OPERATING COSTS (Notes 11, 26 and 33)	<u>18,580,671</u>	<u>50</u>	<u>18,253,449</u>	<u>48</u>
GROSS PROFIT	<u>18,707,278</u>	<u>50</u>	<u>19,642,613</u>	<u>52</u>
OPERATING EXPENSES (Notes 23, 26 and 33)				
Selling and marketing expenses	987,735	3	891,625	2
General and administrative expenses	13,639,718	36	14,211,781	38
Expected credit (gain) loss	<u>(5,139)</u>	<u>-</u>	<u>556</u>	<u>-</u>
Total operating expenses	<u>14,622,314</u>	<u>39</u>	<u>15,103,962</u>	<u>40</u>
OPERATING PROFIT	<u>4,084,964</u>	<u>11</u>	<u>4,538,651</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 26)	66,244	-	90,449	-
Other income (Note 26)	312,581	1	286,299	1
Other losses (Notes 14, 17, 26 and 33)	(651,295)	(2)	(1,035,197)	(3)
Finance costs (Notes 26 and 33)	(851,591)	(2)	(835,329)	(2)
Share of profit of associates accounted for using the equity method	<u>39,868</u>	<u>-</u>	<u>58,065</u>	<u>-</u>
Total non-operating income and expenses	<u>(1,084,193)</u>	<u>(3)</u>	<u>(1,435,713)</u>	<u>(4)</u>
PROFIT BEFORE INCOME TAX	3,000,771	8	3,102,938	8
INCOME TAX EXPENSE (Note 27)	<u>455,874</u>	<u>1</u>	<u>950,669</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,544,897</u>	<u>7</u>	<u>2,152,269</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 23, 24 and 27)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(384,300)	(1)	1,118,564	3
Remeasurement of defined benefit plans	(96,805)	-	230,902	-
Share of other comprehensive income (loss) of associates accounted for using the equity method	31,283	-	(61,630)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>19,377</u>	<u>-</u>	<u>(46,260)</u>	<u>-</u>
	<u>(430,445)</u>	<u>(1)</u>	<u>1,241,576</u>	<u>3</u>

(Continued)

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (25,068)	-	\$ 53,578	-
Share of other comprehensive income (loss) of associates accounted for using the equity method	<u>25,525</u>	<u>-</u>	<u>(57,504)</u>	<u>-</u>
	<u>457</u>	<u>-</u>	<u>(3,926)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(429,988)</u>	<u>(1)</u>	<u>1,237,650</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,114,909</u>	<u>6</u>	<u>\$ 3,389,919</u>	<u>9</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,939,139	5	\$ 1,781,843	5
Non-controlling interests	<u>605,758</u>	<u>2</u>	<u>370,426</u>	<u>1</u>
	<u>\$ 2,544,897</u>	<u>7</u>	<u>\$ 2,152,269</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,525,741	4	\$ 3,044,048	8
Non-controlling interests	<u>589,168</u>	<u>2</u>	<u>345,871</u>	<u>1</u>
	<u>\$ 2,114,909</u>	<u>6</u>	<u>\$ 3,389,919</u>	<u>9</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$1.38</u>		<u>\$1.26</u>	
Diluted	<u>\$1.37</u>		<u>\$1.26</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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company											
	Share Capital (Note 24)	Capital Surplus (Note 24)	Retained Earnings (Note 24)			Exchange Differences on Translating the Financial Statements of Foreign Operations	Other Equity (Note 24)				Non-controlling Interests (Note 24)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain on Property Revaluation	Treasury Shares (Note 24)	Total		
BALANCE AT JANUARY 1, 2019	\$ 14,169,406	\$ 3,315,420	\$ 3,166,880	\$ 2,656,286	\$ 2,081,772	\$ 90,654	\$ 1,969,628	\$ 2,170,970	\$ (97,110)	\$ 29,523,906	\$ 8,166,484	\$ 37,690,390
Effect of retrospective application and retrospective restatement	-	-	-	-	(585,446)	-	-	-	-	(585,446)	(159,751)	(745,197)
BALANCE AT JANUARY 1, 2019 AS RESTATEMENT	14,169,406	3,315,420	3,166,880	2,656,286	1,496,326	90,654	1,969,628	2,170,970	(97,110)	28,938,460	8,006,733	36,945,193
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	135,735	(135,735)	-	-	-	-	-	-	-
Appropriation of 2018 earnings												
Legal reserve	-	-	131,815	-	(131,815)	-	-	-	-	-	-	-
Special reserve	-	-	-	73,330	(73,330)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,204,400)	-	-	-	-	(1,204,400)	-	(1,204,400)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(239,203)	(239,203)
	-	-	131,815	73,330	(1,409,545)	-	-	-	-	(1,204,400)	(239,203)	(1,443,603)
Net profit for the year ended December 31, 2019	-	-	-	-	1,781,843	-	-	-	-	1,781,843	370,426	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	-	-	1,262,205	(24,555)	1,237,650
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,980,131	(25,329)	1,089,246	-	-	3,044,048	345,871	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	14,169,406	3,327,466	3,298,695	2,865,351	1,931,429	65,325	3,058,874	2,170,970	(97,110)	30,790,406	8,113,401	38,903,807
Appropriation of 2019 earnings												
Legal reserve	-	-	125,920	-	(125,920)	-	-	-	-	-	-	-
Special reverse	-	-	-	(156,088)	156,088	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,133,552)	-	-	-	-	(1,133,552)	-	(1,133,552)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(117,859)	(117,859)
	-	-	125,920	(156,088)	(1,103,384)	-	-	-	-	(1,133,552)	(117,859)	(1,251,411)
Net profit for the year ended December 31, 2020	-	-	-	-	1,939,139	-	-	-	-	1,939,139	605,758	2,544,897
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(71,064)	3,225	(345,559)	-	-	(413,398)	(16,590)	(429,988)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,868,075	3,225	(345,559))	-	-	1,525,741	589,168	2,114,909
Adjustments resulting from investments in associates accounted for using the equity method	-	11,325	-	-	-	-	-	-	-	11,325	9,658	20,983
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	(1,036)	-	1,036	-	-	-	-	-
BALANCE AT DECEMBER 31, 2020	\$ 14,169,406	\$ 3,338,791	\$ 3,424,615	\$ 2,709,263	\$ 2,695,084	\$ 68,550	\$ 2,714,351	\$ 2,170,970	\$ (97,110)	\$ 31,193,920	\$ 8,594,368	\$ 39,788,288

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 3,000,771	\$ 3,102,938
Adjustments for:		
Depreciation expenses	5,790,171	5,555,195
Amortization expenses	83,971	60,149
Expected credit loss (reversed) recognized on receivables	(5,139)	556
Loss (gain) on financial assets and liabilities at fair value through profit or loss	11,520	(691)
Finance costs	851,591	835,329
Interest income	(66,244)	(90,449)
Dividend income	(312,581)	(286,299)
Share of profit of associates accounted for using the equity method	(39,868)	(58,065)
Loss on disposal of property, plant and equipment	17,035	84,473
Loss on disposal of intangible assets	-	1,435
Gain on lease modifications	(5,935)	(678)
Gain on disposal of investments	(553)	(291)
Impairment loss recognized on intangible assets	6,384	1,095,884
Impairment loss recognized on property, plant and equipment	16,853	-
Impairment loss recognized on right-of-use assets	613,770	-
Unrealized gain on physical and slow-moving inventories	(32)	(9,418)
Loss on changes in fair value of investment properties	71,617	151,597
Amortization of prepayments	39,674	12,544
Concession on lease liabilities	(280,698)	-
Reversal of unrealized purchase discounts	(210)	(400)
Net changes in operating assets and liabilities		
Increase in financial assets mandatorily classified as at fair value through profit or loss	(15,360)	(18,527)
Notes receivable	(732)	1,155
Trade receivables	144,075	836,753
Trade receivables from related parties	38,282	(3,995)
Other receivables	(120,004)	8,008
Inventories	406,672	(41,837)
Prepayments	188,606	90,044
Other current assets	6,208	(24,297)
Contract liabilities - current	350,906	245,360
Notes payable	3,442	(499)
Trade payables	723,562	(2,458,543)
Trade payables to related parties	(25,354)	(11,544)
Other payables	(58,840)	(519,160)
Provisions	-	(4,050)
Advance receipts	239,964	226,939
Other current liabilities	57,808	(4,971)
Net defined benefit liabilities	(53,507)	(125,339)
Cash generated from operations	11,677,825	8,649,306
Dividends received	431,307	317,922
Interest paid	(796,027)	(854,447)

(Continued)



# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Interest received	\$ 62,228	\$ 109,832
Income tax returned	2,801	2,191
Income tax paid	<u>(690,968)</u>	<u>(337,318)</u>
Net cash generated from operating activities	<u>10,687,166</u>	<u>7,887,486</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(41,279)	(4,744)
Proceeds from sale of financial assets at fair value through other comprehensive income	46,717	-
Purchase of financial assets amortized at cost	(1,305,880)	(2,147,035)
Proceeds from sale of financial assets at amortized cost	1,706,277	2,857,542
Acquisition of investments accounted for using the equity method	-	(1,605,034)
Proceeds from sale of financial assets at fair value through profit or loss	11,603	-
Decrease in prepaid long-term investments	-	25,383
Payments for property, plant and equipment	(2,011,132)	(1,801,799)
Proceeds from disposal of property, plant and equipment	1,473	39,189
Decrease in other receivables	-	1,225,948
Payments for intangible assets	(193,635)	(173,406)
Proceeds from disposal of intangible assets	-	139
Acquisition of right-of-use assets	(110,833)	-
Acquisition of investment properties	(6,583)	(8,015)
Increase in other non-current assets	<u>(509,118)</u>	<u>(1,924,566)</u>
Net cash used in investing activities	<u>(2,412,390)</u>	<u>(3,516,398)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	115,681,868	139,427,113
Repayments of short-term borrowings	(116,326,590)	(142,602,371)
Proceeds from short-term bills payable	35,197,389	36,935,184
Repayments of short-term bills payable	(35,091,379)	(36,792,556)
Proceeds from long-term borrowings	103,720,004	79,279,757
Repayments of long-term borrowings	(105,820,000)	(76,830,000)
Repayment of the principal portion of lease liabilities	(2,957,964)	(3,386,357)
Decrease in other non-current liabilities	(90,834)	(36,410)
Dividends paid to owners of the Company	(1,131,061)	(1,202,733)
Dividends paid to non-controlling interests	<u>(117,859)</u>	<u>(198,624)</u>
Net cash used in financing activities	<u>(6,936,426)</u>	<u>(5,406,997)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>28,861</u>	<u>(134,715)</u>

(Continued)

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

## **CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)**

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	<b>2020</b>	<b>2019</b>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,367,211	\$ (1,170,624)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>13,424,223</u>	<u>14,594,847</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 14,791,434</u>	<u>\$ 13,424,223</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, 2020 AND 2019 (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 dollar.

### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 23, 2021.

### 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:

#### Amendments to IFRS 16 “COVID-19 - Related Rent Concessions”

The Group elected to apply the practical relief for the rent negotiation with the lessor that is directly related to the COVID-19. Please refer to Note 4 for the related accounting policy. Before applying these amendments, the Group shall determine whether the amended lease provisions are applicable to the aforementioned rent negotiation.

The Group began to apply the amendments since January 1, 2020. Since the aforementioned rent negotiation only affects fiscal year 2020, the retrospective application of the amendments does not affect the retained earnings on January 1, 2020.

- b. The IFRSs endorsed by the FSC for application starting from 2021

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

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. IFRSs that have been issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023 (Note 6)
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 7)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 8)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 applicable to the exchange of financial liabilities or clause amendments effective from the reporting period starting January 1, 2022; the amendments to IAS 41 "Agriculture" are applicable to the fair value measurement effective from the reporting period starting January 1, 2022; the amendments to IFRS 1 "First-time Adoption of IFRSs" are retrospectively applicable effective from the reporting period starting January 1, 2022.

Note 3: These amendments apply to business mergers with the acquisition date falling in annual reporting period after January 1, 2022.

Note 4: These amendments apply to plant, property and equipment that reach the necessary locations and conditions for the management's expected operating mode after January 1, 2021.

Note 5: These amendments apply to contracts that have not been fulfilled on January 1, 2022.

Note 6: On March 17, 2020, IASB made the decision to postpone the effective date of IFRS 17 to March 1, 2023. However, the amendments to IFRS 17 were announced formally in the third quarter of 2020.

Note 7: The Company shall apply these amendments prospectively for annual reporting periods starting January 1, 2023.

Note 8: The Company shall apply these amendments prospectively for changes in accounting estimates and policies effective from annual reporting periods starting January 1, 2023.

1) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments are to clarify that when determining whether a liability is classified as non-current, it should be assessed whether at the end of the reporting period the Group has the right to defer the settlement period for at least 12 months after the reporting period. If the Group has the right at the end of the reporting period, regardless of whether the Group expects to exercise the right, the liability is classified as non-current. The amendments also clarify that if the Group must comply with certain conditions before it possesses the right to defer settlement of liabilities, the Group must comply with these conditions by the end of the reporting period, despite the fact that the lender may perform a test on the Group to check if it has complied with these conditions at a later date.

The amendments stipulate that for the purpose of classification of liabilities, the aforementioned settlement refers to the elimination of liabilities by transferring cash, other economic resources or equity instruments of the Group to the counterparty. However, terms of the liability that could, at the option of the counterparty, result in its settlement by the transfer of the Group’s equity instruments (and if the option is separately recognized as an equity in accordance with IAS 32 “Financial Instruments: Presentation”), such terms do not affect the classification of the liability.

2) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendment stipulates that an entity should comply with the definition of material to determine the disclosure of material accounting policies. An accounting policy is material if information about that accounting policy could reasonably be expected to influence decisions that the primary users with general purposes make based on those financial statements. The amendments clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed.
- Accounting policy information may be material because of the nature of the transactions, other events or conditions, even if the amounts are immaterial.
- Not all accounting policy information related to material transactions, other events or conditions are themselves material.

Further, the amendments also cite examples to illustrate that accounting policy information may be considered material if it relates to material transactions, other events or conditions and that the accounting policies:

- a) Have changed during the period, giving rise to a material change in the information of the financial statements;
- b) Were chosen from alternatives permitted by IFRS Standards;
- c) Were developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS Standard that specifically applies;
- d) Relate to an area for which the entity is required to make significant judgments and assumptions;  
or
- e) Relate to complex accounting and users of the entity’s financial statements would otherwise not understand the relating transactions, other events or conditions.

### 3) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments stipulate that accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.” The accounting policies may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policies. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result in the correction of prior period errors.

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 7 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, 2020.

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, 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.

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. 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. Investment properties include right-of-use assets and properties under construction that meet the definition of investment properties. Investment properties also include land held for a currently undetermined future use.

Freehold investment properties are measured initially at cost, including transaction costs. 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. 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.

l. Impairment of property, plant and equipment, right-of-use assets and intangible assets (except for goodwill)

At the end of each reporting period, the Group reviews for any indication of impairment loss pertaining to the property, plant and equipment, right-of-use assets and intangible assets (except for goodwill). If any such indication exists, the recoverable amount of the asset is estimated. 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 for which a reasonable and consistent allocation basis can be identified.

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 32: 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.

Without taking the collateral held into consideration, pertinent to the objectives of the credit risk management, the Group determines that a default has occurred for a financial asset when internal or external information indicates that the borrower can no longer repay the liability, unless there is reasonable and substantiated information to recognize the default at a later time.

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

When derecognizing financial liability, the difference between the carrying amount of the financial liability de-recognized and the consideration paid (including the transfer of any non-cash asset or liability undertaken) 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.

The Group offers award credits which can be used for future purchases when the customer shops (customer loyalty program). The award credits provide 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 are redeemed or have expired.

p. Leases

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.

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.

The Group and the lessor conducted rent negotiations directly related to COVID-19, and adjusted the rent due before December 31, 2021, resulting in a decrease in rent. As these negotiations did not significantly change other lease terms, the Group chooses to adopt a practical and expedient approach to all rent negotiations that meet the aforementioned conditions. It does not assess whether the negotiation is a lease modification, but recognizes a reduction of lease payment in the profit or loss when the concession event or situation occurs (booked as a deduction in variable lease payments) and reduces the lease liability accordingly.

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.

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. Government subsidies

The government subsidies are recognized when there is reasonable assurance that the Group will comply with the conditions attached to the subsidies, and the grants will be received.

The government subsidies that are related to profit making and aim to compensate the Group are recognized as current income on a systematic basis for the period in which the related costs are booked as expenses.

If the nature of the government subsidies is to compensate for the expenses incurred by the Group or as a form of financial support to the Group and not related to the related future expenses, the government subsidies shall be recognized in the profit or loss when received.

s. 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.

t. Taxation

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

1) Current tax

The current payable (recoverable) income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Group operates and generates taxable income (loss).

According to the Income Tax Law of the ROC, the recognition of annual unappropriated earnings that are taxable, is subject to the resolution passed in the shareholders' meeting.

Adjustments of prior years' tax liabilities are added to or deducted from the current years' tax provision.

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 Group incorporates the economic impact caused by COVID-19 into the consideration of significant accounting 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 and Uncertainty

#### 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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand and revolving funds	\$ 174,161	\$ 176,112
Checking accounts and demand deposits	6,321,368	4,334,916
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	7,845,295	3,856,673
Repurchase agreements	399,727	-
Triple stimulus vouchers	50,883	-
Commercial papers	-	5,056,522
	<u>\$ 14,791,434</u>	<u>\$ 13,424,223</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Deposits in bank	0.001%-2.025%	0.001%-2.500%
Repurchase agreements	0.230%-0.240%	-
Commercial papers	-	0.540%-0.590%

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Beneficiary certificates	\$ 336,200	\$ 346,330
Listed and over-the-counter (OTC) shares	<u>113,846</u>	<u>110,926</u>
	<u>\$ 450,046</u>	<u>\$ 457,256</u>

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

	December 31	
	2020	2019
<u>Investments in equity instruments at FVTOCI</u>		
Domestic investments		
Listed and OTC shares	\$ 4,352,973	\$ 4,736,737
Unlisted shares	<u>568,317</u>	<u>574,766</u>
	4,921,290	5,311,503
Foreign investments		
Unlisted shares	<u>16,551</u>	<u>16,517</u>
	<u>\$ 4,937,841</u>	<u>\$ 5,328,020</u>
Current	\$ 278,539	\$ 297,456
Non-current	<u>4,659,302</u>	<u>5,030,564</u>
	<u>\$ 4,937,841</u>	<u>\$ 5,328,020</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 Group's strategy of holding these investments for long-term purposes.
- b. Refer to Note 34 for information relating to investments in equity instruments at FVTOCI pledged as security.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
Time deposits with original maturities of more than 3 months	\$ 1,008,058	\$ 1,390,974
Pledged deposits	<u>187,000</u>	<u>199,000</u>
	<u>\$ 1,195,058</u>	<u>\$ 1,589,974</u>
Current	\$ 1,171,058	\$ 1,443,974
Non-current	<u>24,000</u>	<u>146,000</u>
	<u>\$ 1,195,058</u>	<u>\$ 1,589,974</u>
Gross carrying amount	\$ 1,195,058	\$ 1,589,974
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 1,195,058</u>	<u>\$ 1,589,974</u>

- a. The credit risk of financial instruments such as bank deposits is measured and monitored by the accounting department. The counterparties are creditworthy banks and financial institutions with good credit rating.
- b. As of December 31, 2020, and 2019, the interest rates for financial assets at amortized cost were 0.30% and 2.40%, respectively.

- c. Refer to Note 34 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>2020</b>	<b>2019</b>
Operating	\$ 657	\$ 1,132
Non-operating	3,001	1,794
Less: Allowance for impairment loss	<u>(1,794)</u>	<u>(1,794)</u>
	<u>\$ 1,864</u>	<u>\$ 1,132</u>

### December 31, 2020

	<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	0.0000%	0.0000%	0.0000%	0.0000%	100%	
Gross carrying amount	\$ 1,864	\$ -	\$ -	\$ -	\$ 1,794	\$ 3,658
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,794)</u>	<u>(1,794)</u>
Amortized cost	<u>\$ 1,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,864</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%	0.0000%	0.0000%	100%	
Gross carrying amount	\$ 1,129	\$ 3	\$ -	\$ -	\$ 1,794	\$ 2,926
Loss allowance (Lifetime ECLs)	<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>

## b. Trade receivables

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
At amortized cost		
Gross carrying amount	\$ 852,642	\$1,034,999
Less: Allowance for impairment loss	<u>(127,662)</u>	<u>(128,628)</u>
	<u>\$ 724,980</u>	<u>\$ 906,371</u>

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

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, 2020

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.0000%	2.0800%	6.6200%	7.7600%	100%	
Gross carrying amount	\$ 721,706	\$ 3,070	\$ 241	\$ -	\$ 127,625	\$ 852,642
Loss allowance (Lifetime ECLs)	-	(21)	(16)	-	(127,625)	(127,662)
Amortized cost	<u>\$ 721,706</u>	<u>\$ 3,049</u>	<u>\$ 225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 724,980</u>

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 ECLs)	(168)	(499)	(7)	(7)	(127,947)	(128,628)
Amortized cost	<u>\$ 879,856</u>	<u>\$ 24,760</u>	<u>\$ 1,678</u>	<u>\$ 77</u>	<u>\$ -</u>	<u>\$ 906,371</u>

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

	2020	2019
Balance at January 1	\$ 128,628	\$ 129,572
Less: Impairment losses reversed	(966)	(914)
Less: Amounts written off	<u>-</u>	<u>(30)</u>
Balance at December 31	<u>\$ 127,662</u>	<u>\$ 128,628</u>

c. Other receivables

	<b>For the Year Ended December 31</b>	
	2020	2019
<u>At amortized cost</u>		
Gross carrying amount		
Others	\$ 1,289,489	\$ 1,199,138
Less: Allowance for impairment loss	<u>(281,805)</u>	<u>(283,829)</u>
	<u>\$ 1,007,684</u>	<u>\$ 915,309</u>

FEDS Development agreed to offer a one-year loan to FENC (China) with a credit line of RMB20,890 thousand and also provided an unsecured and interest-free loan to YDEC (Shanghai) with a credit line of RMB22,377 thousand. Revolving lines of credit are allowed. As of December 31, 2019, the whole amount of loans had been repaid.

The Group postulated that the potential benefits of the investment will exceed the prospective interest income 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, 2020

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.0000%	0.0000%	4.4000%	6.2100%	100%	
Gross carrying amount	\$ 1,007,527	\$ 132	\$ 26	\$ -	\$ 281,804	\$ 1,289,489
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>(281,804)</u>	<u>(281,805)</u>
Amortized cost	<u>\$ 1,007,527</u>	<u>\$ 132</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,007,684</u>

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	0.0600%	1.4700%	5.2800%	7.1300%	100%	
Gross carrying amount	\$ 915,188	\$ 130	\$ -	\$ -	\$ 283,820	\$ 1,199,138
Loss allowance (Lifetime ECLs)	<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>

	2020	2019
Balance at January 1	\$ 283,829	\$ 294,642
Add: Impairment losses recognized	-	1,470
Less: Impairment losses reversed	(4,173)	-
Less: Amounts written off	(1,553)	(2,504)
Foreign exchange gains and losses	<u>3,702</u>	<u>(9,779)</u>
Balance at December 31	<u>\$ 281,805</u>	<u>\$ 283,829</u>

## 11. INVENTORIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Merchandise	\$ 2,374,459	\$ 2,780,889
Allowance for inventory write-down	<u>\$ 71,159</u>	<u>\$ 70,908</u>
Allowance for losses on physical inventory	<u>\$ 23,009</u>	<u>\$ 23,292</u>
Allowance for unrealized purchase discounts	<u>\$ 2,827</u>	<u>\$ 3,037</u>

The cost of goods sold includes:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Cost of goods sold	\$ 18,216,356	\$ 17,891,176
Reversed unrealized loss on physical inventory and slow-moving inventory	32	9,418
Reversed unrealized purchase discounts	<u>210</u>	<u>400</u>
	<u>\$ 18,216,598</u>	<u>\$ 17,900,994</u>

## 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		
			2020	2019	
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	
Bai Yang Investment Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	2	2	
	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	1)
	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	
	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	
Yu Ming Advertising Agency Co., Ltd.	Far Eastern CitySuper Co., Ltd.	Hypermarket	-	-	
	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	
Ya Tung Department Stores, Ltd.	Chongqing FEDS Co., Ltd.	Department store	100	100	
	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	
	Chubei New Century Shopping Mall Co., Ltd.	Department store	100	100	1)
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 Quanying Mansion Pacific Department Store Co., Ltd.	Department store	100	100	2)
	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	3)
	Pacific (China) Investment Co., Ltd.	Investment	100	100	
	Chengdu FEDS Co., Ltd.	Department store	100	100	4)
	Dalian Pacific Department Store Co., Ltd.	Department store	100	100	

1) As of December 31, 2020, they were still in the startup period.

2) The board of directors resolved to discontinue operations starting from April 2019 and the entity was liquidated on December 29, 2020.

3) As there was no further business planning for the entity, the operation was suspended in June 2017.

4) Due to an oversupply of department stores in the market, Chengdu FEDS Co., Ltd. (hereinafter referred to as "Chengdu FEDS") decided to reconstruct the operational plan and transform the business management to improve the overall effectiveness. As such, the operation was discontinued since December 23, 2017.



b. Subsidiaries excluded from the consolidated financial statements

Investor	Investee	Main Businesses	Proportion of Ownership		Remarks
			(%)		
			December 31		
			2020	2019	
Pacific Sogo Department Stores Co., Ltd.	Lian Ching Investment Co., Ltd.	Investment	50	50	

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

	December 31	
	2020	2019
Associates that are not individually material	<u>\$ 10,164,724</u>	<u>\$ 10,107,165</u>

Aggregate information of associates that are not individually material:

	For the Year Ended December 31	
	2020	2019
The Group's share of:		
Profit from continuing operations	\$ 39,868	\$ 58,065
Other comprehensive income (loss)	<u>56,808</u>	<u>(119,134)</u>
Total comprehensive income (loss) for the year	<u>\$ 96,676</u>	<u>\$ (61,069)</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 of \$1,605,034 thousand.

October 2020 and July 2019, Yuan Hsin Digital Payment Co., Ltd. undertook a capital reduction to offset the deficit, which resulted in a decrease of the Group's shareholding in Yuan Hsin Digital Payment Co., Ltd. that corresponded to the existing ownership percentage by 6,850 thousand shares and 7,324 thousand shares, respectively.

The annual general shareholders' meeting of Oriental Securities Corporation in 2020 passed a resolution for the capitalization of retained earnings. The Group acquired 2,849 thousand shares according to its existing ownership percentage.

Chongqing Pacific Consultant & Management Co., Ltd. (CPCM) invested its equity of RMB75,000 thousand and acquired 33% shareholding in Chengdu Baiyang Industry Co., Ltd. (CDBI). To secure a stable and long-term cooperation, CPCM entered into a contract with Chengdu Department Emporium Group Co., Ltd. (CDEG, a joint venture partner in Mainland China), whereby CPCM agreed to provide funding to CDBI of RMB425,000 thousand. The earnings distribution shall be conducted as per the percentage provided in the cooperation contract and not as per their respective percentages of ownership. The contract further states that where CDBI is not under liquidation or CPCM decides to transfer its shareholding, the aforementioned funding of RMB425,000 thousand shall be capitalized in stages and become the equity of CDBI. As such, the funding is recognized as a long-term investment prepayment. However, if CDEG requires an earnings distribution percentage that exceeds the contractual agreement, CPCM may simultaneously request to recover 50% of the earnings distribution exceeding the agreement and the aforementioned security deposit. As of December 31, 2020, CDBI had paid back a total amount of 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 34 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, 2020	\$ 13,720,139	\$ 21,470,677	\$ 10,615,174	\$ 12,983,625	\$ -	\$ 3,106,658	\$ 116,434	\$ 62,012,707
Additions (deductions)	-	-	287,526	637,932	-	199,200	604,351	1,729,009
Disposals	-	-	(61,795)	(712,733)	-	(108,127)	-	(882,655)
Reclassification	-	-	27,821	44,974	-	15,178	(29,087)	58,886
Effect of exchange differences	-	21,137	-	22,722	-	1,139	(2)	44,996
Balance at December 31, 2020	\$ 13,720,139	\$ 21,491,814	\$ 10,868,726	\$ 12,976,520	\$ -	\$ 3,214,048	\$ 691,696	\$ 62,962,943
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2020	\$ -	\$ (7,962,389)	\$ (7,108,824)	\$ (10,450,016)	\$ -	\$ (2,168,221)	-	\$ (27,689,450)
Disposals	-	-	55,771	703,808	-	104,388	-	863,967
Impairment losses	-	-	-	(15,958)	-	(895)	-	(16,853)
Depreciation expense	-	(445,627)	(677,784)	(779,277)	-	(230,084)	-	(2,132,772)
Effect of exchange differences	-	(19,997)	-	(21,294)	-	(978)	-	(42,269)
Balance at December 31, 2020	\$ -	\$ (8,428,013)	\$ (7,730,837)	\$ (10,562,737)	\$ -	\$ (2,295,790)	-	\$ (29,017,377)
Carrying amount at December 31, 2020	\$ 13,720,139	\$ 13,063,801	\$ 3,137,889	\$ 2,413,783	\$ -	\$ 918,258	\$ 691,696	\$ 33,945,566
<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	\$ 13,720,139	\$ 21,470,677	\$ 10,615,174	\$ 12,983,625	\$ -	\$ 3,106,658	\$ 116,434	\$ 62,012,707
<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	\$ -	\$ (7,962,389)	\$ (7,108,824)	\$ (10,450,016)	\$ -	\$ (2,168,221)	-	\$ (27,689,450)
Carrying amount at December 31, 2019	\$ 13,720,139	\$ 13,508,288	\$ 3,506,350	\$ 2,533,609	\$ -	\$ 938,437	\$ 116,434	\$ 34,323,257

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
Equipment under finance leases	2-20 years
Plant, transportation, and miscellaneous equipment	3-12 years

For the year ended December 31, 2020, Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. had assessed the future profitability and recognized an impairment loss of \$16,853 thousand after performing impairment test to assess the recoverable amount of property, plant and equipment.

Refer to Note 34 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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Land	\$ 10,961,544	\$ 11,367,407
Buildings	31,744,713	33,396,243
Plant, transportation, and miscellaneous equipment	<u>6,380</u>	<u>1,160</u>
	<u>\$ 42,712,637</u>	<u>\$ 44,764,810</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 2,494,328</u>	<u>\$ 2,101,626</u>
Depreciation charge for right-of-use assets		
Land	\$ 466,005	\$ 344,220
Buildings	3,360,186	3,318,910
Plant, transportation, and miscellaneous equipment	<u>1,488</u>	<u>1,228</u>
	<u>\$ 3,827,679</u>	<u>\$ 3,664,358</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Current	<u>\$ 3,473,928</u>	<u>\$ 3,381,049</u>
Non-current	<u>\$ 24,335,088</u>	<u>\$ 25,406,473</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	1.09%-1.75%	1.09%-1.75%
Buildings	0.86%-4.35%	0.90%-4.35%
Plant, transportation, and miscellaneous equipment	0.88%-1.09%	0.92%-1.15%

After assessing the future profitability, the Group found that the recoverable amount was lower than the carrying value. As such, from January 1 to December 31, 2020, an impairment loss of \$613,770 thousand was recognized. The Group adopts value in use as the recoverable amount, and the discount rates were between 6.0% and 9.3%. The impairment loss was recognized under other gains and losses in the consolidated statements of comprehensive income.

Apart from the aforementioned additions, depreciation and impairment charges, the right-of-use assets of the Group from January 1 to December 31, 2020 and 2019 had not been subleased to a third party.

The land in Taoyuan leased to the Group has been subleased to a third party as an operating lease. For the right-of-use assets listed as investment properties, please see Note 16 on investment properties. The aforementioned right-of-use assets exclude right-of-use assets qualified as investment properties.

c. Material lease-in activities and terms

In 2020, due to the COVID-19 pandemic that severely affected the global market economy, the Group entered into lease negotiation with some of the lessors. The lessors agreed to reduce the rents from January 1 to December 31, 2020.

In 2020, the Group recognized the aforementioned rent reductions of \$280,698 thousand (as a deduction in operating expenses).

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.

In 2020, the Group entered into a lease agreement with Far Eastern Construction Co., Ltd. The property is used for operation of hypermarket, retails and other businesses. In September 2020, the Branch Far Eastern Ai Mai Co., Ltd. was established in Shuinan, Taichung.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	\$ 52,166	\$ 182,955
Expenses relating to low-value asset leases	\$ 64,626	\$ 69,461
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ (143,427)	\$ (227,668)
Total cash outflow for leases	\$ (4,224,076)	\$ (5,898,217)

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.

## 16. INVESTMENT PROPERTIES

	Land	Buildings and Facilities	Investment Properties under Construction	Right-of-use Assets	Total
Balance at January 1, 2020	\$ 5,720,778	\$ 2,866,154	\$ 10,124	\$ 489,585	\$ 9,086,641
Additions	-	2,453	4,130	-	6,583
Gain (loss) on changes in the fair value of investment properties	<u>36,017</u>	<u>(75,853)</u>	<u>-</u>	<u>(31,781)</u>	<u>(71,617)</u>
Balance at December 31, 2020	<u>\$ 5,756,795</u>	<u>\$ 2,792,754</u>	<u>\$ 14,254</u>	<u>\$ 457,804</u>	<u>\$ 9,021,607</u>
Balance at January 1, 2019	\$ 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>\$ 5,720,778</u>	<u>\$ 2,866,154</u>	<u>\$ 10,124</u>	<u>\$ 489,585</u>	<u>\$ 9,086,641</u>

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 2 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 on the basis of the consumer price index.

In 2020, due to the COVID-19 pandemic that severely affected the global market economy, the Group agreed to reduce the rent from January 1 to December 31, 2020.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2020 is as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Year 1	\$ 833,396	\$ 955,598
Year 2	686,945	739,951
Year 3	623,572	603,043
Year 4	570,700	539,542
Year 5	554,832	532,780
Year 6 onwards	<u>4,041,713</u>	<u>4,563,664</u>
	<u>\$ 7,311,158</u>	<u>\$ 7,934,578</u>

The fair values of the investment properties as of December 31, 2020 and 2019 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>2020</b>	<b>2019</b>
Expected future cash inflows	\$ 20,904,803	\$ 21,454,628
Expected future cash outflows	<u>3,011,028</u>	<u>3,020,664</u>
Expected future cash inflows, net	<u>\$ 17,893,775</u>	<u>\$ 18,433,964</u>
Discount rate	3.595%-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 include rental income, interest income on rental deposits and disposal proceeds at the end of the period. The rental income was extrapolated using the annual rental growth rate, based on the existing lease contracts of the Group and comparative market rentals. The income analysis covers a period between 5 and 10 years. The interest income on rental deposits was extrapolated using the one-year average deposit interest rate, while the disposal proceeds was determined using the direct capitalization method under the income approach. The expected future cash outflows on investment properties include expenditures such as property tax, land value tax, insurance premiums, management fees, maintenance costs and replacement allowances. These expenditures were extrapolated based on the current level of expenditures, while taking into account the construction cost indices, future adjustments to land value announced, the tax rate promulgated under 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 located in the east of Taiwan that is owned by the Group, is yet to be developed. The fair value of the undeveloped land was measured using the land development analysis approach. The significant assumptions used are such that an increase in total estimated sales, an increase in rate of return, or a decrease in the overall capital interest rate would result in an increase in the fair value.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Estimated total sales price	<u>\$ 1,647,633</u>	<u>\$ 1,511,974</u>
Rate of return	18%-20%	18%-20%
Overall capital interest rate	1.34%-2.72%	1.56%-3.08%

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 34 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, 2020	\$ 7,631,973	\$ 432,020	\$ 153,832	\$ 8,217,825
Additions	-	59,789	90,027	149,816
Disposals	-	(4,125)	-	(4,125)
Reclassification	-	43,819	-	43,819
Effect of exchange differences	<u>-</u>	<u>883</u>	<u>-</u>	<u>883</u>
Balance at December 31, 2020	<u>\$ 7,631,973</u>	<u>\$ 532,386</u>	<u>\$ 243,859</u>	<u>\$ 8,408,218</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2020	\$ (5,425,075)	\$ (314,935)	\$ -	\$ (5,740,010)
Impairment losses recognized	-	(6,384)	-	(6,384)
Amortization expenses	-	(83,971)	-	(83,971)
Disposals	-	4,125	-	4,125
Effect of exchange differences	<u>-</u>	<u>(851)</u>	<u>-</u>	<u>(851)</u>
Balance at December 31, 2020	<u>\$ (5,425,075)</u>	<u>\$ (402,016)</u>	<u>\$ -</u>	<u>\$ (5,827,091)</u>
Carrying amounts at December 31, 2020	<u>\$ 2,206,898</u>	<u>\$ 130,370</u>	<u>\$ 243,859</u>	<u>\$ 2,581,127</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	<u>-</u>	<u>(2,246)</u>	<u>-</u>	<u>(2,246)</u>
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	<u>-</u>	<u>2,085</u>	<u>-</u>	<u>2,085</u>
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>

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.

At the reporting date, the Group shall conduct an impairment test to assess the recoverable amount of the goodwill. The value in use shall serve as the computation basis for the recoverable amount. The computation of value in use is based on the cash flow projections generated by cash-generating units in the financial budget. In 2020, the discount rate used for computation was 4.52% per annum. After assessing the recoverable amount of the goodwill, the Group recognized no impairment loss on goodwill for 2020. In 2019, the discount rate used for computation was 11.8% per annum. After assessing the recoverable amount of the goodwill, the Group recognized an impairment loss on goodwill of \$1,095,884 thousand for the business segment in mainland China.

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.

For intangible assets pledged as collateral for loans, please see Note 34.

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. PRE-PAYMENTS FOR LEASES

December 31	
2020	2019
<u>\$ 1,517,865</u>	<u>\$ 1,060,658</u>

On July 8, 2015, Chubei New Century Shopping Mall Co., Ltd. signed with Hsinchu County Government the “Build-Operate-Transfer Agreement for Tingba Carpark of Hsinchu County” with Hsinchu County Government. As of December 31, 2020, the carpark is not yet open for operation. However, the lease payments and construction expenditure incurred had amounted to \$1,517,865 thousand. Pursuant to the agreement, the lease period starting from the transfer of superficies includes the construction and operation period and lasts for 50 years.

For long-term prepayment for lease pledged as collateral of loans, please see Note 34.

## 19. OTHER ASSETS

	December 31	
	2020	2019
Refundable deposits	\$ 1,358,481	\$ 1,347,547
Lease incentives	376,067	339,350
Others	<u>272,115</u>	<u>368,058</u>
	<u>\$ 2,006,663</u>	<u>\$ 2,054,955</u>
Current	\$ 103,887	\$ 110,095
Non-current	<u>1,902,776</u>	<u>1,944,860</u>
	<u>\$ 2,006,663</u>	<u>\$ 2,054,955</u>



## 20. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Credit loans	\$ 7,973,651	\$ 8,814,863
Secured loans (Note 34)	<u>1,072,095</u>	<u>816,033</u>
	<u>\$ 9,045,746</u>	<u>\$ 9,630,896</u>
Interest rate intervals are as follows:		
Credit loans	0.8100%-3.9500%	0.9000%-4.5675%
	%	%
Secured loans	0.8600%-3.9900%	0.9200%-4.1325%
	%	%

### b. Short-term bills payable

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Commercial papers	\$ 3,730,000	\$ 3,624,000
Less: Unamortized discount on short-term bills payable	<u>997</u>	<u>1,007</u>
	<u>\$ 3,729,003</u>	<u>\$ 3,622,993</u>

Outstanding short-term bills payable are as follows:

December 31, 2020

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial papers</u>						
Mega Bills Finance	\$ 1,050,000	\$ 249	\$ 1,049,751	0.602%-0.620%	Shares	\$ 677,678
China Bills Finance	900,000	258	899,742	0.250%	Shares	108,000
Shanghai Bank	500,000	196	499,804	0.332%	-	-
Grand Finance	400,000	48	399,952	0.650%-0.682%	-	-
Ta Ching Bill Finance	280,000	68	279,932	0.610%-0.710%	-	-
International Bills Finance	200,000	65	199,935	0.510%	-	-
Taiwan Bills Finance	200,000	99	199,901	0.600%	-	-
Taiwan Cooperative Bills Finance	<u>200,000</u>	<u>14</u>	<u>199,986</u>	0.700%	-	-
	<u>\$ 3,730,000</u>	<u>\$ 997</u>	<u>\$ 3,729,003</u>			<u>\$ 785,678</u>

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>-</u>
	<u>\$ 3,624,000</u>	<u>\$ 1,007</u>	<u>\$ 3,622,993</u>			<u>\$ 927,720</u>

c. Long-term borrowings

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Secured loans	\$ 10,400,000	\$ 10,100,000
Credit loans	3,510,000	6,240,000
Syndicated loan (1)	630,000	-
Revolving commercial papers	<u>899,761</u>	<u>1,199,757</u>
	15,439,761	17,539,757
Less: Current portion	<u>299,933</u>	<u>2,540,000</u>
	<u>\$ 15,139,828</u>	<u>\$ 14,999,757</u>

Loan expiry date and interest rate intervals are as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
loan maturity	September 2021 to November 2023	January 2021 to December 2022
Interest rate intervals	0.281%-1.895%	0.399%-1.720%

- 1) To support the development costs required for the “Build–Operate–Transfer Agreement for Tingba Carpark of Hsinchu County” (hereinafter referred to as the “Project”) in February 2016, Chubei New Century Shopping Mall Co., Ltd. entered into a medium-term syndicated loan agreement with Hua Nan Bank (lead bank), Taipei Fubon Bank, Chang Hwa Bank (three arrangers) and seven other banks for a loan of \$3,700,000 thousand. The Company serves as the joint guarantor.

The credit period lasts for five years starting from the first drawdown of the facility. The first drawdown is deemed to have been made two years after the loan agreement is signed even if there is no actual drawdown. During the credit period, the drawdown of the loan may be made multiple times. However, it shall not be drawn in a revolving basis. When the drawdown period expires, the unused credit facility is terminated automatically and cannot be drawn again.

According to the syndicated loan agreement, before the first drawdown, Chubei New Century Shopping Mall Co., Ltd. shall pledge the superficies of the Project as the first mortgage in terms of the line of credit mortgage to the lead bank. After the construction is completed, the buildings and peripheral facilities are pledged as the first mortgage in terms of the line of credit mortgage to the lead bank. Furthermore, during the syndicated loan period, the Company shall maintain a direct or indirect shareholding of 50% or more and controlling interest in Chubei New Century Shopping Mall Co., Ltd.

As of December 31, 2020, Chubei New Century Shopping Mall Co., Ltd. had drawn a total of \$630,000 thousand. The loan period starts from June 5, 2020 and ends on February 26, 2023. The interest rate is 1.895% per annum, and the interest payment is made on a monthly basis. The principal and interest are expected to be settled when the credit period expires.

## 21. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Other payables		
Payables for purchases of equipment	\$ 866,484	\$ 1,151,893
Payables for salaries and bonuses	830,651	818,122
Payables for rent	35,581	36,445
Others	<u>1,988,614</u>	<u>1,965,200</u>
	<u>\$ 3,721,330</u>	<u>\$ 3,971,660</u>
Other liabilities		
Deposits received	\$ 339,379	\$ 429,928
Others	<u>400,730</u>	<u>343,207</u>
	<u>\$ 740,109</u>	<u>\$ 773,135</u>
Current		
Other payables	<u>\$ 3,721,330</u>	<u>\$ 3,971,660</u>
Other liabilities	<u>\$ 373,784</u>	<u>\$ 315,976</u>
Non-current		
Other liabilities	<u>\$ 366,325</u>	<u>\$ 457,159</u>

## 22. PROVISIONS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Dismantling obligation	<u>\$ 28,047</u>	<u>\$ 27,823</u>
Current	\$ 3,000	\$ 3,000
Non-current	<u>25,047</u>	<u>24,823</u>
	<u>\$ 28,047</u>	<u>\$ 27,823</u>

	<b>Dismantling Obligation</b>
Balance at January 1, 2020	\$ 27,823
Unwinding of discount	<u>224</u>
Balance at December 31, 2020	<u>\$ 28,047</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 amounted to \$13 thousand and \$12 thousand in 2020 and 2019, respectively, and the accrued pension liabilities on December 31, 2020 and 2019 amounted to \$486 thousand for both years.

FEHLD terminated its trading business on July 1, 2000. Its employees were transferred to AIMAI. The length of services of the employees at FEHLD was carried forward and will serve as the calculation basis of the defined benefit plans at AIMAI. If the employees retire, the calculation of pension costs would include the length of service at FEHLD. The accrued pension liabilities on December 31, 2020 and 2019 amounted to \$201 thousand and \$479 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, 2020</u>				
Present value of defined benefit obligation	\$ 691,522	\$ 259,741	\$ 10,132	\$ 671,639
Fair value of the plan assets	<u>(897,385)</u>	<u>(31,071)</u>	<u>(9,945)</u>	<u>(163,729)</u>
Net defined benefit (assets) liabilities	<u>\$ (205,863)</u>	<u>\$ 228,670</u>	<u>\$ 187</u>	<u>\$ 507,910</u>
<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>

Movements in net defined benefit liabilities are as follows:

	<b>FEDS</b>			<b>AIMAI</b>		
	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit (Assets) Liabilities</b>	<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, 2019	\$ 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)	<u>7,513</u>	<u>(6,544)</u>	<u>969</u>	<u>3,011</u>	<u>(360)</u>	<u>2,651</u>
Recognized in profit or loss	<u>13,094</u>	<u>(6,544)</u>	<u>6,550</u>	<u>4,538</u>	<u>(360)</u>	<u>4,178</u>
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	<u>8,496</u>	<u>-</u>	<u>8,496</u>	<u>6,800</u>	<u>-</u>	<u>6,800</u>
Recognized in other comprehensive income	<u>44,499</u>	<u>(332,601)</u>	<u>(288,102)</u>	<u>22,133</u>	<u>(1,036)</u>	<u>21,097</u>
Contributions from the employer	-	(41,449)	(41,449)	-	(27,491)	(27,491)
Benefits paid	(34,840)	34,840	-	(28,744)	28,744	-
Payments made from the Company	<u>(35)</u>	<u>-</u>	<u>(35)</u>	<u>(2,280)</u>	<u>-</u>	<u>(2,280)</u>
Balance at December 31, 2019	690,534	(924,569)	(234,035)	263,309	(29,769)	233,540
Service cost						
Current service cost	5,044	-	5,044	1,249	-	1,249
Service costs of prior periods	-	-	-	1,975	-	1,975
Net interest expense (income)	<u>5,179</u>	<u>(6,955)</u>	<u>(1,776)</u>	<u>-</u>	<u>(240)</u>	<u>(240)</u>
Recognized in profit or loss	<u>10,223</u>	<u>(6,955)</u>	<u>3,268</u>	<u>3,224</u>	<u>(240)</u>	<u>2,984</u>

(Continued)

	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
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ 40,112	\$ 40,112	\$ -	\$ (1,106)	\$ (1,106)
Actuarial loss						
- changes in demographic assumptions	2,462	-	2,462	2,043	-	2,043
- changes in financial assumptions	16,849	-	16,849	6,948	-	6,948
- experience adjustments	11,630	-	11,630	334	-	334
Recognized in other comprehensive income	30,941	40,112	71,053	9,325	(1,106)	8,219
Contributions from the employer	-	(46,149)	(46,149)	-	(15,289)	(15,289)
Benefits paid	(40,176)	40,176	-	(15,333)	15,333	-
Company account paid	-	-	-	(784)	-	(784)
Balance at December 31, 2020	\$ 691,522	\$ (897,385)	\$ (205,863)	\$ 259,741	\$ (31,071)	\$ 228,670

(Concluded)

	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, 2019	\$ 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
Service cost						
Current service cost	92	-	92	3,281	-	3,281
Net interest expense (income)	84	(76)	8	4,982	(1,286)	3,696
Recognized in profit or loss	176	(76)	100	8,263	(1,286)	6,977
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	-	(326)	(326)	-	(5,270)	(5,270)
Actuarial loss						
- changes in demographic assumptions	-	-	-	10,988	-	10,988
- changes in financial assumptions	217	-	217	18,491	-	18,491
- experience adjustments	34	-	34	(6,601)	-	(6,601)
Recognized in other comprehensive income	251	(326)	(75)	22,878	(5,270)	17,608
Contributions from the employer	-	(131)	(131)	-	(19,491)	(19,491)
Benefits paid	(693)	693	-	(23,753)	23,753	-
Company account paid	(817)	-	(817)	-	-	-
Balance at December 31, 2020	\$ 10,132	\$ (9,945)	\$ 187	\$ 671,639	\$ (163,729)	\$ 507,910

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, 2020</u>				
Discount rates	0.500%	0.500%	0.500%	0.500%
Expected rates of salary increase	2.000%	1.000%	2.000%	2.250%

<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%

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, 2020</u>				
Discount rate(s)				
0.25% increase	<u>\$ (16,862)</u>	<u>\$ (6,967)</u>	<u>\$ (217)</u>	<u>\$ (18,698)</u>
0.25% decrease	<u>\$ 17,485</u>	<u>\$ 7,247</u>	<u>\$ 225</u>	<u>\$ 19,447</u>
Expected rate(s) of salary increase				
0.25% increase	<u>\$ 16,923</u>	<u>\$ 7,076</u>	<u>\$ 218</u>	<u>\$ 18,780</u>
0.25% decrease	<u>\$ (16,409)</u>	<u>\$ (6,838)</u>	<u>\$ (212)</u>	<u>\$ (18,158)</u>

<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>

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.

	FEDS	AIMAI	YTDS	SOGO
<u>December 31, 2020</u>				
The expected contributions to the plans for the next year	<u>\$ 5,356</u>	<u>\$ 4,240</u>	<u>\$ 120</u>	<u>\$ 19,534</u>
The average duration of the defined benefit obligation	9.9 years	10.8 years	8.6 years	11.3 years
<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

## 24. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Shares authorized (in thousands)	<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)	<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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>May be used to offset a deficit, distributed as cash dividends, or 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 associates	<u>23,371</u>	<u>12,046</u>
	<u>\$ 3,338,791</u>	<u>\$ 3,327,466</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 Articles of Incorporation, where the Company makes profit in a fiscal year, the profit shall be first utilized to make its business income tax payments and offset deficits. From any remaining profit, out of the profit after tax for the current period plus other profit items adjusted to the current year's undistributed earnings other than profit after tax for the period, 10% will be appropriated as a legal reserve. After appropriating to the special reserve as required by government regulations, the remaining amount, along with any prior years' undistributed earnings, may be utilized for earnings distribution in the form of dividend based on shareholding percentage. However, the Company may retain a certain portion depending on the operating needs. In case of a capital increase during the year, dividend appropriated to new shareholders is subject to the resolution passed in the shareholders' meeting. For policies of compensation of employees and remuneration of directors stipulated by the Articles of Incorporation, please see Note 26(i).

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 2019 and 2018, which were approved in the shareholders' meetings on June 24, 2020 and June 25, 2019, respectively, are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Legal reserve	\$ 125,920	\$ 131,815
Special reserve	\$ (156,088)	\$ 73,330
Cash dividends	\$ 1,133,552	\$ 1,204,400
Dividends per share (NT\$)	\$ 0.80	\$ 0.85

The appropriation of the earnings for 2020 was proposed by the board of directors on March 23, 2021. The appropriations and dividends per share are as follows:

	<b>For the Year Ended December 31, 2020</b>
Legal reserve	\$ 186,704
Special reserve	\$ (89,694)
Cash dividends	<u>\$ 1,558,635</u>
Dividends per share (NT\$)	\$ 1.10

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in their meeting to be held on June 29, 2021.

d. Special reserve

	<b>For the Year Ended December 31 2020</b>	<b>2019</b>
Beginning at January 1	\$ 2,865,351	\$ 2,656,286
Appropriation in respect of		
Initial application of IFRS 16	-	135,735
Net increases in the fair value of investment properties	-	73,330
Reversals of special reserve		
Reversal of fair value of investment properties	<u>(156,088)</u>	<u>-</u>
Balance at December 31	<u>\$ 2,709,263</u>	<u>\$ 2,865,351</u>

On the initial application of the fair value model to investment properties and on the initial application of IFRS 16, the Group 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 2020</b>	<b>2019</b>
Balance at January 1	\$ 65,325	\$ 90,654
Exchange differences on translating the financial statements of foreign operations	(16,845)	35,266
Share from associates accounted for using the equity method	<u>20,070</u>	<u>(60,595)</u>
Balance, at December 31	<u>\$ 68,550</u>	<u>\$ 65,325</u>

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

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 3,058,874	\$ 1,969,628
Recognized for the year		
Unrealized (loss) gain - equity instruments	(386,877)	1,117,155
Share from associates accounted for using the equity method	<u>41,318</u>	<u>(27,909)</u>
Other comprehensive income recognized for the year	2,713,315	3,058,874
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>1,036</u>	<u>-</u>
Balance at December 31	<u>\$ 2,714,351</u>	<u>\$ 3,058,874</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 8,113,401	\$ 8,166,484
Adjustments on initial application of IFRS 16	<u>-</u>	<u>(159,751)</u>
Balance at January 1 (restated)	8,113,401	8,006,733
Share in profit for the year	605,758	370,426
Other comprehensive income (loss) during the year		
Cash dividends distributed by subsidiaries	(117,859)	(239,203)
Exchange differences on translating the financial statements of foreign operations	(8,223)	18,312
Unrealized gain on financial assets at FVTOCI	2,577	1,409
Remeasurement of defined benefit plans	(9,638)	(19,543)
Related income tax	1,928	3,909
Share of other comprehensive income of associates accounted for using the equity method	(3,234)	(28,642)
Adjustments relating to changes in associates accounted for using the equity method	<u>9,658</u>	<u>-</u>
Balance, at December 31	<u>\$ 8,594,368</u>	<u>\$ 8,113,401</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, 2020

<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 Co., Ltd.	8,207	<u>\$ 97,110</u>	<u>\$ 196,949</u>

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 Co., Ltd.	8,207	<u>\$ 97,110</u>	<u>\$ 213,771</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><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Sales of goods (Note)	\$ 23,070,901	\$ 22,794,827
Commissions from concessionaires' sales (Note)	11,023,289	11,803,340
Maintenance and promotion fee income	794,739	803,134
Rental income		
Investment properties (Note 14)		
Variable lease payments that do not depend on an index or a rate and contingent rentals	-	13,264
Other lease payments	<u>302,214</u>	<u>262,704</u>
	<u>302,214</u>	<u>275,968</u>
Other operating leases		
Variable lease payments that do not depend on an index or a rate	141,057	136,898
Other lease payments	<u>1,170,107</u>	<u>1,243,937</u>
	<u>1,311,164</u>	<u>1,380,835</u>
	<u>1,613,378</u>	<u>1,656,803</u>
Others	<u>785,642</u>	<u>837,958</u>
	<u>\$ 37,287,949</u>	<u>\$ 37,896,062</u>

Note: Gross revenue is presented as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Concessionaires' sales	\$ 87,374,524	\$ 87,142,195
Sale of goods	<u>23,576,576</u>	<u>23,264,348</u>
	<u>\$ 110,951,100</u>	<u>\$ 110,406,543</u>

## Contract Balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable (Note 10)	\$ 1,864	\$ 1,132	\$ 2,287
Accounts receivable (Note 10)	<u>\$ 724,980</u>	<u>\$ 906,371</u>	<u>\$ 1,738,215</u>
Contract liabilities - current			
Sale of goods	\$ 8,039,334	\$ 7,669,255	\$ 7,435,814
Customer loyalty programs	76,226	95,772	84,802
Others	<u>6,174</u>	<u>5,801</u>	<u>4,852</u>
	<u>\$ 8,121,734</u>	<u>\$ 7,770,828</u>	<u>\$ 7,525,468</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>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>From contract liabilities at the start of the year</u>		
Sale of goods	\$ 5,872,964	\$ 5,836,924
Customer loyalty programs	<u>34,768</u>	<u>49,954</u>
	<u>\$ 5,907,732</u>	<u>\$ 5,886,878</u>

## 26. 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>2020</b>	<b>2019</b>
Operating costs		
Cost of sales	\$ 18,216,598	\$ 17,900,994
Rental costs	327,294	316,826
Others	<u>36,779</u>	<u>35,629</u>
	<u>\$ 18,580,671</u>	<u>\$ 18,253,449</u>

b. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest income		
Bank deposits	\$ 59,386	\$ 82,585
Others	<u>6,858</u>	<u>7,864</u>
	<u>\$ 66,244</u>	<u>\$ 90,449</u>

c. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Dividend income		
Investments in equity instruments at FVTOCI	<u>\$ 312,581</u>	<u>\$ 286,299</u>

d. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Financial assets mandatorily classified as at FVTPL		
(Loss) gain arising on changes in fair value of investment properties, net	\$ (11,520)	\$ 691
Loss on change in fair value of investment properties	(71,617)	(151,597)
Foreign exchange gain, net	2,367	16,046
Loss on disposal of property, plant and equipment, net	(17,035)	(84,473)
Gain on disposal of investments	553	291
Impairment loss of intangible assets	(6,384)	(1,095,884)
Impairment loss of property, plant and equipment	(16,853)	-
Impairment loss of right-of-use assets	(613,770)	-
Other gains	172,445	330,879
Other losses	<u>(89,481)</u>	<u>51,150</u>
	<u>\$ (651,295)</u>	<u>\$ (1,035,197 )</u>

e. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	\$ 476,888	\$ 477,029
Interest on bank loans	359,531	412,677
Other interest expense	<u>20,639</u>	<u>19,475</u>
Total interest expense of financial liabilities not measured at fair value through profit or loss	857,058	909,181
Less: Amounts included in the cost of qualifying assets	<u>(5,691)</u>	<u>(74,481)</u>
	851,367	834,700
Reversal of unwinding of discounts on provisions	<u>224</u>	<u>629</u>
	<u>\$ 851,591</u>	<u>\$ 835,329</u>

Information about capitalized interest is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Capitalized interest amount	\$ 5,691	\$ 74,481
Capitalization rate interval	1.895%	0.980%-1.020%

f. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 2,132,772	\$ 2,030,727
Right-of-use assets	3,827,679	3,664,358
Less: Adjustments to receipts in advance and depreciation	<u>(170,280)</u>	<u>(139,890)</u>
	5,790,171	5,555,195
Intangible assets (including amortization expenses)	<u>83,971</u>	<u>60,149</u>
	<u>\$ 5,874,142</u>	<u>\$ 5,615,344</u>
An analysis of deprecation by function		
Operating costs	\$ 228,913	\$ 225,668
Operating expenses	<u>5,561,258</u>	<u>5,329,527</u>
	<u>\$ 5,790,171</u>	<u>\$ 5,555,195</u>
An analysis of amortization by function		
Operating costs	\$ 1,391	\$ -
Operating expenses	<u>82,580</u>	<u>60,149</u>
	<u>\$ 83,971</u>	<u>\$ 60,149</u>

g. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Direct operating expenses from investment properties generating rental income	\$ 77,914	\$ 65,378
Direct operating expenses from investment properties not generating rental income	<u>33,312</u>	<u>41,426</u>
	<u>\$ 111,226</u>	<u>\$ 106,804</u>

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits (Note 23)		
Defined contribution plan	\$ 144,908	\$ 179,323
Defined benefit plan	<u>13,342</u>	<u>19,732</u>
	158,250	199,055
Other employee benefits	<u>3,971,642</u>	<u>4,156,707</u>
Total employee benefits expenses	<u>\$ 4,129,892</u>	<u>\$ 4,355,762</u>
An analysis of employee benefits expenses by function		
Operating expenses	<u>\$ 4,129,892</u>	<u>\$ 4,355,762</u>

h. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees 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, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on March 23, 2021 and March 27, 2020, respectively, are as follows:

Accrual rate

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Compensation of employees	3.2%	3.2%
Remuneration of directors	2.4%	2.4%

Amount

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 75,603	\$ 74,392
Remuneration of directors	56,702	55,794

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 is no difference between the actual compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors 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>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ 644,936	\$ 769,421
Income tax on unappropriated earnings	16	442
Adjustments for the prior years	<u>(257,069)</u>	<u>(38,818)</u>
	<u>387,883</u>	<u>731,045</u>
Deferred tax		
In respect of the current year	66,567	195,609
Adjustments to deferred tax attributable to changes in tax rates and laws	(7,147)	25,570
Adjustments for the prior years	<u>8,571</u>	<u>(1,555)</u>
	<u>67,991</u>	<u>219,624</u>
Income tax expense recognized in profit or loss	<u>\$ 455,874</u>	<u>\$ 950,669</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before income tax from continuing operations	<u>\$ 3,000,771</u>	<u>\$ 3,102,938</u>
Income tax expense calculated at the statutory rate	\$ 625,591	\$ 883,130
Nondeductible expenses in determining taxable income	12,365	17,516
Deferred tax effect of earnings of subsidiaries	(20,840)	40,032
Tax-exempt income	(102,407)	(73,524)
Income tax on unappropriated earnings	16	442
Land value increment tax	(4,039)	(9,238)
Unrecognized loss carryforwards	135,301	138,127
Unrecognized deductible temporary differences	(6,211)	(12,783)
Adjustments for prior years' income tax	(248,498)	(40,373)
Others	<u>64,596</u>	<u>7,340</u>
Income tax expense recognized in profit or loss	<u>\$ 455,874</u>	<u>\$ 950,669</u>

In July 2019, the Statute for Industrial Innovation was announced, stipulating that the construction or purchase of specific assets or technologies with undistributed earnings from fiscal year 2018 onward may be included as a deduction for calculating undistributed earnings. When the Group calculates undistributed earnings tax, it only deducts the amount of capital expenditure from actual reinvestments.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plans	<u>\$ 19,377</u>	<u>\$ (46,260)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax assets		
Tax refund receivable	\$ 1,063	\$ 10,291
Benefits of tax losses to be carried back to recover taxes paid in prior periods	<u>-</u>	<u>521</u>
	<u>\$ 1,063</u>	<u>\$ 10,812</u>
Current tax liabilities		
Income tax payable	<u>\$ 485,553</u>	<u>\$ 772,780</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, 2020

	<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	\$ 172,450	\$ (95,046)	\$ -	\$ 213	\$ 77,617
Differences of pension in determining taxable income	140,406	(4,965)	5,166	-	140,607
Investments in subsidiaries	1,611	9,166	-	-	10,777
Others	<u>131,784</u>	<u>77,801</u>	<u>-</u>	<u>85</u>	<u>209,670</u>
	446,251	(13,044)	5,166	298	438,671
Loss carryforwards	<u>142,974</u>	<u>(9,459)</u>	<u>-</u>	<u>-</u>	<u>133,515</u>
	<u>\$ 589,225</u>	<u>\$ (22,503)</u>	<u>\$ 5,166</u>	<u>\$ 298</u>	<u>\$ 572,186</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	\$ 922,711	\$ 40,464	\$ -	\$ -	\$ -	\$ 963,175
Reserve for land revaluation increment tax	508,719	-	-	-	-	508,719
Investment properties	352,232	(4,038)	-	-	-	348,194
Investments in subsidiaries	233,970	(951)	-	3,824	-	236,843
Differences of pension in determining taxable income	46,807	-	-	-	-	46,807
Others	<u>248,515</u>	<u>10,013</u>	<u>(14,211)</u>	<u>-</u>	<u>-</u>	<u>244,317</u>
	<u>\$ 2,312,954</u>	<u>\$ 45,488</u>	<u>\$ (14,211)</u>	<u>\$ 3,824</u>	<u>\$ -</u>	<u>\$ 2,348,055</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<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 income	-	19,740	27,067	-	-	46,807
Others	<u>99,411</u>	<u>22,491</u>	<u>-</u>	<u>(2)</u>	<u>126,615</u>	<u>248,515</u>
	<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>

- 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>2020</b>	<b>2019</b>
Loss carryforwards		
Expiry in 2030	\$ 482,780	\$ -
Expiry in 2029	644,357	518,468
Expiry in 2028	989,901	1,383,262
Expiry in 2027	2,014,173	1,990,891
Expiry in 2026	1,171,097	1,008,932
Expiry in 2025	82,078	784,762
Expiry in 2024	83,290	83,290
Expiry in 2023	120,897	129,329
Expiry in 2022	186,093	195,449
Expiry in 2021	157,297	164,662
Expiry in 2020	<u>-</u>	<u>174,022</u>
	<u>\$ 5,931,963</u>	<u>\$ 6,433,067</u>
Deductible temporary differences	<u>\$ 1,385,443</u>	<u>\$ 1,419,548</u>

- f. Information about unused loss carryforwards

As of December 31, 2020, information about loss carryforwards is as follows:

<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
\$ 518,518	2030
776,024	2029
1,228,190	2028
2,021,755	2027
1,385,940	2026
89,688	2025
83,290	2024
129,329	2023
195,449	2022
<u>171,355</u>	2021
<u>\$ 6,599,538</u>	

- g. Income tax assessments

Income tax returns of the entities in the Group in the ROC through 2018 have been assessed by the tax authorities.

## 28. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Basic earnings per share	\$ <u>1.38</u>	\$ <u>1.26</u>
Diluted earnings per share	\$ <u>1.37</u>	\$ <u>1.26</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>2020</b>	<b>2019</b>
Profit for the year attributable to owners of the Company	\$ 1,939,139	\$ 1,781,843
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	\$ <u>1,939,139</u>	\$ <u>1,781,843</u>

Shares

(In Thousands of Shares)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</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:		
Compensation of employees	<u>4,499</u>	<u>4,031</u>
Weighted average number of ordinary shares outstanding used in the computation of dilutive earnings per share	<u>1,413,233</u>	<u>1,412,765</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. GOVERNMENT SUBSIDIES

In 2020, the Group received a subsidy for salaries and working capital totaling \$88,693 thousand in accordance with Article 5 of “Relief Measures from Ministry of Economic Affairs for Severely Affected Industries due to COVID-19”, a wage subsidy of \$3,902 thousand (RMB911 thousand) from the Human Resources and Social Security Bureau of Chongqing City, a loan interest expense subsidy for SME businesses of \$2,570 thousand (RMB600 thousand) from the Commerce Committee of Chongqing City, a production subsidy for SME businesses of \$472 thousand (RMB110 thousand) from the district government of Zhongshan, Dalian, and a capital subsidy of \$300 thousand (RMB70 thousand) from Yuzhong district’s special project of Chongqing Municipal People’s Government, all of which are classified either as a deduction of operating expenses or as non-operating income and expenses.

## 30. CASH FLOW INFORMATION

### a. Non-cash transactions

For the years ended December 31, 2020 and 2019, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

For the years ended December 31, 2020 and 2019, the prepayment for equipment reclassified to property, plant and equipment amounted to \$58,886 thousand and \$127,464 thousand, respectively (please see Note 14).

### b. Changes in liabilities arising from financing activities

#### For the year ended December 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes		Others	Closing Balance
			New Leases	Change in Exchange Rate		
Short-term borrowings	\$ 9,630,896	\$ (644,722)	\$ -	\$ 59,572	\$ -	\$ 9,045,746
Short-term bills payable	3,622,993	106,010	-	-	-	3,729,003
Long-term borrowings (including current portion)	17,539,757	(2,099,996)	-	-	-	15,439,761
Lease liabilities	28,787,522	(2,957,964)	2,274,812	22,601	(317,955)	27,809,016
Other non-current liabilities	457,159	(90,834)	-	-	-	366,325
	<u>\$ 60,038,327</u>	<u>\$ (5,687,506)</u>	<u>\$ 2,274,812</u>	<u>\$ 82,173</u>	<u>\$ (317,955)</u>	<u>\$ 56,389,851</u>

#### For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes		Others	Closing Balance
			New Leases	Change in Exchange Rate		
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
Bonds payable	30,357,752	(3,386,357)	2,002,699	(88,641)	(97,931)	28,787,522
Other non-current liabilities	493,569	(36,410)	-	-	-	457,159
	<u>\$ 62,379,298</u>	<u>\$ (4,005,640)</u>	<u>\$ 2,002,699</u>	<u>\$ (240,099)</u>	<u>\$ (97,931)</u>	<u>\$ 60,038,327</u>

### 31. 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.

### 32. 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 is 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, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Beneficiary certificates	\$ 336,200	\$ -	\$ -	\$ 336,200
Domestic listed ordinary shares	<u>113,846</u>	<u>-</u>	<u>-</u>	<u>113,846</u>
	<u>\$ 450,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,046</u>
<u>Financial assets at FVTOCI</u>				
Domestic listed ordinary shares	\$ 4,352,973	\$ -	\$ -	\$ 4,352,973
Unlisted shares	<u>-</u>	<u>-</u>	<u>584,868</u>	<u>584,868</u>
	<u>\$ 4,352,973</u>	<u>\$ -</u>	<u>\$ 584,868</u>	<u>\$ 4,937,841</u>

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>

There were no transfers between Level 1 and 2 in both 2020 and 2019.

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

For the year ended December 31, 2020

Financial Assets	Investment in Equity Instruments at FVTOCI
Balance at January 1, 2020	\$ 591,283
Recognized in profit or loss (included in other gains and losses)	(441)
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	<u>(5,974)</u>
Balance at December 31, 2020	<u>\$ 584,868</u>

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>



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 based on 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>2020</b>	<b>2019</b>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 450,046	\$ 457,256
Financial assets at amortized cost (1)	19,065,317	18,170,249
FVTOCI		
Equity instruments	4,937,841	5,328,020
<u>Financial liabilities</u>		
Amortized cost (2)	48,194,418	50,412,783

- 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, accounts receivable, accounts payable, lease liabilities and borrowings. The objective of the financial risk management is to mitigate the market risks (including foreign exchange risk, interest rate risk and other price risks), credit risk, liquidity risk and other financial risks that may impact the management and operating activities of the Group. The financial management department of the Group is committed to analyze and evaluate various financial risk factors that are market-related, provide and execute the corresponding mitigating strategies to reduce the risk impact of market fluctuation.

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	
	2020	2019
<u>Assets</u>		
USD	\$ <u>5,218</u>	\$ <u>14,409</u>
<u>Liabilities</u>		
USD	\$ <u>13,772</u>	\$ <u>3,900</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 increase/decrease by 1% and all variables remained unchanged, the profit before tax for the years ended December 31, 2020 and 2019 would decrease/increase by \$2,436 thousand and \$3,151 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>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 9,490,963	\$ 10,503,168
Financial liabilities	28,361,111	31,388,615
Cash flow interest rate risk		
Financial assets	4,701,632	2,662,905
Financial liabilities	27,662,415	28,192,553

#### 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 increase/decrease by 100 basis points, all variables remained unchanged, the profit before tax for the years ended December 31, 2020 and 2019 would decrease/increase by \$229,608 thousand and \$255,296 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 increase/decrease by 5%, the profit before tax for the years ended December 31, 2020 and 2019 would increase/decrease by \$22,502 thousand and \$22,863 thousand, respectively due to the change in fair value of financial assets measured at fair value through profit or loss. The pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would increase/decrease by \$246,892 thousand and \$266,401 thousand, respectively due to the change in fair value of financial assets measured at fair value through other comprehensive income.

#### 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, 2020

	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	\$ 9,045,746	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,045,746
Short-term bills payable	3,729,003	-	-	-	-	-	3,729,003
Notes payable	6,626	-	-	-	-	-	6,626
Trade payables	15,844,472	-	-	-	-	-	15,844,472
Trade payables to related parties	68,101	-	-	-	-	-	68,101
Other payables	3,721,330	-	-	-	-	-	3,721,330
Lease liabilities	3,621,829	3,299,652	3,058,594	2,457,945	2,215,733	16,965,339	31,619,092
Long-term borrowings (including current portion)	299,933	11,069,828	4,070,000	-	-	-	15,439,761
Deposits received	76,637	215,788	6,099	7,248	19,200	14,407	339,379

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>\$ 3,621,829</u>	<u>\$11,031,924</u>	<u>\$ 7,378,711</u>	<u>\$ 4,003,498</u>	<u>\$ 2,934,742</u>	<u>\$ 2,648,388</u>

## 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>

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.

### 33. TRANSACTIONS WITH RELATED PARTIES

In addition to disclosure in other notes, the transactions between the Company and related parties 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
Yuan Shi Digital Technology Co., Ltd. (YSdT)	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Far EasTone Telecommunications Co., Ltd. (FET)	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Far Eastern Electronic Toll Collection Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Yuan Tone Investment Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
New Century InfoComm Tech Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)

(Continued)

<b>Related Party</b>	<b>Relationship with the Group</b>
Yuan Ding Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Yuan Ding Investment Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Ding Ding Hotel Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Far East Resources Development Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Yuan Ding Integrated Information Service (Shanghai) Inc.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Far Eastern Construction Co., Ltd. (FECC)	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Far Eastern Apparel Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
YDT Technology International Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Far Eastern New Century (China) Investment Co., Ltd. (FENCI (China))	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Far Eastern General Contractor Inc. (FEG)	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Yuan Cing Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Prime EcoPower Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Asia Cement Corporation (ACC)	Associate of investor with significant influence over the Group (the associate of FENC)
Far Eastern Technical Consultants Co., Ltd.	Associate of investor with significant influence over the Group (the associate of FENC)
Yadong Ready Mixed Concrete Co., Ltd.	Associate of investor with significant influence over the Group (the associate of FENC)
Everest Textile Co., Ltd.	Associate of investor with significant influence over the Group (the associate of FENC)
Far Eastern New Century Corporation (FENC)	Investor with significant influence over the Group (the investor of FEDS accounted for using the equity method)
Yuan-Ze University	Other related party (the same chairman)
Far Eastern Medical Foundation (FEMF)	Other related party (the same chairman)
U-Ming Marine Transport Corp.	Other related party (the same chairman)
Mr. Xuyuan Zhi Memorial Foundation	Other related party (related party in substance)
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)
Ding&Ding Management Consultants Co., Ltd.	Other related party (related party in substance)
Far Eastern International Bank (FEIB)	Other related party (the chairman of the Company is its vice chairman)
CitySuper (Hong Kong) Ltd.	Other related party (related party in substance of subsidiary, Far Eastern CitySuper Co., Ltd.)
CitySuper (Labuan) Ltd.	Other related party (investor accounting for subsidiary, Far Eastern CitySuper Co., Ltd. using equity method)

(Continued)

<b>Related Party</b>	<b>Relationship with the Group</b>
CitySuper Ltd.	Other related party (parent company of CitySuper (Labuan) Ltd.)
Yuanbo Asset Management Company	Other related party (subsidiary of Far Eastern International Leasing Corporation)
Chengdu Tai Bai Consultant and Management Co., Ltd.	Other related party (collaborative enterprise in mainland China)
Shanghai Xujiashui Centre Group	Other related party (collaborative enterprise in mainland China)
Fu Ming Transport Corporation	Other related party (the subsidiary of ACC)
Arcoa Communication Co., Ltd.	Other related party (the subsidiary of ACC)
	(Concluded)

b. Operating revenue

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Sales of goods (Note)	Associates of investor with significant influence over the Group	\$ 51,764	\$ 56,135
	Other related parties	5,498	5,017
	Investor with significant influence over the Group	1,043	1,261
	Associates	<u>8</u>	<u>256</u>
		<u>\$ 58,313</u>	<u>\$ 62,669</u>
Other operating revenue	Other related parties	\$ 64,984	\$ 68,745
	Associates of investor with significant influence over the Group	29,118	31,942
	Associates	<u>1,322</u>	<u>2,304</u>
		<u>\$ 95,424</u>	<u>\$ 102,991</u>

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

c. Purchases

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Operating costs (Note)	Associates of investor with significant influence over the Group	\$ 55,945	\$ 131,547
	Other related parties	12,428	16,379
	Investor with significant influence over the Group	<u>45</u>	<u>61</u>
		<u>\$ 68,418</u>	<u>\$ 147,987</u>

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

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade receivable	Associates of investor with significant influence over the Group	\$ 54,098	\$ 75,791
	Other related parties	41,387	51,892
	Associates (Note 1)	21,373	30,434
	Investor with significant influence over the Group	<u>7,880</u>	<u>3,818</u>
		<u>\$ 124,738</u>	<u>\$ 161,935</u>
Other receivables	Other related parties		
	Shanghai Xujiahui Commercial Co., Ltd. (Note 2)	\$ 189,778	\$ -
	Others (Note 3)	<u>7,127</u>	<u>9,223</u>
		196,905	9,223
	Associates		
	Chengdu Department Emporium Group CO., Ltd. (Note 4)	97,444	128,173
	Others	<u>8,931</u>	<u>20,228</u>
		106,375	148,401
	Associates of investor with significant influence over the Group	12,666	17,999
	Investor with significant influence over the Group	<u>1,354</u>	<u>292</u>
		<u>\$ 317,300</u>	<u>\$ 175,915</u>

Note 1: As of December 31, 2020, and 2019, provision for loss allowance amounted to \$121,952 thousand and \$123,037 thousand, respectively.

Note 2: As of December 31, 2020, other receivables from Shanghai Xujiahui Commercial Co., Ltd. included a loan to related party of \$187,250 thousand.

Note 3: As of December 31, 2020, and 2019, provision for loss allowance amounted to \$16,181 thousand for both years.

Note 4: As of December 31, 2020, and 2019, other receivables from Chengdu Department Emporium Group Co., Ltd. included dividend receivable of \$26,625 thousand and \$58,446 thousand, respectively.



e. Other current assets

Line Item	Related Party Category/Name	December 31	
		2020	2019
Prepayments	Other related parties	\$ 4,255	\$ 2,888
	Associates of investor with significant influence over the Group	309	15
	Associates	<u>60</u>	<u>-</u>
		<u>\$ 4,624</u>	<u>\$ 2,903</u>
Others	Associates	\$ 570	\$ 570
	Associates of investor with significant influence over the Group	<u>-</u>	<u>66</u>
		<u>\$ 570</u>	<u>\$ 636</u>

f. Other non-current assets

Line Item	Related Party Category/Name	December 31	
		2020	2019
Lease incentives	Associates of investor with significant influence over the Group	\$ 18,741	\$ 13,768
	Other related parties	<u>863</u>	<u>1,134</u>
		<u>\$ 19,604</u>	<u>\$ 14,902</u>
Refundable deposits	Associates	\$ 131,941	\$ 129,189
	Associates of investor with significant influence over the Group	<u>44,816</u>	<u>44,817</u>
		<u>\$ 176,757</u>	<u>\$ 174,006</u>

g. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade payable	Associates of investor with significant influence over the Group	\$ 63,634	\$ 92,039
	Other related parties	4,461	1,416
	Investor with significant influence over the Group	<u>6</u>	<u>-</u>
		<u>\$ 68,101</u>	<u>\$ 93,455</u>
Other payables	Associates of investor with significant influence over the Group	\$ 422,029	\$ 420,325
	Associates	133,055	144,513
	Investor with significant influence over the Group	54,385	50,728
	Other related parties	<u>28,667</u>	<u>22,348</u>
		<u>\$ 638,136</u>	<u>\$ 637,914</u>

h. Contract liabilities

Related Party Category/Name	December 31	
	2020	2019
Associates of investor with significant influence over the Group	\$ 484	\$ 484

i. Other current liabilities

Line Item	Related Party Category/Name	December 31	
		2020	2019
Advance receipts	Other related parties	\$ 6,134	\$ 3,150
	Associates of investor with significant influence over the Group	2,868	4,275
	Associates	399	149
		<u>\$ 9,401</u>	<u>\$ 7,574</u>
Others	Associates	\$ 1,356	\$ 2,285
	Other related parties	135	1,315
	Associates of investor with significant influence over the Group	56	112
		<u>\$ 1,547</u>	<u>\$ 3,712</u>

j. Other non-current liabilities

Line Item	Related Party Category/Name	December 31	
		2020	2019
Deposits received	Associates of investor with significant influence over the Group		
	Yuan Ding Co., Ltd.	\$ 57,880	\$ 48,676
	Others	613	593
		58,493	49,269
	Other related parties	<u>1,032</u>	<u>1,032</u>
		<u>\$ 59,525</u>	<u>\$ 50,301</u>
Others	Other related parties		
	Yuanbo Asset Management Company	<u>\$ 28,997</u>	<u>\$ 29,251</u>

k. Lease arrangements - the Company as lessee

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
<u>Acquisition of right-of-use assets</u>		
Associates of investor with significant influence over the Group	\$ 1,343,691	\$ -
Associates	<u>5,337</u>	<u>-</u>
	<u>\$ 1,349,028</u>	<u>\$ -</u>

Line Item	Related Party Category/Name	December 31	
		2020	2019
Lease liabilities (Note)	Associates of investor with significant influence over the Group		
	Far Eastern Construction Co., Ltd.	\$ 4,873,162	\$ 3,790,369
	Asia Cement Corporation	1,064,567	1,164,096
	Far Eastern Resources Development Co., Ltd.	1,049,386	1,119,194
	Others	<u>167,935</u>	<u>279,487</u>
		7,155,050	6,353,146
	Other related parties	9,615	10,897
	Associates	<u>4,988</u>	<u>-</u>
		<u>\$ 7,169,653</u>	<u>\$ 6,364,043</u>

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

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
<u>Interest expense</u>		
Associates of investor with significant influence over the Group		
Far Eastern Construction Co., Ltd.	\$ 81,387	\$ 66,464
Others	<u>26,692</u>	<u>30,102</u>
	108,079	96,566
Other related parties	175	1,914
Associates	<u>15</u>	<u>-</u>
	<u>\$ 108,269</u>	<u>\$ 98,480</u>

1. Construction projects

The construction projects of the Group were as follows:

	For the Year Ended December 31	
	2020	2019
Associates of investor with significant influence over the Group	\$ 194,642	\$ 1,101,164
Other related parties	<u>17,744</u>	<u>5,775</u>
	<u>\$ 212,386</u>	<u>\$ 1,106,939</u>

m. Loans to related parties

Related Party Category/Name	December 31	
	2020	2019
Shanghai Xujiahui Commercial Co., Ltd.	\$ 187,250	\$ -

Interest income

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Shanghai Xujiahui Commercial Co., Ltd.	\$ 2,480	\$ -

The loan to other related party by the Group is secured with promissory notes. The interest is computed using the agreed upon interest rate. The loan is expected to be settled within one year. There were no expected credit losses after assessment.

n. Loans from other related parties

Related Party Category/Name	December 31	
	2020	2019
Far Eastern International Bank Ltd.	\$ -	\$ -

Finance costs

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Far Eastern International Bank Ltd.	\$ 639	\$ 765

o. Transactions with other related parties

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Operating expenses (Note)	Other related parties	\$ 226,529	\$ 167,478
	Associates of investor with significant influence over the Group	220,427	218,390
	Associates	159,633	162,739
	Investor with significant influence over the Group	132,347	126,630
		<u>\$ 738,936</u>	<u>\$ 675,237</u>

(Continued)

Line Item	Related Party Category/Name	<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Other gains and losses - gains	Associates of investor with significant influence over the Group		
	Asia Cement Corporation	\$ 22,000	\$ 20,000
	Others	<u>5,818</u>	<u>2,939</u>
		27,818	22,939
	Other related parties		
	Far Eastern International Bank Ltd.	19,500	18,122
	Others	<u>65</u>	<u>-</u>
		19,565	18,122
	Associates		
	Far Eastern International Leasing Corporation	567	129,889
	Others	<u>2,078</u>	<u>733</u>
		2,645	130,622
	Investor with significant influence over the Group	<u>100</u>	<u>464</u>
		<u>\$ 50,128</u>	<u>\$ 172,147</u>
Other gains and losses - losses	Associates		
	Oriental Securities Corporation	\$ 7,054	\$ 7,132
	Associates of investor with significant influence over the Group	7	-
	Investor with significant influence over the Group	<u>6</u>	<u>1</u>
		<u>\$ 7,067</u>	<u>\$ 7,133</u> (Concluded)

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

p. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 132,080	\$ 139,920
Post-employment benefits	<u>22,635</u>	<u>523</u>
	<u>\$ 154,715</u>	<u>\$ 140,443</u>

The remuneration of directors and other key management personnel was determined by the compensation committee in accordance with the individual performance and the market trends.

### 34. 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	
	2020	2019
Financial assets at amortized cost	\$ 187,000	\$ 199,000
Investments accounted for using the equity method	3,582,976	3,569,838
Financial assets at FVTOCI	2,170,890	2,375,340
Property, plant and equipment	17,027,200	17,213,913
Investment properties	623,925	624,887
Prepayments for leases	31,968	-
Intangible assets	7,046	-
	<u>\$ 23,631,005</u>	<u>\$ 23,982,978</u>

### 35. 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, 2020 and 2019 are as follows:

#### Significant Unrecognized Commitments

The amount of unrecognized commitments are as follows:

	December 31	
	2020	2019
Construction of property, plant and equipment	<u>\$ 1,594,635</u>	<u>\$ 2,469,345</u>

### 36. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On March 22, 2021, the board of directors of Far Eastern Ai Mai Co., Ltd. resolved to enter into a supplementary lease agreement with Far Eastern Construction Co., Ltd. due to operating needs.

### 37. 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, 2020

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,056	28.4800 (USD:NTD)	\$ 143,992
USD	162	6.5249 (USD:RMB)	4,614
RMB	1,335	4.3648 (RMB:NTD)	<u>5,825</u>
			<u>\$ 154,431</u>
Non-monetary items			
Associates accounted for using the equity method			
RMB	715,903	4.3648 (RMB:NTD)	\$ 3,124,773
Financial assets at FVTPL			
USD	294	28.4800 (USD:NTD)	<u>8,375</u>
			<u>\$ 3,133,148</u>
<u>Financial liabilities</u>			
Monetary items			
USD	114	28.4800 (USD:NTD)	\$ 3,255
USD	13,658	6.5249 (USD:RMB)	388,991
RMB	401	4.3648 (RMB:NTD)	<u>1,752</u>
			<u>\$ 393,998</u>

December 31, 2019

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<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>
<u>Financial liabilities</u>			
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>

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 are as follows:

Functional Currency	For the Year Ended December 31			
	2020	Net Foreign Exchange Gain	2019	Net Foreign Exchange Gain
	Exchange Rate		Exchange Rate	
NTD	1.0000 (NTD:NTD)	\$ (31,641)	1.0000 (NTD:NTD)	\$ 15,467
RMB	4.2827 (RMB:NTD)	<u>34,008</u>	4.4821 (RMB:NTD)	<u>579</u>
		<u>\$ 2,367</u>		<u>\$ 16,046</u>



### 38. 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 (None)
- 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) Intercompany relationships and significant intercompany transactions (Table 6)

b. Information on investees: Table 7.

c. 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 8)
- 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 or the financial position for the year, such as the rendering of services or receipt of payments (None)
- d Major shareholders: For names, number of shares held and shareholding percentage of shareholders with a stake of 5% or more (Table 9)

### 39. 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 revenue 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>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
ROC	\$ 35,165,390	\$ 35,037,293	\$ 4,336,183	\$ 4,686,642
China	<u>2,122,559</u>	<u>2,858,769</u>	<u>(251,219)</u>	<u>(147,991)</u>
Total for continuing operations	<u>\$ 37,287,949</u>	<u>\$ 37,896,062</u>	4,084,964	4,538,651
Interest income			66,244	90,449
Dividend income			312,581	286,299
Foreign exchange gain, net			2,367	16,046
(Loss) gain arising on financial assets mandatorily classified as at FVTPL			(11,520)	691
Loss on disposal of property, plant and equipment, net			(17,035)	(84,473)
Gain on disposal of investment			553	291
Loss on changes in fair value of investment properties, net			(71,617)	(151,597)
Finance costs			(851,591)	(835,329)
Share of profits of associates accounted for using the equity method			39,868	58,065
Impairment loss on intangible assets			(6,384)	(1,095,884)
Impairment loss on property, plant and equipment			(16,853)	-
Impairment loss of right-of-use assets			(613,770)	-
Other gains			172,445	330,879
Other losses			<u>(89,481)</u>	<u>(51,150)</u>
Profit before income tax			<u>\$ 3,000,771</u>	<u>\$ 3,102,938</u>

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in 2020 and 2019.

b. Total segment assets and liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Segment assets</u>		
ROC	\$ 122,111,142	\$ 122,960,061
China	<u>6,312,627</u>	<u>7,551,044</u>
Total consolidated assets	<u>\$ 128,423,769</u>	<u>\$ 130,511,105</u>
<u>Segment liabilities</u>		
ROC	\$ 82,807,749	\$ 84,528,379
China	<u>5,827,732</u>	<u>7,078,919</u>
Total consolidated liabilities	<u>\$ 88,635,481</u>	<u>\$ 91,607,298</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>2020</b>	<b>2019</b>
Retail sales revenue	\$ 34,094,190	\$ 34,598,167
Other operating revenue	<u>3,193,759</u>	<u>3,297,895</u>
	<u>\$ 37,287,949</u>	<u>\$ 37,896,062</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>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
ROC	\$ 35,165,390	\$ 35,037,293	\$ 89,837,923	\$ 91,240,775
China	<u>2,122,559</u>	<u>2,858,769</u>	<u>692,859</u>	<u>1,304,799</u>
	<u>\$ 37,287,949</u>	<u>\$ 37,896,062</u>	<u>\$ 90,530,782</u>	<u>\$ 92,545,574</u>

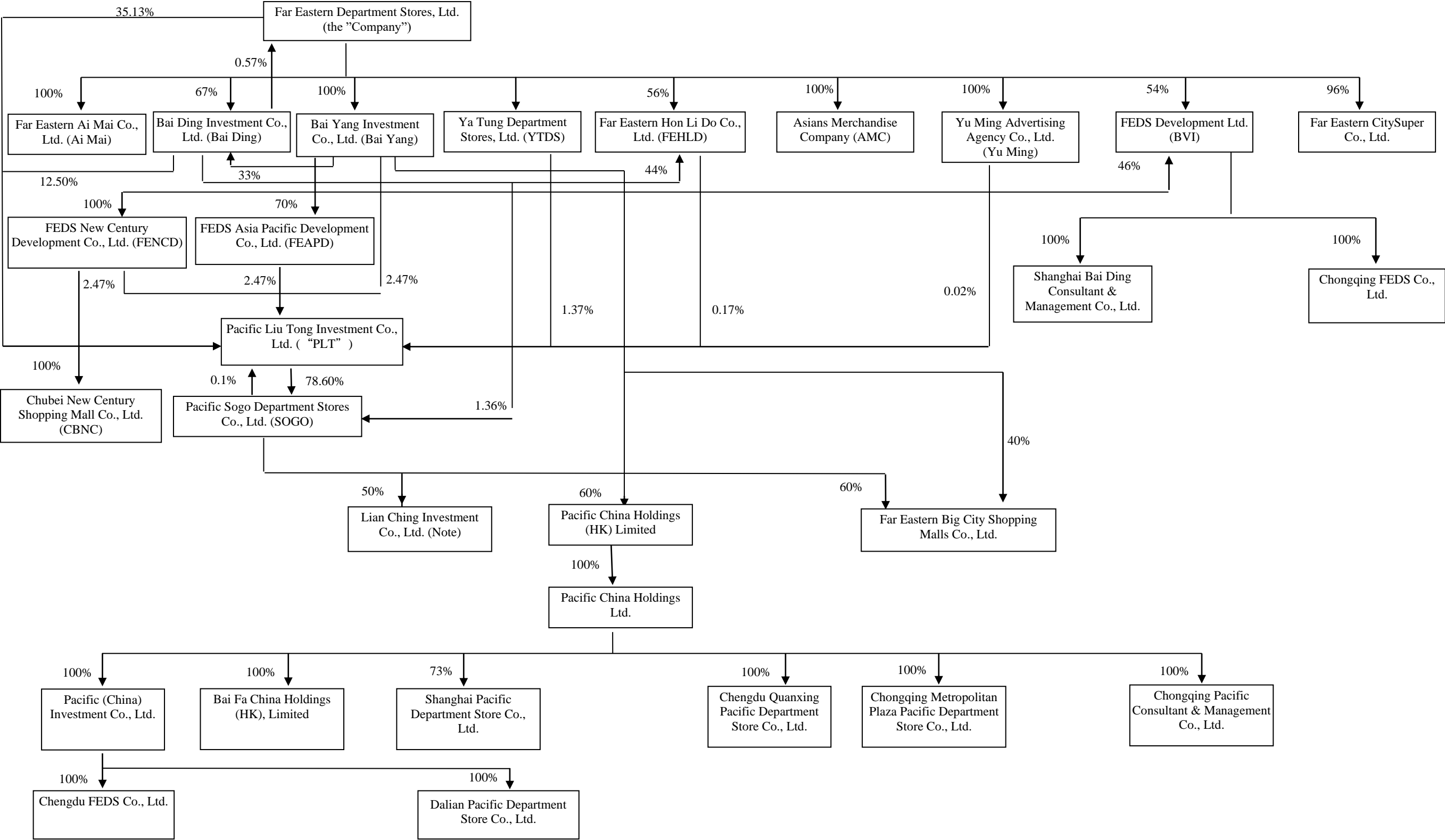
Non-current assets exclude those classified as non-current assets held for sale, financial instruments, and deferred tax assets.

e. Information about major customers

There was no revenue from any single customer comprising 10% or more of the Group's gross revenue for 2020 and 2019.

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

**DIAGRAM OF INTERCOMPANY RELATIONSHIPS**  
**DECEMBER 31, 2020**



Note: The amount of Lian Ching Investment Co., Ltd. had been written off to zero, no liabilities were be undertaken by the Group and the accounts are not disclosed in the consolidated financial statement.

TABLE 2

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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 Holding Ltd.	Other receivables	Y	\$ 2,000,000	\$ 2,000,000	\$ -	-	(Note A)	\$ -	Transaction	\$ -	-	\$ -	\$ 4,705,699 (Note B)	\$ 4,705,699 (Note B)
2	Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant and Management Co., Ltd.	Other receivables	Y	742,016 (RMB 170,000 thousand)	742,016 (RMB 170,000 thousand)	679,599 (RMB 155,700 thousand)	1.504523%-4.129436% (Note F)	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
		Dalian Pacific Department Store Co., Ltd.	Other receivables	Y	436,480 (RMB 100,000 thousand)	218,240 (RMB 50,000 thousand)	-	1.504523%-4.129436% (Note G)	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
		Chengdu FEDS Co., Ltd	Other receivables	Y	654,720 (RMB 150,000 thousand)	654,720 (RMB 150,000 thousand)	196,416 (RMB 45,000 thousand)	1.504523%-4.129436% (Note H)	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
		Chengdu Quanxing Building Pacific Department Store Co., Ltd.	Other receivables	Y	654,720 (RMB 150,000 thousand)	218,240 (RMB 50,000 thousand)	17,459 (RMB 4,000 thousand)	1.504523%-4.129436% (Note I)	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
		Shanghai Bai Ding Consultant and Management Co., Ltd.	Other receivables	Y	43,648 (RMB 10,000 thousand)	43,648 (RMB 10,000 thousand)	-	-	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
		Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Other receivables	Y	218,240 (RMB 50,000 thousand)	218,240 (RMB 50,000 thousand)	-	-	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
3	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	305,536 (RMB 70,000 thousand)	305,536 (RMB 70,000 thousand)	-	1.41%-3.87% (Note J)	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
4	Pacific China Holdings (HK) Limited	Pacific China Holding Ltd.	Other receivables	Y	284,800 (US\$ 10,000 thousand)	284,800 (US\$ 10,000 thousand)	102,528 (US\$ 3,600 thousand)	1.74%-3.32% (Note K)	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
5	Pacific (China) Investment Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	43,648 (RMB 10,000 thousand)	43,648 (RMB 10,000 thousand)	-	1.41%-3.66% (Note L)	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
6	Shanghai Pacific Department Store Co., Ltd.	Shanghai Xujiahui Centre Group	Other receivables	Y	187,250 (RMB 42,900 thousand)	187,250 (RMB 42,900 thousand)	187,250 (RMB 42,900 thousand)	1.35% (Note M)	(Note A)	-	Transaction	-	-	-	267,191 (Note B)	267,191 (Note B)
7	FEDS Development Ltd.	Yuan Ding Enterprise (Shanghai) Co., Ltd.	Other receivables	Y	97,669 (RMB 22,377 thousand)	-	-	-	(Note A)	-	Transaction	-	-	-	6,238,784 (Note C)	12,477,568 (Note D)
		Far Eastern New Century (China) Investment Co., Ltd.	Other receivables	Y	91,181 (RMB 20,890 thousand)	-	-	-	(Note A)	-	Transaction	-	-	-	6,238,784 (Note C)	12,477,568 (Note D)

Note A: Short-term financing.

Note B: 40% of the financing company’s net assets.

Note C: The amount of the collateral/guarantees is based on 20% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

Note D: The amount of the collateral/guarantees is based on 40% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

Note E: As the amount of the investee, Lian Ching Investment Co., Ltd. had been written off to zero and the Company has not undertaken any liabilities, no disclosure pertaining to the investee is made.

Note F: The interest for the period amounted to RMB3,944 thousand.

Note G: The interest for the period amounted to RMB45 thousand.

Note H: The interest for the period amounted to RMB1,176 thousand.

Note I: The interest for the period amounted to RMB182 thousand.

Note J: The interest for the period amounted to RMB459 thousand.

Note K: The interest for the period amounted to US\$78 thousand.

Note L: The interest for the period amounted to RMB30 thousand.

Note M: The interest for the period amounted to RMB579 thousand.

TABLE 3

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

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		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.	2	\$ 18,716,352 (Note A)	\$ 30,000	\$ -	\$ -	\$ -	-	\$ 31,193,920 (Note B)	Y	-	-
		Bai Yang Investment Co., Ltd.	2	18,716,352 (Note A)	100,000	-	-	-	-	31,193,920 (Note B)	Y	-	-
		Bai Ding Investment Co., Ltd.	2	18,716,352 (Note A)	1,150,000	1,150,000	450,000	-	4	31,193,920 (Note B)	Y	-	-
		FEDS Development Ltd.	2	18,716,352 (Note A)	1,424,000 (US\$ 50,000 thousand)	284,800 (US\$ 10,000 thousand)	-	-	1	31,193,920 (Note B)	Y	-	-
		Chubei New Century Shopping Mall Co., Ltd.	2	18,716,352 (Note A)	3,700,000	3,700,000	630,000	-	12	31,193,920 (Note B)	Y	-	-
		Far Eastern CitySuper Co., Ltd	2	18,716,352 (Note A)	80,000	80,000	-	-	-	31,193,920 (Note B)	Y	-	-
		Pacific Sogo Department Stores Co., Ltd.	2	18,716,352 (Note A)	4,889,496	4,882,843	4,882,843	-	16	31,193,920 (Note B)	Y	-	-
1	Pacific Sogo Department Stores Co., Ltd.	Far Eastern Department Stores, Ltd.	3	18,716,352 (Note C)	3,224,420	3,221,064	3,221,064	-	10	31,193,920 (Note D)	-	Y	-
		Pacific China Holding Ltd.	2	18,716,352 (Note C)	10,153,856 (US\$ 341,200 thousand)	7,404,800 (US\$ 260,000 thousand)	3,465,651 (US\$ 0 thousand)	-	24	31,193,920 (Note D)	-	-	-
		Dalian Pacific Department Store Co., Ltd.	2	18,716,352 (Note C)	340,454 (RMB 78,000 thousand)	340,454 (RMB 78,000 thousand)	87,296 (RMB 20,000 thousand)	-	1	31,193,920 (Note D)	-	-	Y
		Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	2	18,716,352 (Note C)	514,496 (US\$ 15,000 thousand)	514,496 (US\$ 15,000 thousand)	284,800 (US\$ 10,000 thousand)	-	2	31,193,920 (Note D)	-	-	Y
2	Far Eastern Big City Shopping Malls Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	393,416 (Note A)	154,325	153,202	153,202	-	-	655,693 (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 of the collateral/guarantees is based on 60% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

Note D: The amount of the collateral/guarantees is based on 100% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

(Continued)

Note E: As the amount of the investee, Lian Ching Investment Co., Ltd. had been written off to zero and the Company has not undertaken any liabilities, no disclosure pertaining to the investee is made.

Note F: Relationships between the endorsement/guarantee provider and the guaranteed party:

- 1. Trading partner.
- 2. The direct and indirect shareholding of the Company amounts to more than 50%.
- 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.

Note G: Pacific Sogo Department Stores Co., Ltd. acts as the guarantor for a credit limit application to the bank to cater to the operating capital need.

(Concluded)

TABLE 4

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

Holding Company	Type and Name of Marketable Securities	Relationship with Issuer of Securities	Financial Statement Account	December 31, 2020				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far Eastern Department Stores, Ltd.	<u>Shares</u> Asia Cement Corporation	4	Financial assets at fair value through other comprehensive income - non-current	50,000	\$ 2,160,021	1	\$ 2,160,021	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	577,969	-	577,969	
	Kaohsiung Rapid Transit Corporation	-	Financial assets at fair value through other comprehensive income - non-current	6,286	35,391	2	35,391	
	Yuan Ding Leasing Corp.	-	Financial assets at fair value through other comprehensive income - non-current	7,309	71,658	9	71,658	
	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	312	571	-	571	
Bai Ding Investment Co., Ltd.	<u>Shares</u> Far Eastern Department Stores, Ltd.	2	Financial assets at fair value through other comprehensive income - current	8,207	196,968	1	196,968	5,200 thousand shares of Asia Cement Corporation pledged for commercial papers issued of the investor company 15,000 thousand shares of Far Eastern New Century Corporation pledged for loans of the investor company
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	14,814	639,982	-	639,982	
	Far Eastern New Century Corporation	6	Financial assets at fair value through other comprehensive income - non-current	15,812	457,744	-	457,744	
	Chung-Nan Textile Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,984	95,856	5	95,856	
	Ding Ding Management Consultants Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	421	9,877	5	9,877	
	Yue Ding Industry Co., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	2,752	48,177	2	48,177	
	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	40,329	306,757	18	306,757	
Bai Yang Investment Co., Ltd.	<u>Shares</u> Far Eastern International Bank Ltd.	8	Financial assets at fair value through other comprehensive income - current	23,312	252,934	1	252,934	
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	3,849	166,297	-	166,297	
	U-Ming Marine Transport Corporation	8	Financial assets at fair value through other comprehensive income - non-current	200	7,380	-	7,380	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10	

(Continued)



Holding Company	Type and Name of Marketable Securities	Relationship with Issuer of Securities	Financial Statement Account	December 31, 2020				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Yu Ming Advertising Agency Co., Ltd.	<u>Beneficiary certificate</u> DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,730	\$ 32,203	-	\$ 32,203	
	<u>Shares</u> Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	1,506	65,041	-	65,041	
FEDS New Century Development Co., Ltd.	<u>Beneficiary certificate</u> DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,503	100,278	-	100,278	
FEDS Development Ltd.	<u>Shares</u> Kowloon Cement Corp., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	46	16,551	2	16,551	
Pacific Sogo Department Stores Co., Ltd.	<u>Shares</u> CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss - current	200	1,895	-	1,895	
	Quanta Computer Inc.	-	Financial assets at fair value through profit or loss - current	1	58	-	58	
	Pacific Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	7,931	78,992	2	78,992	
	DBTEL Inc.	-	Financial assets at fair value through profit or loss - current	10	34	-	34	
	Oriental Union Chemical Corp.	8	Financial assets at fair value through other comprehensive income - current	716	14,535	-	14,535	
	U-Ming Marine Transport Corporation	8	Financial assets at fair value through other comprehensive income - current	300	11,070	-	11,070	
	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	-	
	Tian 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	312	-	1	-	
Pacific Liu Tong Investment Co., Ltd.	<u>Beneficiary certificate</u> DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	17,273	203,719	-	203,719	
Far Eastern Big City Shopping Malls Co., Ltd.	<u>Shares</u> Asia Cement Corporation	7	Financial assets at fair value through profit or loss - current	742	32,055	-	32,055	
	Oriental Union Chemical Corp.	8	Financial assets at fair value through profit or loss - current	40	812	-	812	
Pacific China Holding Ltd.	<u>Shares</u> 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 with significant influence over the Company.
  - 4. Associate of investor with significant influence over the Company.
  - 5. Other related party.
  - 6. Investor with significant influence over FEDS.
  - 7. Associate of investor with significant influence over FEDS.
  - 8. Other related party of FEDS.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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	\$ 121,952	-	\$ 121,952	Collection expedited	\$ 332	\$ 121,952
Pacific China Holdings (HK) Limited and Pacific China Holding Ltd.	Pacific China Holdings (B.V.I) Limited and Pacific China Holding Ltd.	Subsidiary	103,014 (Note A)	-	-	-	-	-
Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant and Management Co., Ltd.	Same ultimate parent company	680,480 (Note A)	-	-	-	-	-
Chongqing FEDS Co., Ltd.	Chengdu FEDS Co., Ltd.	Same ultimate parent company	196,670 (Note A)	-	-	-	-	-
Shanghai Pacific Department Store Co., Ltd.	Shanghai Xujiahui Centre Group	Other related party	189,778 (Note A)	-	-	-	-	-

Note A: This balance refers to fund lending.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Number	Transacting Company	Counter party	Flow of Transaction (Note A)	Status			
				Account	Amount (Note C)	Condition	Ratio to Consolidated Operating Revenue or Assets (Note B)
0	Pacific Sogo Department Stores Co., Ltd.	Far Eastern Big City Shopping Malls Co., Ltd.	3	Operating revenue	\$ (323,237)	Rent was based on market rates and collected monthly.	1
1	Far Eastern Big City Shopping Malls Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	Operating costs and expenses	323,237	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 revenue.

Note C: Only an intercompany transaction amounting to more than 1% of total consolidated operating revenue or total consolidated assets is disclosed in this table.

TABLE 7

# 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, 2020  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A
				December 31, 2020	December 31, 2019	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Far Eastern Department Stores Co., Ltd	Bai Yang Investment Co., Ltd.	Taiwan	Investment	\$ 8,922,181	\$ 8,922,181	924,991	100	\$ 9,108,584	\$ 68,637	\$ 68,668	Subsidiary
	Oriental Securities Corporation	Taiwan	Securities investment	143,652	143,652	141,980	20	2,016,983	97,350	19,136	Associate
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,764,210	1,764,210	281,734	35	4,024,497	814,794	286,236	Subsidiary
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	33,357	33,357	119,981	67	2,321,818	226,601	151,269	Subsidiary
								(Note B)			
	Far Eastern Ai Mai Co., Ltd.	Taiwan	Retail	1,535,538	1,535,538	87,744	100	1,222,011	(59,253)	(59,253)	Subsidiary
	FEDS Development Ltd.	British Virgin Island	Investment	125,058	125,058	218	54	1,427,279	(6,820)	(2,569)	Subsidiary
	Yu Ming Advertising Agency Co., Ltd.	Taiwan	Advertising and import agent	33,000	33,000	3,500	100	118,535	14,246	14,246	Subsidiary
	Ya Tung Department Stores, Ltd.	Taiwan	Department store	919,292	919,292	41,000	100	85,689	(45,828)	(45,828)	Subsidiary
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	64,500	64,500	3,631	10	25,787	(15,685)	(1,352)	Associate
	Asians Merchandise Company	US	Trading	5,316	5,316	950	100	4,367	100	100	Subsidiary
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building leasing	40,278	40,278	1,571	56	13,283	1,312	846	Subsidiary
	Far Eastern CitySuper Co., Ltd.	Taiwan	Retail	478,269	478,269	47,827	96	68,097	33,128	31,690	Subsidiary
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	8,226	11	61,713	(186,922)	(28,037)	Associate
Bai Ding Investment Co., Ltd.	Oriental Securities Corporation	Taiwan	Securities investment	163,563	163,563	98,281	14	1,396,294	97,350		Associate
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	658,129	658,129	100,250	13	1,445,737	814,794		Subsidiary
	Far Eastern International Leasing Corporation	Taiwan	Leasing	301,125	301,125	22,203	5	327,680	173,611		Associate
	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	33,490	33,490	11,254	1	159,994	1,060,261		Subsidiary
	Yue Ming Trading Co., Ltd.	Taiwan	Import and export trading and distribution	21,291	21,291	4,901	47	68,833	588		Associate
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building leasing	28,672	28,672	1,259	44	13,872	1,312		Subsidiary
	Far Eastern CitySuper Co., Ltd.	Taiwan	Retail	-	-	2	-	1	33,128		Subsidiary
FEDS Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	302,756	814,794		Subsidiary
FEDS New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	302,756	814,794		Subsidiary
	Chubei New Century Shopping Mall Co., Ltd.	Taiwan	Shopping mall	2,000,000	2,000,000	200,000	100	1,991,269	(1,383)		Subsidiary
Bai Yang Investment Co., Ltd.	FEDS Asia Pacific Development Co., Ltd.	Taiwan	Shopping mall	1,522,761	1,522,761	149,100	70	1,779,226	109,694		Subsidiary
	Far Eastern International Leasing Corporation	Taiwan	Leasing	1,555,590	1,555,590	132,388	30	1,690,092	173,611		Associate
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	577,457	577,457	60,019	33	1,176,926	226,601		Subsidiary
	FEDS New Century Development Co., Ltd.	Taiwan	Shopping mall	2,245,272	2,245,272	232,000	100	2,403,784	19,094		Subsidiary
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	302,756	814,794		Subsidiary
	FEDS Development Ltd.	British Virgin Island	Investment	723,946	723,946	185	46	1,215,339	(6,820)		Subsidiary
	Pacific China Holdings (HK) Limited	Hong Kong	Investment	3,853,976	3,853,976	44,080	40	(1,133,042)	(652,744)		Subsidiary
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	200,000	200,000	20,000	40	281,241	147,148		Subsidiary
Ya Tung Department Stores, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	55,000	55,000	11,000	1	167,942	814,794		Subsidiary
Yu Ming Advertising Agency Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,200	1,200	200	-	2,860	814,794		Subsidiary
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	8,400	8,400	1,400	-	19,373	814,794		Subsidiary
Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	4,469,904	4,469,904	650,817	79	10,838,804	1,060,261		Subsidiary
	Pacific Department Store Co., Ltd.	Taiwan	Department store	62,480	62,480	6,840	3	139,390	83,449		Associate
Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings (HK) Limited	Hong Kong	Investment	6,117,447	6,117,447	66,120	60	(1,699,563)	(652,744)		Subsidiary
	Pacific Department Store Co., Ltd.	Taiwan	Department store	599,000	599,000	60,296	29	1,019,110	83,449		Associate
	Lian Ching Investment Co., Ltd. (Note C)	Taiwan	Investment	270,641	270,641	26,764	50	-	-		Subsidiary
	Pacific Venture Investment Ltd.	Hong Kong	Investment	357,050	357,050	100,000	48	-	-		Associate
	Sogo Department Store Co., Ltd.	Taiwan	Credit card business	32,984	32,984	7,120	34	-	-		Associate
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	64,500	64,500	3,631	10	25,787	(15,685)		Associate
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	300,000	300,000	30,000	60	421,862	147,148		Subsidiary
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	8,226	11	61,713	(186,922)		Associate
Pacific China Holdings (HK) Limited	Pacific China Holding Ltd.	British Virgin Island	Investment	4,414,400	4,414,400	130,200	100	(2,936,789)	(577,790)		Subsidiary
Pacific China Holding Ltd.	Bai Fa China Holdings (HK) Ltd.	Hong Kong	Investment	46	46	2	100	46	-		Subsidiary

(Continued)

Note A: The foreign-currency investments were translated at the rate of US\$1:NT\$28.48 prevailing on December 31, 2020.

Note B: The amount is the investment accounted for using the equity method to \$2,418,928 thousand deduct the parent company shares reclassification to treasury shares of \$97,110 thousand.

Note C: 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)

TABLE 8

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

**INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020**  
(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, 2020 (Note A)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (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, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outflow	Inflow						
Shanghai Pacific Department Store Co., Ltd.	Department store	\$ 504,096	(2)	\$ 365,470 (Note B)	\$ -	\$ -	\$ 365,470 (Note B)	\$ (66,649)	49	\$ (48,307)	\$ 122,967	\$ -
Chengdu Quanxing Building Pacific Department Store Co., Ltd.	Department store	626,275	(2)	28,195 (Note B)	-	-	28,195 (Note B)	(17,865)	67	(11,999)	(72,656)	-
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Department store	85,440	(2)	85,440 (Note B)	-	-	85,440 (Note B)	(238,746)	67	(160,352)	(353,530)	-
Chongqing Pacific Consultant and Management Co., Ltd.	Consulting services	2,079,040	(2)	5,696 (Note B)	-	-	5,696 (Note B)	(15,572)	67	(10,459)	757,735	-
Shanghai Pacific Consultant and Management Co., Ltd.	Consulting services	9,968	(2)	4,884 (Note B)	-	-	4,884 (Note B)	264	33	87	6,182	-
Shanghai Bai Ding Consultant and Management Co., Ltd.	Consulting services	2,848	(2)	-	-	-	-	(8,105)	100	(8,105)	2,924	-
Chongqing FEDS Co., Ltd.	Department store	79,744	(2)	-	-	-	-	28,077	100	28,077	977,841	-
Chengdu Department Emporium Group Co., Ltd.	Department store, logistics and storehouse	982,084	(2)	-	-	-	-	32,025	22	-	1,148,607	-
Dalian Pacific Department Store Co., Ltd.	Department store	69,837	(2)	-	-	-	-	(11,232)	67	(7,544)	4,519	-
Pacific (China) Investment Co., Ltd.	Investment	6,151,680	(2)	-	-	-	-	(48,525)	67	(31,970)	(45,915)	-
Chengdu FEDS Co., Ltd.	Department store	3,816,320	(2)	-	-	-	-	(43,535)	67	(29,240)	(112,540)	-
Yuan Ding Enterprise (Shanghai) Co., Ltd.	Wholesale of equipment and consulting services	7,696,997	(2)	-	-	-	-	(99,768)	20	(19,954)	1,542,009	-

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ - (Note C)	\$225,362 (US\$7,913 thousand) (Notes A and C)	\$ - (Note E)

- Note A: Translated at the rate of US\$1:NT\$28.48 and RMB1:NT\$4.3648 prevailing on December 31, 2020.
- 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 companies registered in a third region. The companies registered in a third region were FEDS Development Ltd. and Pacific China Holding Ltd.
  3. Others.

(Concluded)



**TABLE 9****FAR EASTERN DEPARTMENT STORES, LTD.****INFORMATION OF MAJOR SHAREHOLDERS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Major Shareholder	Shareholding	
	Share	Percentage
Far Eastern New Century Corporation	241,769,702	17.06
Yuan Ding Investment Corporation	139,785,985	9.86
Asia Cement Corporation	80,052,950	5.64
Land Union Investment Limited	77,135,000	5.44

Note 1: The information on major shareholders above is extracted as of the last business day of the current quarter. The shareholders are holding non-physical ordinary and preference shares (including treasury stocks) of 5% or more. The share capital in the consolidated financial statements of the Company and the actual registration of non-physical shares may differ due to a difference in computation basis.

Note 2: For the above information, if the shares are entrusted to a trustee by the shareholder, it is disclosed by account of settlor. In accordance with the Securities Exchange Act, shareholder who has acquired a 10% shares or more has to disclose his insider ownerships, including the shares held and shares entrusted to a trust, in which the shareholder possesses the right to use on the trusted assets. For information on insider ownership declaration, please see the Market Observation Post System website.

## 6. 2020 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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 matter identified in the Company's financial statements for the year ended December 31, 2020 is stated as follows:

#### Fair Value Evaluation of Investment Properties

As of December 31, 2020, the carrying amount of investment properties was NT\$9,023,303 thousand, accounting for 11% of the total assets and 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 economic benefits of investment properties to estimate the discounted 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 identified the evaluation of investment properties' fair value as a key audit matter. Please refer to Notes 4(i), 5 and 14 to the accompanying financial statements for the relevant detailed information.

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

1. We evaluated the expertise, competency and independence of external valuation specialists appointed by management. We verified the qualification of valuation specialists to ensure that their objectivity and scope of work were not influenced or restricted, and confirmed that the methodology adopted was in compliance with relevant 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 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, 2020 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 audits resulting in this independent auditors' report are Shu-Chuan Yeh and Ming-Hsing Cho.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 23, 2021

#### 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, 2020 AND 2019** **(In Thousands of New Taiwan Dollars)**

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 812,706	1	\$ 538,361	1
Financial assets at amortized cost - current (Note 8)	25,424	-	25,271	-
Notes receivable (Note 9)	-	-	3	-
Trade receivables (Note 9)	246,868	-	345,747	1
Trade receivables from related parties (Notes 9 and 28)	75,243	-	79,534	-
Other receivables (Notes 9 and 28)	255,872	1	279,279	-
Inventories (Note 10)	353,129	1	512,976	1
Prepayments (Note 28)	247,525	-	215,686	-
Other current assets (Note 16)	<u>60,981</u>	-	<u>64,807</u>	-
Total current assets	<u>2,077,748</u>	<u>3</u>	<u>2,061,664</u>	<u>3</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 7 and 29)	2,845,620	4	3,101,049	4
Investments accounted for using the equity method (Notes 11, 19 and 29)	20,054,557	26	19,821,401	25
Property, plant and equipment (Notes 12, 29 and 30)	18,176,915	23	18,724,837	24
Right-of-use assets (Note 13)	24,929,817	32	25,836,205	32
Investment properties (Notes 14 and 29)	9,023,303	11	8,997,056	11
Intangible assets (Note 15)	69,628	-	55,892	-
Deferred tax assets (Note 23)	80,218	-	70,344	-
Net defined benefit assets (Note 19)	205,863	-	234,035	-
Other non-current assets (Notes 16 and 28)	<u>562,571</u>	<u>1</u>	<u>536,733</u>	<u>1</u>
Total non-current assets	<u>75,948,492</u>	<u>97</u>	<u>77,377,552</u>	<u>97</u>
TOTAL	<u>\$ 78,026,240</u>	<u>100</u>	<u>\$ 79,439,216</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 29)	\$ 4,650,000	6	\$ 5,000,000	6
Short-term bills payable (Note 17)	2,449,280	3	2,499,312	3
Contract liabilities - current (Note 21)	3,202,942	4	3,024,526	4
Trade payables	3,822,290	5	3,612,036	5
Trade payables to related parties (Note 28)	49,983	-	56,943	-
Other payables (Notes 18 and 28)	1,827,132	3	2,075,491	3
Current tax liabilities (Note 23)	111,095	-	161,580	-
Lease liabilities - current (Note 13)	941,237	1	929,821	1
Advance receipts (Note 28)	243,905	-	193,734	-
Current portion of long-term borrowings (Notes 17 and 29)	299,933	1	2,500,000	3
Other current liabilities (Notes 18 and 28)	<u>128,603</u>	-	<u>154,488</u>	-
Total current liabilities	<u>17,726,400</u>	<u>23</u>	<u>20,207,931</u>	<u>25</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17 and 29)	12,999,828	16	11,799,757	15
Deferred tax liabilities (Note 23)	2,183,467	3	2,142,641	3
Lease liabilities - non-current (Note 13)	13,844,089	18	14,397,967	18
Other non-current liabilities (Notes 18 and 28)	<u>78,536</u>	-	<u>100,514</u>	-
Total non-current liabilities	<u>29,105,920</u>	<u>37</u>	<u>28,440,879</u>	<u>36</u>
Total liabilities	<u>46,832,320</u>	<u>60</u>	<u>48,648,810</u>	<u>61</u>
EQUITY				
Share capital				
Ordinary shares	<u>14,169,406</u>	<u>18</u>	<u>14,169,406</u>	<u>18</u>
Capital surplus	<u>3,338,791</u>	<u>4</u>	<u>3,327,466</u>	<u>4</u>
Retained earnings				
Legal reserve	3,424,615	4	3,298,695	4
Special reserve	2,709,263	4	2,865,351	4
Unappropriated earnings	<u>2,695,084</u>	<u>3</u>	<u>1,931,429</u>	<u>2</u>
Total retained earnings	<u>8,828,962</u>	<u>11</u>	<u>8,095,475</u>	<u>10</u>
Other equity	<u>4,953,871</u>	<u>7</u>	<u>5,295,169</u>	<u>7</u>
Treasury shares	<u>(97,110)</u>	-	<u>(97,110)</u>	-
Total equity	<u>31,193,920</u>	<u>40</u>	<u>30,790,406</u>	<u>39</u>
TOTAL	<u>\$ 78,026,240</u>	<u>100</u>	<u>\$ 79,439,216</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, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUE (Notes 21 and 28)	\$ 11,037,055	100	\$ 10,614,744	100
OPERATING COSTS (Notes 10, 22 and 28)	<u>4,405,831</u>	<u>40</u>	<u>4,168,762</u>	<u>39</u>
GROSS PROFIT	<u>6,631,224</u>	<u>60</u>	<u>6,445,982</u>	<u>61</u>
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	355,331	3	378,762	4
General and administrative expenses	4,288,347	39	3,941,540	37
Expected credit loss	<u>801</u>	<u>-</u>	<u>513</u>	<u>-</u>
Total operating expenses	<u>4,644,479</u>	<u>42</u>	<u>4,320,815</u>	<u>41</u>
OPERATING PROFIT	<u>1,986,745</u>	<u>18</u>	<u>2,125,167</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 22)	933	-	242	-
Other income (Note 22)	181,578	2	177,242	2
Other gains and losses (Notes 22 and 28)	65,005	-	(28,844)	-
Finance costs (Notes 22 and 28)	(466,377)	(4)	(377,869)	(4)
Share of profit of subsidiaries and associates accounted for using the equity method	<u>462,395</u>	<u>4</u>	<u>298,615</u>	<u>3</u>
Total non-operating income and expenses	<u>243,534</u>	<u>2</u>	<u>69,386</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	2,230,279	20	2,194,553	21
INCOME TAX EXPENSE (Note 23)	<u>291,140</u>	<u>2</u>	<u>412,710</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>1,939,139</u>	<u>18</u>	<u>1,781,843</u>	<u>17</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 19, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(71,053)	(1)	288,102	3
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(255,429)	(2)	746,698	7

(Continued)

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

## **STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Share of other comprehensive (loss) income of subsidiaries and associates accounted for using the equity method	\$ (109,861)	(1)	\$ 307,216	3
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>14,211</u>	<u>-</u>	<u>(57,620)</u>	<u>(1)</u>
	<u>(422,132)</u>	<u>(4)</u>	<u>1,284,396</u>	<u>12</u>
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	<u>8,734</u>	<u>-</u>	<u>(22,191)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(413,398)</u>	<u>(4)</u>	<u>1,262,205</u>	<u>12</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><b>\$ 1,525,741</b></u>	<u><b>14</b></u>	<u><b>\$ 3,044,048</b></u>	<u><b>29</b></u>
<b>EARNINGS PER SHARE, NT\$ (Note 24)</b>				
Basic	<u><b>\$ 1.38</b></u>		<u><b>\$ 1.26</b></u>	
Diluted	<u><b>\$ 1.37</b></u>		<u><b>\$ 1.26</b></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, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

						Other Equity (Note 20)				
			Retained Earnings (Notes 19, 20 and 23)			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain on Property Revaluation	Treasury Shares (Note 20)	Total Equity
	Share Capital (Note 20)	Capital Surplus (Note 20)	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2019	\$ 14,169,406	\$ 3,315,420	\$ 3,166,880	\$ 2,656,286	\$ 2,081,772	\$ 90,654	\$ 1,969,628	\$ 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	1,969,628	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										
Legal reserve	-	-	131,815	-	(131,815)	-	-	-	-	-
Special reserve	-	-	-	73,330	(73,330)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,204,400)	-	-	-	-	(1,204,400)
	-	-	131,815	73,330	(1,409,545)	-	-	-	-	(1,204,400)
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)	1,089,246	-	-	1,262,205
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,980,131	(25,329)	1,089,246	-	-	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	3,058,874	2,170,970	(97,110)	30,790,406
Appropriation of 2019 earnings										
Legal reserve	-	-	125,920	-	(125,920)	-	-	-	-	-
Special reserve	-	-	-	(156,088)	156,088	-	-	-	-	-
Cash dividends	-	-	-	-	(1,133,552)	-	-	-	-	(1,133,552)
	-	-	125,920	(156,088)	(1,103,384)	-	-	-	-	(1,133,552)
Net profit for the year ended December 31, 2020	-	-	-	-	1,939,139	-	-	-	-	1,939,139
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(71,064)	3,225	(345,559)	-	-	(413,398)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,868,075	3,225	(345,559)	-	-	1,525,741
Adjustments resulting from investments in associates accounted for using the equity method	-	11,325	-	-	-	-	-	-	-	11,325
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	(1,036)	-	1,036	-	-	-
BALANCE AT DECEMBER 31, 2020	\$ 14,169,406	\$ 3,338,791	\$ 3,424,615	\$ 2,709,263	\$ 2,695,084	\$ 68,550	\$ 2,714,351	\$ 2,170,970	\$ (97,110)	\$ 31,193,920

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 2,230,279	\$ 2,194,553
Adjustments for:		
Depreciation expenses	2,034,760	1,654,458
Amortization expenses	50,182	26,757
Expected credit loss recognized on receivables	801	513
Amortization of prepayments	1,576	-
Finance costs	466,377	377,869
Share of profit of subsidiaries and associates accounted for using the equity method	(462,395)	(298,615)
Interest income	(933)	(242)
Dividend income	(181,578)	(177,242)
Loss on disposal of property, plant and equipment	5,157	6,229
Loss on disposal of investment properties	116	247
Impairment loss recognized on intangible assets	6,307	-
(Gain) loss on changes in fair value of investment properties	(19,544)	75,802
Concession on lease liabilities	(113,828)	-
Net changes in operating assets and liabilities		
Notes receivable	3	137
Trade receivables	98,078	363,880
Trade receivables from related parties	4,291	(9,482)
Other receivables	23,407	58,349
Inventories	159,847	(134,788)
Prepayments	(31,839)	22,134
Other current assets	3,826	(51,027)
Contract liabilities	178,416	176,694
Notes payable and trade payables	210,254	(1,266,804)
Trade payables to related parties	(6,960)	(19,205)
Other payables	31,563	51,696
Advance receipts	145,551	89,656
Other current liabilities	(25,885)	(412)
Net defined benefit liabilities	(42,881)	(34,934)
Cash generated from operations	4,764,948	3,106,223
Interest paid	(445,758)	(427,523)
Interest received	933	242
Dividends received	321,015	332,030
Income tax paid	(296,462)	(257,461)
Net cash generated from operating activities	<u>4,344,676</u>	<u>2,753,511</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(25,424)	(25,271)
Proceeds from sale of financial assets at amortized cost	25,271	25,495
Acquisition of investments accounted for using the equity method	-	(400,000)
Payments for property, plant and equipment	(760,367)	(986,290)
		(Continued)

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

## **STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)**

	<b>2020</b>	<b>2019</b>
Proceeds from disposal of property, plant and equipment	\$ 484	\$ 39
Payments for investment properties	(6,819)	(8,369)
Increase in other non-current assets	(55,669)	(1,421,459)
Acquisition of right-of-use assets	(97,504)	-
Payments for intangible assets	<u>(27,035)</u>	<u>(26,080)</u>
Net cash used in investing activities	<u>(947,063)</u>	<u>(2,841,935)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	73,550,000	77,850,000
Repayments of short-term borrowings	(73,900,000)	(79,560,000)
Proceeds from short-term bills payable	26,283,806	22,093,578
Repayments of short-term bills payable	(26,333,838)	(21,893,298)
Proceeds from long-term borrowings	111,250,004	65,199,757
Repayments of long-term borrowings	(112,250,000)	(62,000,000)
Repayment of the principal portion of lease liabilities	(570,201)	(620,491)
(Decrease) increase in other non-current liabilities	(21,978)	13,791
Dividends paid	<u>(1,131,061)</u>	<u>(1,202,733)</u>
Net cash used in financing activities	<u>(3,123,268)</u>	<u>(119,396)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	274,345	(207,820)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<u>538,361</u>	<u>746,181</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<u>\$ 812,706</u>	<u>\$ 538,361</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, 2020 AND 2019**

**(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 Company’s board of directors on March 23, 2021.

#### **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:

Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”

The Company elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Company shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Company applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

- b. The IFRSs endorsed by the FSC for application starting from 2021

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

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 1)</b>
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023 (Note 6)
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 7)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 8)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: On March 17, 2020, IASB made the decision to postpone the effective date of IFRS 17 to March 1, 2023. However, the amendments to IFRS 17 were announced formally in the third quarter of 2020.

Note 7: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 8: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

1) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments are to clarify that when determining whether a liability is classified as non-current, it should be assessed whether at the end of the reporting period the Company has the right to defer the settlement period for at least 12 months after the reporting period. If the Company has the right at the end of the reporting period, regardless of whether the Company expects to exercise the right, the liability is classified as non-current. The amendments also clarify that if the Company must comply with certain conditions before it possesses the right to defer settlement of liabilities, the Company must comply with these conditions by the end of the reporting period, despite the fact that the lender may perform a test on the Company to check if it has complied with these conditions at a later date.

The amendments stipulate that for the purpose of classification of liabilities, the aforementioned settlement refers to the elimination of liabilities by transferring cash, other economic resources or equity instruments of the Company to the counterparty. However, the terms of the liability that could, at the option of the counterparty, result in its settlement by the transfer of the Company's equity instruments (and if the option is separately recognized as an equity in accordance with IAS 32 "Financial Instruments: Presentation"), such terms do not affect the classification of the liability.

2) Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendment stipulates that an entity should comply with the definition of material to determine the disclosure of material accounting policies. An accounting policy is material if information about that accounting policy could reasonably be expected to influence decisions that the primary users with general purposes make on the basis of those financial statements. The amendments clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed.
- Accounting policy information may be material because of the nature of the transactions, other events or conditions, even if the amounts are immaterial.
- Not all accounting policy information related to material transactions, other events or conditions are themselves material.

Further, the amendments also cite examples to illustrate that accounting policy information may be considered material if it relates to material transactions, other events or conditions and that the accounting policies:

- a) Have changed during the period, giving rise to a material change in the information of the financial statements;
- b) Were chosen from alternatives permitted by IFRS Standards;
- c) Were developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS Standard that specifically applies;
- d) Relate to an area for which the entity is required to make significant judgments and assumptions; or
- e) Relate to complex accounting and users of the entity's financial statements would otherwise not understand the relating transactions, other events or conditions.

### 3) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments stipulate that accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.” The accounting policies may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policies. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result in the correction of prior period errors.

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 (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.

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. 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 derecognition of 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 long-term rental profit and/or capital gain (including properties that are qualified as investment properties and under construction). Investment properties also include land in which the intended use has yet to be determined.

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 property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Company reviews for any indications of impairment loss pertaining to the property, plant and equipment, right-of-use assets and intangible assets. If any such indication exists, the recoverable amount of the asset is estimated. 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 for which a reasonable and consistent allocation basis can be identified.

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.

## 1. 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, cash equivalents, accounts receivable at amortized cost and refundable deposits) are measured at the carrying amount determined by the effective interest method less any impairment loss. Any 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.

Without taking the collateral held into consideration, pertinent to the objectives of the credit risk management, the Company determines that a default has occurred for a financial asset when internal or external information indicates that the borrower can no longer repay the liability, unless there is reasonable and substantiated information to recognize the default later.

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.

The Company offers award credits which can be used for future purchases when the customer shops (customer loyalty program). The award credits provide 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 are redeemed or have expired.

n. Leases

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 balance sheets.

The Company and the lessor conducted rent negotiations directly related to COVID-19 and adjusted the rent due before June 30, 2021, resulting in a decrease in rent. These negotiations did not significantly change other lease terms. The Company chooses to adopt a practical and expedient approach to all rent negotiations that meet the aforementioned conditions. It does not assess whether the negotiation is a lease modification, but recognizes a reduction of lease payment in the profit or loss when the concession event or situation occurs (accounted for as a deduction in variable lease payments) and reduces the lease liability accordingly.

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.

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

The current payable (recoverable) income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income (loss).

According to the Income Tax Law of the ROC, the recognition of annual undistributed surplus earnings that are taxable, is subject to the resolution passed in the shareholders' meeting.

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 Company incorporates the economic impact caused by COVID-19 into the consideration of significant accounting 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**

#### 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 AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand and revolving funds	\$ 36,524	\$ 35,642
Checking accounts and demand deposits	762,252	502,719
Cash equivalents		
Triple stimulus vouchers	<u>13,930</u>	<u>-</u>
	<u>\$ 812,706</u>	<u>\$ 538,361</u>

The market rate intervals of cash in bank at the end of the reporting period are as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Deposits in bank	0.001%-0.050%	0.001%-0.330%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Investments in equity instruments at FVTOCI</u>		
Domestic investments		
Listed shares and emerging market shares	\$ 2,737,990	\$ 2,993,461
Unlisted shares	<u>107,630</u>	<u>107,588</u>
	<u>\$ 2,845,620</u>	<u>\$ 3,101,049</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 29 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>2020</b>	<b>2019</b>
Time deposits with original maturities of more than 3 months	<u>\$ 25,424</u>	<u>\$ 25,271</u>
Gross carrying amount	\$ 25,424	\$ 25,271
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 25,424</u>	<u>\$ 25,271</u>

- a. The credit risk of financial instruments such as bank deposits is measured and monitored by the accounting department. The counterparties are creditworthy banks and financial institutions with good credit rating.
- b. As of December 31, 2020, and 2019, the interest rates for financial assets at amortized cost were 0.37% and 0.67% as at the end of the reporting period, respectively.

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

### a. Notes receivable

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating	\$ -	\$ 3
Non-operating	1,794	1,794
Less: Allowance for impairment loss	<u>(1,794)</u>	<u>(1,794)</u>
	<u>\$ -</u>	<u>\$ 3</u>

#### December 31, 2020

	<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	\$ -	\$ -	\$ -	\$ -	\$ 1,794	\$ 1,794
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,794)</u>	<u>(1,794)</u>
Amortized cost	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 ECLs)	<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>

### b. Trade receivables

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
At amortized cost		
Trade receivables	\$ 323,449	\$ 425,818
Less: Allowance for impairment loss	<u>(1,338)</u>	<u>(537)</u>
	<u>\$ 322,111</u>	<u>\$ 425,281</u>

The Company's trade receivables pertained to revenue on credit cards and gift certificates. The average credit period for revenue from credit cards and gift certificates was 2 to 3 days and 15 days, respectively.

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, 2020

	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	\$ 320,554	\$ 1,557	\$ -	\$ -	\$ 1,338	\$ 323,449
Loss allowance (Lifetime ECLs)	-	-	-	-	(1,338)	(1,338)
Amortized cost	<u>\$ 320,554</u>	<u>\$ 1,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,111</u>

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 ECLs)	-	-	-	-	(537)	(537)
Amortized cost	<u>\$ 421,913</u>	<u>\$ 1,793</u>	<u>\$ 1,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425,281</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 537	\$ 24
Add: Remeasurement of loss allowance	<u>801</u>	<u>513</u>
Balance at December 31	<u>\$ 1,338</u>	<u>\$ 537</u>

c. Other receivables

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
At amortized cost		
Other receivables	\$ 277,279	\$ 300,686
Less: Allowance for impairment loss	<u>(21,407)</u>	<u>(21,407)</u>
	<u>\$ 255,872</u>	<u>\$ 279,279</u>

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

December 31, 2020

	<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	\$ 255,872	\$ -	\$ -	\$ -	\$ 21,407	\$ 277,279
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,407)</u>	<u>(21,407)</u>
Amortized cost	<u>\$ 255,872</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,872</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%	0%	100%	
Gross carrying amount	\$ 279,279	\$ -	\$ -	\$ -	\$ 21,407	\$ 300,686
Loss allowance (Lifetime ECLs)	<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>

As of December 31, 2020, and 2019, there were no impairment loss on trade receivables; therefore, no loss allowance was recognized by management.

## 10. INVENTORIES

	December 31	
	2020	2019
Merchandise	\$ <u>353,129</u>	\$ <u>512,976</u>
The cost of goods sold includes:		
	2020	2019
Cost of goods sold	\$ <u>4,185,447</u>	\$ <u>3,962,329</u>

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 17,950,074	\$ 17,712,547
Investments in associates	<u>2,104,483</u>	<u>2,108,854</u>
	<u>\$ 20,054,557</u>	<u>\$ 19,821,401</u>

### a. Investments in subsidiaries

	December 31	
	2020	2019
Bai Yang Investment Co., Ltd. (BYIC)	\$ 9,108,584	\$ 9,104,890
Pacific Liu Tong Investment Co., Ltd. (PLTI)	4,024,497	3,781,245
Bai Ding Investment Co., Ltd. (BDIC)	2,418,928	2,392,241
FEDS Development Ltd. (FEDS Development)	1,427,279	1,409,738
Far Eastern Ai Mai Co., Ltd. (AIMAI)	1,222,011	1,287,839
Ya Tung Department Stores, Ltd. (YTDS)	85,689	131,722
Yu Ming Advertising Agency Co., Ltd. (YMAC)	118,535	119,878
Far Eastern CitySuper Co., Ltd (FECS)	68,097	36,407
Far Eastern Hon Li Do Co., Ltd. (FEHLD)	13,283	12,529
Asians Merchandise Company (AMC)	<u>4,367</u>	<u>4,495</u>
	18,491,270	18,280,984
Less: Ordinary shares held by subsidiary and reclassified from long-term investments to treasury shares of BDIC	<u>97,110</u>	<u>97,110</u>
	18,394,160	18,183,874
Less: The differences of accounting treatments from the consolidated financial statements (Note)	<u>444,086</u>	<u>471,327</u>
	<u>\$ 17,950,074</u>	<u>\$ 17,712,547</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>2020</b>	<b>2019</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 31 for the details of the subsidiaries indirectly held by the Company.

The Company has 35% equity interest in PLTI. However, the proportion of the combined equity of PLTI held by the Company and its subsidiaries is 56.6%. The Company thus recognizes this investee as a subsidiary.

In December 2019, YTDS undertook a capital reduction to offset the deficit, which resulted in a decrease of 20,000 thousand shares of the Company's shareholding in YTDS that corresponded to the existing ownership percentage. YTDS issued shares for an increase in cash capital, and the Company acquired 40,000 thousand shares at \$10 per share, totaling \$400,000 thousand.

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, 2020 and 2019 were based on the subsidiaries' financial statements audited for the same years by other auditors.

b. Investments in associates

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Associates that are not individually material	<u>\$ 2,104,483</u>	<u>\$ 2,108,854</u>

Aggregate information of associates that are not individually material are summarized as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
The Company's share of		
Net (loss) profit for the year	\$ (10,253)	\$ 10,029
Other comprehensive income (loss)	<u>23,686</u>	<u>(3,862)</u>
Total comprehensive income	<u>\$ 13,433</u>	<u>\$ 6,167</u>

The combined shareholding of the Company and its sub-subsidiary, Pacific Sogo Department Stores Co., Ltd., in Ding Ding Integrated Marketing Service Co., Ltd. and Yuan Hsin Digital Payment Co., Ltd., amounted to 20%. As such, these investments were accounted for using the equity method.

In October 2020 and July 2019, Yuan Hsin Digital Payment Co., Ltd. undertook a capital reduction to offset the deficit, which resulted in a decrease of the Company's shareholding in Yuan Hsin Digital Payment Co., Ltd. that corresponded to the existing ownership percentage by 3,425 thousand shares and 3,662 thousand shares, respectively. In December 2020, Yuan Hsin Digital Payment Co., Ltd. issued shares for an increase in cash capital. The Company did not subscribe for additional new shares of Yuan Hsin Digital Payment Co., Ltd. As such, the shareholding percentage of the Company decreased from 15% to 11%.

The annual general shareholders' meeting of Oriental Securities Corporation in 2020 passed a resolution for the capitalization of retained earnings. The Company acquired 1,683 thousand shares according to its existing ownership percentage.

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, 2020 and 2019 were based on the associates' financial statements audited for the same years by other auditors.

Refer to Note 29 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, 2020	\$ 8,038,597	\$ 9,370,709	\$ 6,961,248	\$ 6,519,897	\$ -	\$ 718,766		\$ 31,609,217
Additions	-	-	74,682	302,513	-	45,477		422,672
Disposals	-	-	(21,895)	(65,154)	-	(17,830)		(104,879)
Reclassifications	-	-	14,258	-	-	5,471		19,729
Balance at December 31, 2020	<u>\$ 8,038,597</u>	<u>\$ 9,370,709</u>	<u>\$ 7,028,293</u>	<u>\$ 6,757,256</u>	<u>\$ -</u>	<u>\$ 751,884</u>		<u>\$ 31,946,739</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2020	\$ -	\$ (2,418,480)	\$ (4,540,269)	\$ (5,411,333)	\$ -	\$ (514,298)		\$ (12,884,380)
Disposals	-	-	20,362	61,753	-	16,943		99,058
Depreciation expense	-	(161,727)	(439,307)	(319,912)	-	(63,556)		(984,502)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ (2,580,207)</u>	<u>\$ (4,959,214)</u>	<u>\$ (5,669,492)</u>	<u>\$ -</u>	<u>\$ (560,911)</u>		<u>\$ (13,769,824)</u>
Carrying amount at December 31, 2020	<u>\$ 8,038,597</u>	<u>\$ 6,790,502</u>	<u>\$ 2,069,079</u>	<u>\$ 1,087,764</u>	<u>\$ -</u>	<u>\$ 190,973</u>	<u>\$ -</u>	<u>\$ 18,176,915</u>
<b>Cost</b>								
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>

(Continued)



	Land	Buildings	Buildings and Facilities	Decorative Facilities	Equipment Held Under Finance Leases	Plant, Transportation and Miscellaneous Equipment	Construction in Progress	Total
<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	\$ -	\$ (2,418,480)	\$ (4,540,269)	\$ (5,411,333)	\$ -	\$ (514,298)		\$ (12,884,380)
Carrying amount at December 31, 2019	\$ 8,038,597	\$ 6,952,229	\$ 2,420,979	\$ 1,108,564	\$ -	\$ 204,468	\$ -	\$ 18,724,837

(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
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 had been changed to self-use for the year ended December 31, 2019.

Refer to Note 29 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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amount</u>		
Land	\$ 7,866,434	\$ 8,038,783
Buildings	17,058,198	17,797,153
Plant, transportation, and miscellaneous equipment	<u>5,185</u>	<u>269</u>
	<u>\$ 24,929,817</u>	<u>\$ 25,836,205</u>
<u>For the Year Ended December 31</u>		
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 239,070</u>	<u>\$ 2,094,106</u>
Depreciation charge for right-of-use assets		
Land	\$ 275,545	\$ 152,646
Buildings	869,492	727,524
Plant, transportation, and miscellaneous equipment	<u>421</u>	<u>54</u>
	<u>\$ 1,145,458</u>	<u>\$ 880,224</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Current	\$ 941,237	\$ 929,821
Non-current	\$ 13,844,089	\$ 14,397,967

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	0.88%-1.72%	1.17%-1.72%
Buildings	0.86%-1.72%	0.90%-1.72%
Plant, transportation, and miscellaneous equipment	0.88%-0.92%	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.

In 2020, due to the COVID-19 pandemic that severely affected the global market economy, the Company entered into lease negotiations with some of the lessors. The lessors agreed to reduce the rents from January 1 to December 31, 2020. In 2020, the Company recognized the aforementioned rent reductions of \$113,828 thousand (as a deduction in operating expenses).

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	\$ 4,233	\$ 5,113
Expenses relating to low-value asset leases	\$ 2,428	\$ 3,866
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ (98,714)	\$ 19,065
Total cash outflow for leases	\$ (850,006)	\$ (1,784,930)

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.

# 14. INVESTMENT PROPERTIES

	Land	Buildings and Facilities	Investment Properties under Construction	Total
Balance at January 1, 2020	\$ 6,216,334	\$ 2,770,598	\$ 10,124	\$ 8,997,056
Additions	-	(116)	-	(116)
Disposals	-	2,689	4,130	6,819
Reclassification	-	-	-	-
Gain (loss) on fair value changes of investment properties	<u>33,697</u>	<u>(14,153)</u>	<u>-</u>	<u>19,544</u>
Balance at December 31, 2020	<u>\$ 6,250,031</u>	<u>\$ 2,759,018</u>	<u>\$ 14,254</u>	<u>\$ 9,023,303</u>
Balance at January 1, 2019	\$ 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>\$ 6,216,334</u>	<u>\$ 2,770,598</u>	<u>\$ 10,124</u>	<u>\$ 8,997,056</u>

Some of the Company's investment properties had been leased out under operating leases with lease term of 2-20 years, and the lease contracts include 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, 2020 is as follows:

	December 31	
	2020	2019
Year 1	\$ 731,686	\$ 746,079
Year 2	680,939	640,033
Year 3	619,301	597,037
Year 4	564,989	535,271
Year 5	549,951	527,070
Year 6 onwards	<u>4,157,164</u>	<u>4,674,233</u>
	<u>\$ 7,304,030</u>	<u>\$ 7,719,723</u>

The fair values of the investment properties as of December 31, 2020 and 2019 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>2020</b>	<b>2019</b>
Expected future cash inflows	\$ 21,079,871	\$ 21,531,652
Expected future cash outflows	<u>2,485,443</u>	<u>2,443,572</u>
Expected future cash inflows, net	<u>\$ 18,594,428</u>	<u>\$ 19,088,080</u>
Discount rate	4.095%	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 which 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>2020</b>	<b>2019</b>
Estimated total sales price	<u>\$ 1,647,633</u>	<u>\$ 1,511,974</u>
Rate of return	18%-20%	18%-20%
Overall capital interest rate	1.34%-2.72%	1.56%-3.08%

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 29 for the information on the carrying amounts of investment properties pledged as collateral for borrowings.

## 15. INTANGIBLE ASSETS

### Computer Software

#### Cost

Balance at January 1, 2020	\$ 142,301
Additions	27,035
Reclassifications	<u>43,190</u>
Balance at December 31, 2020	<u>\$ 212,526</u>

#### Accumulated amortization and impairment

Balance at January 1, 2020	\$ (86,409)
Impairment loss	(6,307)
Amortization expenses	<u>(50,182)</u>
Balance at December 31, 2020	<u>\$ (142,898)</u>
Carrying amount at December 31, 2020	<u>\$ 69,628</u>

#### Cost

Balance at January 1, 2019	\$ 109,859
Additions	26,080
Reclassifications	<u>6,362</u>
Balance at December 31, 2019	<u>\$ 142,301</u>

#### Accumulated amortization and impairment

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>

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. OTHER ASSETS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Refundable deposits	\$ 160,077	\$ 159,027
Prepayment for equipment	39,461	67,716
Leases incentives	356,009	309,990
Others	<u>68,005</u>	<u>64,807</u>
	<u>\$ 623,552</u>	<u>\$ 601,540</u>
Current	\$ 60,981	\$ 64,807
Non-current	<u>562,571</u>	<u>536,733</u>
	<u>\$ 623,552</u>	<u>\$ 601,540</u>

## 17. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Credit loans	\$ 3,950,000	\$ 4,300,000
Secured loans (Note 29)	<u>700,000</u>	<u>700,000</u>
	<u>\$ 4,650,000</u>	<u>\$ 5,000,000</u>
Interest rate intervals are as follows		
Credit loans	0.81%-0.87%	0.90%-1.00%
Secured loans	0.86%	0.92%

### b. Short-term bills payable

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Commercial papers	\$ 2,450,000	\$ 2,500,000
Less: Unamortized discount on bills payable	<u>720</u>	<u>688</u>
	<u>\$ 2,449,280</u>	<u>\$ 2,499,312</u>

Outstanding short-term bills payable are as follows:

December 31, 2020

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial papers</u>						
Mega Bills Finance	\$ 500,000	\$ 207	\$ 499,793	0.62%	-	\$ -
Shanghai Bank	500,000	196	499,804	0.332%	-	-
China Bills Finance	350,000	57	349,943	0.25%	-	-
Grand Finance	300,000	35	299,965	0.65%	-	-
International Bills Finance	200,000	65	199,935	0.51%	-	-
Taiwan Cooperative Bills Finance	200,000	14	199,986	0.70%	-	-
Taiwan Bills Finance	200,000	99	199,901	0.60%	-	-
Ta Ching Bill Finance	<u>200,000</u>	<u>47</u>	<u>199,953</u>	0.61%	-	<u>-</u>
	<u>\$ 2,450,000</u>	<u>\$ 720</u>	<u>\$ 2,449,280</u>			<u>\$ -</u>

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>

c. Long-term borrowings

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Secured loans	\$ 10,400,000	\$ 10,100,000
Credit loans	2,000,000	3,000,000
Revolving commercial papers	<u>899,761</u>	<u>1,199,757</u>
	13,299,761	14,299,757
Less: Current portion	<u>299,933</u>	<u>2,500,000</u>
Long-term borrowings	<u>\$ 12,999,828</u>	<u>\$ 11,799,757</u>

Interest rate intervals are as follows:

Secured loans	0.860%-0.880%	0.900%-1.720%
Credit loans	0.860%	0.900%-1.200%
Revolving commercial papers	0.281%-0.402%	0.399%-0.429%

## 18. OTHER LIABILITIES

	December 31	
	2020	2019
Other payables		
Payables for salaries and bonus	\$ 328,122	\$ 316,121
Payables for purchase of equipment	636,325	939,356
Payables for remuneration of directors	173,544	162,342
Payables for compensation of employees	77,093	76,257
Others	<u>612,048</u>	<u>581,415</u>
	<u>\$ 1,827,132</u>	<u>\$ 2,075,491</u>
Other liabilities		
Deposits received	\$ 78,536	\$ 100,514
Others	<u>128,603</u>	<u>154,488</u>
	<u>\$ 207,139</u>	<u>\$ 255,002</u>
Current		
Other payables	<u>\$ 1,827,132</u>	<u>\$ 2,075,491</u>
Other liabilities	<u>\$ 128,603</u>	<u>\$ 154,488</u>
Non-current		
Other liabilities	<u>\$ 78,536</u>	<u>\$ 100,514</u>

## 19. 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>2020</b>	<b>2019</b>
Present value of the defined benefit obligation	\$ 691,522	\$ 690,534
Fair value of the plan assets	<u>(897,385)</u>	<u>(924,569)</u>
Net defined benefit assets	<u>\$ (205,863)</u>	<u>\$ (234,035)</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, 2019	<u>\$ 667,816</u>	<u>\$ (578,815)</u>	<u>\$ 89,001</u>
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>13,094</u>	<u>(6,544)</u>	<u>6,550</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(332,601)	(332,601)
Actuarial loss - changes in demographic assumptions	10,011	-	10,011
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>
Service cost			
Current service cost	5,044	-	5,044
Net interest expense (income)	<u>5,179</u>	<u>(6,955)</u>	<u>(1,776)</u>
Recognized in profit or loss	<u>10,223</u>	<u>(6,955)</u>	<u>3,268</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	40,112	40,112
Actuarial loss - changes in demographic assumptions	2,462	-	2,462
Actuarial loss - changes in financial assumptions	16,849	-	16,849
Actuarial loss - experience adjustments	<u>11,630</u>	<u>-</u>	<u>11,630</u>
Recognized in other comprehensive income	<u>30,941</u>	<u>40,112</u>	<u>71,053</u>
Contributions from the employer	-	(46,149)	(46,149)
Benefits paid	<u>(40,176)</u>	<u>40,176</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 691,522</u>	<u>\$ (897,385)</u>	<u>\$ (205,863)</u>

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>2020</b>	<b>2019</b>
Discount rates	0.500%	0.750%
Expected rates 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>2020</b>	<b>2019</b>
Discount rate(s)		
0.25% increase	<u>\$ (16,862)</u>	<u>\$ (17,601)</u>
0.25% decrease	<u>\$ 17,485</u>	<u>\$ 18,275</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 16,923</u>	<u>\$ 17,730</u>
0.25% decrease	<u>\$ (16,409)</u>	<u>\$ (17,168)</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>2020</b>	<b>2019</b>
The expected contributions to the plan for the next year	<u>\$ 5,356</u>	<u>\$ 5,417</u>
The average duration of the defined benefit obligation	9.9 years	10.4 years

## 20. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Shares authorized (in thousands)	<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)	<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>2020</b>	<b>2019</b>
<u>May be used to offset a deficit, distributed as cash dividends, or 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>23,371</u>	<u>12,046</u>
	<u>\$ 3,338,791</u>	<u>\$ 3,327,466</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 Articles of Incorporation, where the Company makes profit in a fiscal year, the profit shall be first utilized to make its business income tax payments and offset deficits. From any remaining profit, out of the profit after tax for the current period plus other profit items adjusted to the current year's undistributed earnings other than profit after tax for the period, 10% will be appropriated as a legal reserve. After appropriating to the special reserve as required by government regulations, the remaining amount, along with any prior years' undistributed earnings, may be utilized for earnings distribution in the form of dividend based on shareholding percentage. However, the Company may retain a certain portion depending on the operating needs. In case of a capital increase during the year, dividends appropriated to new shareholders are subject to the resolution passed in the shareholders' meeting. For policies of compensation of employees and remuneration of directors stipulated by the Articles of Incorporation, please see Note 22(i).

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 2019 and 2018, which were approved in the shareholders' meetings on June 24, 2020 and June 25, 2019, respectively, are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Legal reserve	\$ 125,920	\$ 131,815
Special reserve	\$ (156,088)	\$ 73,330
Cash dividends	\$ 1,133,552	\$ 1,204,400
Cash dividends per share (NT\$)	\$ 0.80	\$ 0.85

The appropriation of earnings for 2020 was proposed by the board of directors on March 23, 2021. The appropriations and dividends per share are as follows:

	<b>For the Year Ended December 31, 2020</b>
Legal reserve	\$ 186,704
Special reserve	\$ (89,694)
Cash dividends	\$ 1,558,635
Cash dividends per share (NT\$)	\$ 1.10

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in their meeting to be held on June 29, 2021.

d. Special reserve

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning at January 1	\$ 2,865,351	\$ 2,656,286
Initial application of IFRS 16	-	135,735
Appropriation in respect of net increases in the fair value of investment properties	-	73,330
Reversals of special reserve		
Reversal of fair value of investment properties	<u>(156,088)</u>	<u>-</u>
Balance at December 31	<u>\$ 2,709,263</u>	<u>\$ 2,865,351</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</b>	
	<b>2020</b>	<b>2019</b>
Beginning at January 1	\$ 65,325	\$ 90,654
Exchange difference of subsidiaries and associates accounted for using the equity method	<u>3,225</u>	<u>(25,329)</u>
Balance at December 31	<u>\$ 68,550</u>	<u>\$ 65,325</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning at January 1	\$ 3,058,874	\$ 1,969,628
Recognized for the year		
Unrealized (loss) gain - equity instruments	(255,429)	746,698
Share from subsidiaries and associates accounted for using the equity method	<u>(90,130)</u>	<u>342,548</u>
Other comprehensive income recognized for the year	2,713,315	3,058,874
Reclassification adjustment		
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>1,036</u>	<u>-</u>
Balance at December 31	<u>\$ 2,714,351</u>	<u>\$ 3,058,874</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, 2020

<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 Co., Ltd.	8,207	<u>\$ 97,110</u>	<u>\$ 196,949</u>

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 Co., Ltd.	8,207	<u>\$ 97,110</u>	<u>\$ 213,771</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.

## 21. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Sale of goods (Note)	<u>\$ 5,061,768</u>	<u>\$ 4,791,146</u>
Commissions from concessionaires' sales (Note)	<u>3,929,067</u>	<u>3,892,189</u>
Maintenance and promotion fee income	<u>714,932</u>	<u>713,187</u>
Rental income		
Investment properties (Note 14)		
Variable lease payments that do not depend on an index or a rate and contingent rentals	20,850	21,922
Other lease payments	<u>217,608</u>	<u>178,336</u>
	<u>238,458</u>	<u>200,258</u>
Other operating leases		
Variable lease payments that do not depend on an index or a rate	103,295	82,465
Other lease payments	<u>573,746</u>	<u>541,779</u>
	<u>677,041</u>	<u>624,244</u>
	<u>915,499</u>	<u>824,502</u>
Others	<u>415,789</u>	<u>393,720</u>
	<u>\$ 11,037,055</u>	<u>\$ 10,614,744</u>

Note: Gross revenue is presented as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Concessionaires' sales	\$ 39,946,194	\$ 37,141,303
Sale of goods	<u>5,311,412</u>	<u>5,035,862</u>
	<u>\$ 45,257,606</u>	<u>\$ 42,177,165</u>

### Contract Balances

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Notes receivable (Note 9)	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 140</u>
Accounts receivable (Note 9)	<u>\$ 322,111</u>	<u>\$ 425,281</u>	<u>\$ 780,192</u>
Contract liabilities - current			
Sale of goods	\$ 3,163,634	\$ 2,991,519	\$ 2,807,936
Customer loyalty programs	<u>39,308</u>	<u>33,007</u>	<u>39,896</u>
	<u>\$ 3,202,942</u>	<u>\$ 3,024,526</u>	<u>\$ 2,847,832</u>

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>2020</b>	<b>2019</b>
<u>From contract liabilities at the start of the years</u>		
Sale of goods	\$ 1,225,774	\$ 1,270,069
Customer loyalty programs	<u>33,007</u>	<u>39,896</u>
	<u>\$ 1,258,781</u>	<u>\$ 1,309,965</u>

## 22. 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>2020</b>	<b>2019</b>
Operating costs		
Cost of sales	\$ 4,185,447	\$ 3,962,329
Rental costs	183,606	171,075
Others	<u>36,778</u>	<u>35,358</u>
	<u>\$ 4,405,831</u>	<u>\$ 4,168,762</u>

b. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest income		
Bank deposits	<u>\$ 933</u>	<u>\$ 242</u>

c. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Dividends income	<u>\$ 181,578</u>	<u>\$ 177,242</u>

d. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Loss on disposal of investment properties, net	\$ (116)	\$ (247)
Foreign exchange loss, net	(117)	(63)
Loss on disposal of property, plant and equipment, net	(5,157)	(6,229)
Impairment loss of intangible assets	(6,307)	-
Gain (loss) on change in fair value of investment properties	19,544	(75,802)
Other gains	66,908	63,041
Other losses	<u>(9,750)</u>	<u>(9,544)</u>
	<u>\$ 65,005</u>	<u>\$ (28,844)</u>

e. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	\$ 254,151	\$ 227,021
Interest on bank loans	186,719	200,590
Other interest expense	<u>25,507</u>	<u>24,730</u>
Total interest expense for financial liabilities measured at fair value through profit or loss	466,377	452,341
Less: Amounts included in the cost of qualifying assets	<u>-</u>	<u>(74,472)</u>
	<u>\$ 466,377</u>	<u>\$ 377,869</u>

Information about capitalized interest is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Capitalized interest amount	\$ -	\$ 74,472
Capitalization rate interval	-	0.98%-1.02%



f. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 984,502	\$ 858,006
Right-of-use assets	1,145,458	880,224
Less: Adjustment to receipts in advance and depreciation	<u>(95,200)</u>	<u>(83,772)</u>
	2,034,760	1,654,458
Intangible assets (including amortization expenses)	<u>50,182</u>	<u>26,757</u>
	<u>\$ 2,084,942</u>	<u>\$ 1,681,215</u>
An analysis of deprecation by function		
Operating costs	\$ 90,755	\$ 88,000
Operating expenses	<u>1,944,005</u>	<u>1,566,458</u>
	<u>\$ 2,034,760</u>	<u>\$ 1,654,458</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 50,182</u>	<u>\$ 26,757</u>

g. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Direct operating expenses from investment properties generating rental income	\$ 74,852	\$ 62,278
Direct operating expenses from investment properties not generating rental income	<u>33,313</u>	<u>41,427</u>
	<u>\$ 108,165</u>	<u>\$ 103,705</u>

h. Employee benefits expenses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits		
Defined contribution plan	\$ 34,163	\$ 32,860
Defined benefit plan (Note 19)	<u>3,268</u>	<u>6,550</u>
	37,431	39,410
Other employee benefits	<u>1,196,997</u>	<u>1,144,299</u>
Total employee benefits expenses	<u>\$ 1,234,428</u>	<u>\$ 1,183,709</u>
An analysis of employee benefits expenses by function		
Operating expenses	<u>\$ 1,234,428</u>	<u>\$ 1,183,709</u>

i. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees 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, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on March 23, 2021 and March 27, 2020, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Compensation of employees	3.2%	3.2%
Remuneration of directors	2.4%	2.4%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 75,603	\$ 74,392
Remuneration of directors	56,702	55,794

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 compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

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

## 23. 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>2020</b>	<b>2019</b>
Current income tax		
In respect of the current year	\$ 245,710	\$ 267,838
Adjustments for the prior year	<u>267</u>	<u>2,590</u>
	<u>245,977</u>	<u>270,428</u>
Deferred income tax		
In respect of the current year	37,894	136,596
Adjustments for the prior year	<u>7,269</u>	<u>5,686</u>
	<u>45,163</u>	<u>142,282</u>
Income tax expense recognized in profit or loss	<u>\$ 291,140</u>	<u>\$ 412,710</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before income tax from continuing operations	<u>\$ 2,230,279</u>	<u>\$ 2,194,553</u>
Income tax expense calculated at the statutory rate	\$ 446,056	\$ 438,911
Nondeductible expenses in determining taxable income	599	234
Tax-exempt income	(137,407)	(87,196)
Unrecognized deductible temporary differences	(22,753)	63,258
Adjustments for prior years' income tax	267	2,590
Adjustments for prior years' deferred tax	7,269	5,686
Land value increment tax	(2,891)	(10,951)
Others	<u>-</u>	<u>178</u>
Income tax expense recognized in profit or loss	<u>\$ 291,140</u>	<u>\$ 412,710</u>

In July 2019, the Statute for Industrial Innovation was announced, stipulating that the construction or purchase of specific assets or technologies with undistributed earnings from fiscal year 2018 onward may be included as a deduction for calculating undistributed earnings. When the Company calculates undistributed earnings tax, it only deducts the amount of capital expenditure from actual reinvestments.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plans	<u>\$ 14,211</u>	<u>\$ (57,620)</u>
	<u>\$ 14,211</u>	<u>\$ (57,620)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax liabilities		
Income tax payable	<u>\$ 111,095</u>	<u>\$ 161,580</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	<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	\$ 9,435	\$ 8,193	\$ -	\$ 17,628
Promotion expense on gift certificates	18,488	(17)	-	18,471
Right-of-use assets	20,071	(1,842)	-	18,229
Others	<u>22,350</u>	<u>3,540</u>	<u>-</u>	<u>25,890</u>
	<u>\$ 70,344</u>	<u>\$ 9,874</u>	<u>\$ -</u>	<u>\$ 80,218</u>

Deferred tax liabilities

Temporary differences				
Depreciation	\$ 1,031,733	\$ 43,880	\$ -	\$ 1,075,613
Reserve for land revaluation increment tax	391,157	(2,891)	-	388,266
Investment properties	363,604	(2,830)	-	360,774
Investments accounted for using the equity method	245,340	(513)	-	244,827
Differences of pension in determining taxable income	46,807	8,576	(14,211)	41,172
Others	<u>64,000</u>	<u>8,815</u>	<u>-</u>	<u>72,815</u>
	<u>\$ 2,142,641</u>	<u>\$ 55,037</u>	<u>\$ (14,211)</u>	<u>\$ 2,183,467</u>

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 gift certificates	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>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<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> (Concluded)

- e. Deductible temporary differences for which no deferred tax assets were recognized in the balance sheets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Deductible temporary differences	<u>\$ 822,205</u>	<u>\$ 935,976</u>

- f. Income tax assessments

The Company's income tax returns through 2018 have been assessed by the tax authorities.

## 24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Basic earnings per share	<u>\$ 1.38</u>	<u>\$ 1.26</u>
Diluted earnings per share	<u>\$ 1.37</u>	<u>\$ 1.26</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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Net profit for the year	\$ 1,939,139	\$ 1,781,843
Effect of potential dilutive ordinary shares:		
Compensation of employees	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,939,139</u>	<u>\$ 1,781,843</u>

## Shares

(In Thousand Shares)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</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:		
Compensation of employees	<u>4,499</u>	<u>4,031</u>
Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share	<u>1,413,233</u>	<u>1,412,765</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.

## 25. CASH FLOW INFORMATION

### a. Non-cash transactions

For the years ended December 31, 2020 and 2019, the Company engaged in the following non-cash investing activities:

For the years ended December 31, 2020 and 2019, the prepayment for equipment reclassified to property, plant and equipment amounted to \$19,729 thousand and \$10,788 thousand, respectively (please see Note 12).

### b. Changes in liabilities arising from financing activities

#### For the year ended December 31, 2020

			<b>Non-cash Changes</b>			
	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>New Leases</b>	<b>Change in Exchange Rate</b>	<b>Others</b>	<b>Closing Balance</b>
Short-term borrowings	\$ 5,000,000	\$ (350,000)	\$ -	\$ -	\$ -	\$ 4,650,000
Short-term bills payable	2,499,312	(50,032)	-	-	-	2,449,280
Long-term borrowings						
(including current portion)	14,299,757	(999,996)	-	-	-	13,299,761
Lease liabilities	15,327,788	(570,201)	141,567	-	(113,828)	14,785,326
Other non-current liabilities	<u>100,514</u>	<u>(21,978)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,536</u>
	<u>\$ 37,227,371</u>	<u>\$ (1,992,207)</u>	<u>\$ 141,567</u>	<u>\$ -</u>	<u>\$ (113,828)</u>	<u>\$ 35,262,903</u>

#### For the year ended December 31, 2019

			<b>Non-cash Changes</b>			
	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>New Leases</b>	<b>Change in Exchange Rate</b>	<b>Others</b>	<b>Closing Balance</b>
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	13,854,173	(620,491)	2,094,106	-	-	15,327,788
Other non-current liabilities	<u>192,091</u>	<u>13,791</u>	<u>-</u>	<u>-</u>	<u>(105,368)</u>	<u>100,514</u>
	<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>

## 26. 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.

## 27. 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, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Equity investments				
Domestic listed ordinary shares	\$ 2,737,990	\$ -	\$ -	\$ 2,737,990
Domestic unlisted ordinary shares	-	-	107,630	107,630
	<u>\$ 2,737,990</u>	<u>\$ -</u>	<u>\$ 107,630</u>	<u>\$ 2,845,620</u>

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>

There were no transfers between Level 1 and 2 in both 2020 and 2019.

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

For the year ended December 31, 2020

<b>Financial Assets</b>	<b>Investment in Equity Instruments at FVTOCI</b>
Balance at January 1, 2020	\$ 107,588
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	<u>42</u>
Balance at December 31, 2020	<u>\$ 107,630</u>

For the year ended December 31, 2019

<b>Financial Assets</b>	<b>Investment in Equity Instruments at FVTOCI</b>
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>

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 based on 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>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,576,190	\$ 1,427,222
Equity instruments at FVTOCI	2,845,620	3,101,049
<u>Financial liabilities</u>		
Measured at amortized cost (2)	26,176,982	27,644,053



- 1) The balances included the carrying amount of cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and refundable deposits, all of which are financial assets 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>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 39,354	\$ 25,271
Financial liabilities	14,785,326	17,327,788
Cash flow interest rate risk		
Financial assets	88,585	50,112
Financial liabilities	20,399,041	19,799,069

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 increase/decrease by 100 basis points and all variables remained unchanged, the profit before tax for the years ended December 31, 2020 and 2019 would decrease/increase by \$203,105 thousand and \$197,490 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 increase/decrease by 5%, the pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would increase/decrease by \$142,281 thousand and \$155,052 thousand, respectively, due to the change in fair value of financial assets measured at fair value through other comprehensive income.

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 has difficulty in settling its financial liabilities either by cash or other financial assets. The Company manages its liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance its operations and mitigate the effects of fluctuations in cash flows. Further, the management monitors the use of bank borrowings and ensures compliance with loan covenants, to avoid critical damage and mitigate the reputation risk facing the Company.

To cater to the demand of 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 maturity analysis of the non-derivative financial liabilities is prepared based on the undiscounted cash flow of the financial liabilities (including the principal and estimated interest) from the earliest date on which the Company can be required to pay. As such, the bank loans in which the Company may be asked to settle immediately are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity analysis of other non-derivative financial liabilities is prepared based on the agreed repayment dates.

## December 31, 2020

	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	\$ 4,650,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,650,000
Short-term bills payable	2,449,280	-	-	-	-	-	2,449,280
Trade payables	3,822,290	-	-	-	-	-	3,822,290
Trade payables to related parties	49,983	-	-	-	-	-	49,983
Other payables	1,827,132	-	-	-	-	-	1,827,132
Lease liabilities	941,237	944,462	940,553	927,068	847,382	13,062,511	17,663,213
Long-term borrowings (including current portion)	299,933	9,599,828	3,400,000	-	-	-	13,299,761
Deposits received	44,741	6,237	4,546	5,752	16,060	1,200	78,536

## 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>\$ 941,237</u>	<u>\$ 3,659,465</u>	<u>\$ 4,264,801</u>	<u>\$ 3,865,346</u>	<u>\$ 2,518,365</u>	<u>\$ 2,413,999</u>

## 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	\$ 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

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
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>

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.

## 28. TRANSACTIONS WITH RELATED PARTIES

The transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

- The Company's related parties and their relationships

Related Party	Relationship with the Company
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

(Continued)

<b>Related Party</b>	<b>Relationship with the Company</b>
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 International Leasing Corporation	Associate
Far Eastern New Century Corporation (FENC)	Investor with significant influence over the Company (equity method investor of FEDS)
Far EasTone Telecommunications Co., Ltd.	Associate of investor with significant influence over the Company (the subsidiary of FENC)
New Century InfoComm Tech Co., Ltd.	Associate of investor with significant influence over the Company (the subsidiary of FENC)
Far Eastern General Contractor Inc. (FEGC)	Associate of investor with significant influence over the Company (the subsidiary of FENC)
Far Eastern Construction Co., Ltd. (FEC)	Associate of investor with significant influence over the Company (the subsidiary of FENC)
Far Eastern Resources Development Co., Ltd.	Associate of investor with significant influence over the Company (the subsidiary of FENC)
Ding Ding Hotel Co., Ltd.	Associate of investor with significant influence over the Company (the subsidiary of FENC)
Far Eastern Electronic Toll Collection Co., Ltd.	Associate of investor with significant influence over the Company (the subsidiary of FENC)
Far Eastern Apparel Co., Ltd.	Associate of investor with significant influence over the Company (the subsidiary of FENC)
Yuan Ding Co., Ltd. (YDC)	Associate of investor with significant influence over the Company (the subsidiary of FENC)
YDT Technology International Co., Ltd.	Associate of investor with significant influence over the Company (the subsidiary of FENC)
Far Eastern Technical Consultants Co., Ltd.	Associate of investor with significant influence over the Company (the subsidiary of FENC)
Yuanshi Digital Technology Co., Ltd.	Associate of investor with significant influence over the Company (the subsidiary of FENC)
Asia Cement Corporation	Associate of investor with significant influence over the Company (the subsidiary of FENC)
Ya Tung Ready Mixed Concrete Co., Ltd.	Associate of investor with significant influence over the Company (the subsidiary of FENC)
Everest Textile Co., Ltd.	Associate of investor with significant influence over the Company (the subsidiary 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)

(Continued)

<b>Related Party</b>	<b>Relationship with the Company</b>
Far Eastern Medical Foundation	Other related party (the same chairman)
U-Ming Marine Transport Corporation	Other related party (the same chairman)
Mr. Xu Yuanzhi Memorial Foundation	Other related party (related party in substance)
Ding & Ding Management Consultants Co., Ltd.	Other related party (related party in substance)
	(Concluded)

b. Operating revenue

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Sales of goods (Note)	Subsidiaries	\$ 35,576	\$ 31,694
	Associates of investor with significant influence over the Company	31,087	34,116
	Other related parties	<u>680</u>	<u>999</u>
		<u>\$ 67,343</u>	<u>\$ 66,809</u>
Other operating revenue	Other related parties	\$ 48,520	\$ 55,305
	Subsidiaries	25,115	27,308
	Associates of investor with significant influence over the Company	18,467	20,504
	Associates	<u>1,288</u>	<u>2,189</u>
		<u>\$ 93,390</u>	<u>\$ 105,306</u>

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

c. Purchases

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Operating costs (Note)	Associates of investor with significant influence over the Company	\$ 14,083	\$ 22,697
	Subsidiaries	<u>3,372</u>	<u>3,057</u>
		<u>\$ 17,455</u>	<u>\$ 25,754</u>

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

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade receivable	Associates of investor with significant influence over the company	\$ 29,920	\$ 33,535
	Other related parties	28,831	38,647
	Subsidiaries	7,648	3,230
	Investor with significant influence over the Company	7,195	2,970
	Associates	<u>1,649</u>	<u>1,152</u>
		<u>\$ 75,243</u>	<u>\$ 79,534</u>
Other receivables	Subsidiaries	\$ 7,754	\$ 7,516
	Associates of investor with significant influence over the company	1,511	1,990
	Other related parties	<u>54</u>	<u>4,106</u>
		<u>\$ 9,319</u>	<u>\$ 13,612</u>

e. Other non-current assets

Line Item	Related Party Category/Name	December 31	
		2020	2019
Lease incentives	Associates of investor with significant influence over the company		
	Yuan Ding Co., Ltd	\$ 18,741	\$ 13,768
	Other related parties		
	Far Eastern International Bank Ltd.	<u>863</u>	<u>1,134</u>
		<u>\$ 19,604</u>	<u>\$ 14,902</u>
Refundable deposits	Associates of investor with significant influence over the company	<u>\$ 7,741</u>	<u>\$ 7,741</u>

f. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade payable	Associates of investor with significant influence over the company	\$ 26,764	\$ 33,022
	Subsidiaries	<u>23,219</u>	<u>23,921</u>
		<u>\$ 49,983</u>	<u>\$ 56,943</u>

(Continued)

Line Item	Related Party Category/Name	December 31	
		2020	2019
Other payables	Associates of investor with significant influence over the company		
	Far Eastern General Construction Inc.	\$ 217,682	\$ 217,051
	Ya Tung Ready-Mixed Concrete Corporation	78,769	90,392
	Others	<u>18,640</u>	<u>30,777</u>
		315,091	338,220
	Associates	60,605	50,630
	Subsidiaries	51,758	41,111
	Investor with significant influence over the Company	41,866	37,653
	Other related parties	<u>7,563</u>	<u>88</u>
		<u>\$ 476,883</u>	<u>\$ 467,702</u>
			(Concluded)

g. Other current liabilities

Line Item	Related Party Category/Name	December 31	
		2020	2019
Advance receipts	Associates of investor with significant influence over the company	<u>\$ 844</u>	<u>\$ 1,471</u>
Others	Associates	\$ 372	\$ 520
	Subsidiaries	67	23
	Associates of investor with significant influence over the company	55	102
	Others	<u>-</u>	<u>1,154</u>
		<u>\$ 494</u>	<u>\$ 1,799</u>

h. Other non-current liabilities

Line Item	Related Party Category/Name	December 31	
		2020	2019
Guarantee deposits received	Associates of investor with significant influence over the company		
	Yuan Ding Co., Ltd	\$ 57,880	\$ 48,676
	Others	<u>87</u>	<u>87</u>
		57,967	48,763
	Other related parties	1,023	1,023
	Subsidiaries	<u>881</u>	<u>881</u>
		<u>\$ 59,871</u>	<u>\$ 50,667</u>

i. Lease arrangements - the Company as lessee

		<b>For the Year Ended December 31</b>	
<b>Related Party Category/Name</b>		<b>2020</b>	<b>2019</b>
<u>Acquisition of right-of-use assets</u>			
Associates of investor with significant influence over the Company		\$ 92,571	\$ -
Associates		<u>5,337</u>	<u>-</u>
		<u>\$ 97,908</u>	<u>\$ -</u>
		<b>December 31</b>	
<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>2020</b>	<b>2019</b>
Lease liabilities (Note)	Associates of investor with significant influence over the company		
	Far Eastern Construction Co., Ltd	\$ 3,649,049	\$ 3,790,369
	Asia Cement Corporation	309,379	384,961
	Yuan Ding Co., Ltd	32,933	11,106
	Far Eastern Resources Development Co., Ltd.	<u>8,685</u>	<u>10,807</u>
		4,000,046	4,197,243
	Other related parties	9,615	10,897
	Associates	<u>4,988</u>	<u>-</u>
		<u>\$ 4,014,649</u>	<u>\$ 4,208,140</u>

Note: The lease payments, payable either monthly or yearly, are made per the agreement between the Company and the related parties.

		<b>For the Year Ended December 31</b>	
<b>Related Party Category/Name</b>		<b>2020</b>	<b>2019</b>
<u>Interest expense</u>			
Associates of investor with significant influence over the company		\$ 67,460	\$ 70,615
Other related parties		175	197
Associates		<u>15</u>	<u>-</u>
		<u>\$ 67,650</u>	<u>\$ 70,812</u>

j. Construction projects

The construction projects of the Company were as follows:

		<b>For the Year Ended December 31</b>	
		<b>2020</b>	<b>2019</b>
Associates of investor with significant influence over the company		\$ 29,692	\$ 691,248
Other related parties		<u>13,737</u>	<u>-</u>
		<u>\$ 43,429</u>	<u>\$ 691,248</u>



k. Other related-party transactions

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2020	2019
Operating expenses (Note)	Subsidiaries	\$ 188,339	\$ 239,920
	Investor with significant influence over the Company	83,986	78,502
	Associates	47,039	43,984
	Associates of investor with significant influence over the company	46,726	43,960
	Other related parties	<u>39,119</u>	<u>8,879</u>
		<u>\$ 405,209</u>	<u>\$ 415,245</u>
Other gains and losses - gains	Subsidiaries		
	Pacific Sogo Department Stores Co., Ltd.	\$ 18,723	\$ 18,104
	Others	<u>3,366</u>	<u>1,970</u>
		22,089	20,074
	Other related parties		
	Far Eastern International Bank Ltd.	19,301	18,121
	Associates	90	279
	Associates of investor with significant influence over the company	<u>15</u>	<u>50</u>
		<u>\$ 41,495</u>	<u>\$ 38,524</u>
Other gains and losses - losses	Associates		
	Oriental Securities Corporation	\$ 7,054	\$ 7,131
	Associates of investor with significant influence over the company	7	-
	Investor with significant influence over the Company	<u>6</u>	<u>1</u>
		<u>\$ 7,067</u>	<u>\$ 7,132</u>
Finance costs	Subsidiary		
	Pacific Sogo Department Stores Co., Ltd.	<u>\$ 12,227</u>	<u>\$ 11,606</u>

l. Loans from other related parties

Related Party Category/Name	December 31	
	2020	2019
Far Eastern International Bank Ltd.	<u>\$ -</u>	<u>\$ -</u>

Interest revenue

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Far Eastern International Bank Ltd.	<u>\$ 639</u>	<u>\$ 765</u>

m. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 73,686	\$ 72,113
Post-employment benefits	<u>34</u>	<u>214</u>
	<u>\$ 73,720</u>	<u>\$ 72,327</u>

The remuneration of directors and other key management personnel was determined by the compensation committee of the Company in accordance with the individual performance and the market trends.

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and administrative proceedings:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Financial assets at FVTOCI	\$ 1,512,000	\$ 1,678,250
Investments accounted for using the equity method	1,181,946	1,183,170
Property, plant and equipment	13,616,836	13,762,450
Investment properties	<u>1,309,425</u>	<u>1,319,887</u>
	<u>\$ 17,620,207</u>	<u>\$ 17,943,757</u>

## 30. 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, 2020 and 2019 are as follows:

a. Significant unrecognized commitments

The amounts of unrecognized commitments are as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Acquisition of property, plant and equipment	<u>\$ 431,182</u>	<u>\$ 605,809</u>

- b. In April 2019, under a ruling by the MOEA whereby “the terms and conditions of gift certificates 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, 2020 to March 31, 2021. As of December 31, 2020, the Company’s guarantee amount for SOGO was \$4,882,843 thousand and that of SOGO for the Company was \$3,221,064 thousand.

### 31. 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: None.
- 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 4.
- 9) Trading in derivative instruments: None.

b. Information on investees: Table 5.

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 6.
- 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.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater, showing the names and the numbers of shares and percentage of ownership of each shareholder, please see Table 7.

TABLE 1

FAR EASTERN DEPARTMENT STORES, LTD.

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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 Holding Ltd.	Other receivables	Y	\$ 2,000,000	\$ 2,000,000	\$ -	-	(Note A)	\$ -	Transaction	\$ -	-	\$ -	\$ 4,705,699 (Note B)	\$ 4,705,699 (Note B)
2	Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant and Management Co., Ltd.	Other receivables	Y	742,016 (RMB 170,000 thousand)	742,016 (RMB 170,000 thousand)	679,599 (RMB 155,700 thousand)	1.504523%-4.129436% (Note F)	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
		Dalian Pacific Department Store Co., Ltd.	Other receivables	Y	436,480 (RMB 100,000 thousand)	218,240 (RMB 50,000 thousand)	-	1.504523%-4.129436% (Note G)	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
		Chengdu FEDS Co., Ltd	Other receivables	Y	654,720 (RMB 150,000 thousand)	654,720 (RMB 150,000 thousand)	196,416 (RMB 45,000 thousand)	1.504523%-4.129436% (Note H)	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
		Chengdu Quanxing Building Pacific Department Store Co., Ltd.	Other receivables	Y	654,720 (RMB 150,000 thousand)	218,240 (RMB 50,000 thousand)	17,459 (RMB 4,000 thousand)	1.504523%-4.129436% (Note I)	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
		Shanghai Bai Ding Consultant and Management Co., Ltd.	Other receivables	Y	43,648 (RMB 10,000 thousand)	43,648 (RMB 10,000 thousand)	-	-	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
		Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Other receivables	Y	218,240 (RMB 50,000 thousand)	218,240 (RMB 50,000 thousand)	-	-	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
3	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	305,536 (RMB 70,000 thousand)	305,536 (RMB 70,000 thousand)	-	1.41%-3.87% (Note J)	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
4	Pacific China Holdings (HK) Limited	Pacific China Holding Ltd.	Other receivables	Y	284,800 (US\$ 10,000 thousand)	284,800 (US\$ 10,000 thousand)	102,528 (US\$ 3,600 thousand)	1.74%-3.32% (Note K)	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
5	Pacific (China) Investment Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	43,648 (RMB 10,000 thousand)	43,648 (RMB 10,000 thousand)	-	1.41%-3.66% (Note L)	(Note A)	-	Transaction	-	-	-	12,477,568 (Note D)	12,477,568 (Note D)
6	Shanghai Pacific Department Store Co., Ltd.	Shanghai Xujiahui Centre Group	Other receivables	Y	187,250 (RMB 42,900 thousand)	187,250 (RMB 42,900 thousand)	187,250 (RMB 42,900 thousand)	1.35% (Note M)	(Note A)	-	Transaction	-	-	-	267,191 (Note B)	267,191 (Note B)
7	FEDS Development Ltd.	Yuan Ding Enterprise (Shanghai) Co., Ltd.	Other receivables	Y	97,669 (RMB 22,377 thousand)	-	-	-	(Note A)	-	Transaction	-	-	-	6,238,784 (Note C)	12,477,568 (Note D)
		Far Eastern New Century (China) Investment Co., Ltd.	Other receivables	Y	91,181 (RMB 20,890 thousand)	-	-	-	(Note A)	-	Transaction	-	-	-	6,238,784 (Note C)	12,477,568 (Note D)

Note A: Short-term financing.

Note B: 40% of the financing company’s net assets.

Note C: The amount of the collateral/guarantees is based on 20% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

Note D: The amount of the collateral/guarantees is based on 40% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

Note E: As the amount of the investee, Lian Ching Investment Co., Ltd. had been written off to zero and the Company has not undertaken any liabilities, no disclosure pertaining to the investee is made.

Note F: The interest for the period amounted to RMB3,944 thousand.

Note G: The interest for the period amounted to RMB45 thousand.

Note H: The interest for the period amounted to RMB1,176 thousand.

Note I: The interest for the period amounted to RMB182 thousand.

Note J: The interest for the period amounted to RMB459 thousand.

Note K: The interest for the period amounted to US\$78 thousand.

Note L: The interest for the period amounted to RMB30 thousand.

Note M: The interest for the period amounted to RMB579 thousand.

**TABLE 2**

**FAR EASTERN DEPARTMENT STORES, LTD.**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		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.	2	\$ 18,716,352 (Note A)	\$ 30,000	\$ -	\$ -	\$ -	-	\$ 31,193,920 (Note B)	Y	-	-
		Bai Yang Investment Co., Ltd.	2	18,716,352 (Note A)	100,000	-	-	-	-	31,193,920 (Note B)	Y	-	-
		Bai Ding Investment Co., Ltd.	2	18,716,352 (Note A)	1,150,000	1,150,000	450,000	-	4	31,193,920 (Note B)	Y	-	-
		FEDS Development Ltd.	2	18,716,352 (Note A)	1,424,000 (US\$ 50,000 thousand)	284,800 (US\$ 10,000 thousand)	-	-	1	31,193,920 (Note B)	Y	-	-
		Chubei New Century Shopping Mall Co., Ltd.	2	18,716,352 (Note A)	3,700,000	3,700,000	630,000	-	12	31,193,920 (Note B)	Y	-	-
		Far Eastern CitySuper Co., Ltd	2	18,716,352 (Note A)	80,000	80,000	-	-	-	31,193,920 (Note B)	Y	-	-
		Pacific Sogo Department Stores Co., Ltd.	2	18,716,352 (Note A)	4,889,496	4,882,843	4,882,843	-	16	31,193,920 (Note B)	Y	-	-
1	Pacific Sogo Department Stores Co., Ltd.	Far Eastern Department Stores, Ltd.	3	18,716,352 (Note C)	3,224,420	3,221,064	3,221,064	-	10	31,193,920 (Note D)	-	Y	-
		Pacific China Holding Ltd.	2	18,716,352 (Note C)	10,153,856 (US\$ 341,200 thousand)	7,404,800 (US\$ 260,000 thousand)	3,465,651 (US\$ 0 thousand)	-	24	31,193,920 (Note D)	-	-	-
		Dalian Pacific Department Store Co., Ltd.	2	18,716,352 (Note C)	340,454 (RMB 78,000 thousand)	340,454 (RMB 78,000 thousand)	87,296 (RMB 20,000 thousand)	-	1	31,193,920 (Note D)	-	-	Y
		Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	2	18,716,352 (Note C)	514,496 (US\$ 15,000 thousand)	514,496 (US\$ 15,000 thousand)	284,800 (US\$ 10,000 thousand)	-	2	31,193,920 (Note D)	-	-	Y
2	Far Eastern Big City Shopping Malls Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	393,416 (Note A)	154,325	153,202	153,202	-	-	655,693 (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 of the collateral/guarantees is based on 60% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

Note D: The amount of the collateral/guarantees is based on 100% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

(Continued)

Note E: As the amount of the investee, Lian Ching Investment Co., Ltd. had been written off to zero and the Company has not undertaken any liabilities, no disclosure pertaining to the investee is made.

Note F: Relationships between the endorsement/guarantee provider and the guaranteed party:

- 1. Trading partner.
- 2. The direct and indirect shareholding of the Company amounts to more than 50%.
- 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.

Note G: Pacific Sogo Department Stores Co., Ltd. acts as the guarantor for a credit limit application to the bank to cater to the operating capital need.

(Concluded)

**TABLE 3**

**FAR EASTERN DEPARTMENT STORES, LTD.**

**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2020**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Type and Name of Marketable Securities	Relationship with Issuer of Securities	Financial Statement Account	December 31, 2020				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far Eastern Department Stores, Ltd.	<u>Shares</u> Asia Cement Corporation	4	Financial assets at fair value through other comprehensive income - non-current	50,000	\$ 2,160,021	1	\$ 2,160,021	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	577,969	-	577,969	
	Kaohsiung Rapid Transit Corporation	-	Financial assets at fair value through other comprehensive income - non-current	6,286	35,391	2	35,391	
	Yuan Ding Leasing Corp.	-	Financial assets at fair value through other comprehensive income - non-current	7,309	71,658	9	71,658	
	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	312	571	-	571	
Bai Ding Investment Co., Ltd.	<u>Shares</u> Far Eastern Department Stores, Ltd.	2	Financial assets at fair value through other comprehensive income - current	8,207	196,968	1	196,968	5,200 thousand shares of Asia Cement Corporation pledged for commercial papers issued of the investor company 15,000 thousand shares of Far Eastern New Century Corporation pledged for loans of the investor company
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	14,814	639,982	-	639,982	
	Far Eastern New Century Corporation	6	Financial assets at fair value through other comprehensive income - non-current	15,812	457,744	-	457,744	
	Chung-Nan Textile Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,984	95,856	5	95,856	
	Ding Ding Management Consultants Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	421	9,877	5	9,877	
	Yue Ding Industry Co., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	2,752	48,177	2	48,177	
	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	40,329	306,757	18	306,757	
Bai Yang Investment Co., Ltd.	<u>Shares</u> Far Eastern International Bank Ltd.	8	Financial assets at fair value through other comprehensive income - current	23,312	252,934	1	252,934	
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	3,849	166,297	-	166,297	
	U-Ming Marine Transport Corporation	8	Financial assets at fair value through other comprehensive income - non-current	200	7,380	-	7,380	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10	
Yu Ming Advertising Agency Co., Ltd.	<u>Beneficiary certificate</u> DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,730	32,203	-	32,203	

(Continued)



Holding Company	Type and Name of Marketable Securities	Relationship with Issuer of Securities	Financial Statement Account	December 31, 2020				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
FEDS New Century Development Co., Ltd.	<u>Shares</u> Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	1,506	\$ 65,041	-	\$ 65,041	
	<u>Beneficiary certificate</u> DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,503	100,278	-	100,278	
FEDS Development Ltd.	<u>Shares</u> Kowloon Cement Corp., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	46	16,551	2	16,551	
Pacific Sogo Department Stores Co., Ltd.	<u>Shares</u> CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss - current	200	1,895	-	1,895	
	Quanta Computer Inc.	-	Financial assets at fair value through profit or loss - current	1	58	-	58	
	Pacific Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	7,931	78,992	2	78,992	
	DBTEL Inc.	-	Financial assets at fair value through profit or loss - current	10	34	-	34	
	Oriental Union Chemical Corp.	8	Financial assets at fair value through other comprehensive income - current	716	14,535	-	14,535	
	U-Ming Marine Transport Corporation	8	Financial assets at fair value through other comprehensive income - current	300	11,070	-	11,070	
	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	-	
	Tian 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	312	-	1	-	
Pacific Liu Tong Investment Co., Ltd.	<u>Beneficiary certificate</u> DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	17,273	203,719	-	203,719	
Far Eastern Big City Shopping Malls Co., Ltd.	<u>Shares</u> Asia Cement Corporation	7	Financial assets at fair value through profit or loss - current	742	32,055	-	32,055	
	Oriental Union Chemical Corp.	8	Financial assets at fair value through profit or loss - current	40	812	-	812	
Pacific China Holding Ltd.	<u>Shares</u> 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 with significant influence over the Company.
  - 4. Associate of investor with significant influence over the Company.
  - 5. Other related party.
  - 6. Investor with significant influence over FEDS.
  - 7. Associate of investor with significant influence over FEDS.
  - 8. Other related party of FEDS.

(Concluded)

**TABLE 4**

**FAR EASTERN DEPARTMENT STORES, LTD.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(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	\$ 121,952	-	\$ 121,952	Collection expedited	\$ 332	\$ 121,952
Pacific China Holdings (HK) Limited and Pacific China Holding Ltd.	Pacific China Holdings (B.V.I) Limited and Pacific China Holding Ltd.	Subsidiary	103,014 (Note A)	-	-	-	-	-
Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant and Management Co., Ltd.	Same ultimate parent company	680,480 (Note A)	-	-	-	-	-
	Chengdu FEDS Co., Ltd.	Same ultimate parent company	196,670 (Note A)	-	-	-	-	-
Shanghai Pacific Department Store Co., Ltd.	Shanghai Xujiahui Centre Group	Other related party	189,778 (Note A)	-	-	-	-	-

Note A: This balance refers to fund lending.

TABLE 5

**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, 2020  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A
				December 31, 2020	December 31, 2019	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Far Eastern Department Stores Co., Ltd	Bai Yang Investment Co., Ltd.	Taiwan	Investment	\$ 8,922,181	\$ 8,922,181	924,991	100	\$ 9,108,584	\$ 68,637	\$ 68,668	Subsidiary
	Oriental Securities Corporation	Taiwan	Securities investment	143,652	143,652	141,980	20	2,016,983	97,350	19,136	Associate
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,764,210	1,764,210	281,734	35	4,024,497	814,794	286,236	Subsidiary
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	33,357	33,357	119,981	67	2,321,818	226,601	151,269	Subsidiary
								(Note B)			
	Far Eastern Ai Mai Co., Ltd.	Taiwan	Retail	1,535,538	1,535,538	87,744	100	1,222,011	(59,253)	(59,253)	Subsidiary
	FEDS Development Ltd.	British Virgin Island	Investment	125,058	125,058	218	54	1,427,279	(6,820)	(2,569)	Subsidiary
	Yu Ming Advertising Agency Co., Ltd.	Taiwan	Advertising and import agent	33,000	33,000	3,500	100	118,535	14,246	14,246	Subsidiary
	Ya Tung Department Stores, Ltd.	Taiwan	Department store	919,292	919,292	41,000	100	85,689	(45,828)	(45,828)	Subsidiary
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	64,500	64,500	3,631	10	25,787	(15,685)	(1,352)	Associate
	Asians Merchandise Company	US	Trading	5,316	5,316	950	100	4,367	100	100	Subsidiary
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building leasing	40,278	40,278	1,571	56	13,283	1,312	846	Subsidiary
	Far Eastern CitySuper Co., Ltd.	Taiwan	Retail	478,269	478,269	47,827	96	68,097	33,128	31,690	Subsidiary
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	8,226	11	61,713	(186,922)	(28,037)	Associate
Bai Ding Investment Co., Ltd.	Oriental Securities Corporation	Taiwan	Securities investment	163,563	163,563	98,281	14	1,396,294	97,350		Associate
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	658,129	658,129	100,250	13	1,445,737	814,794		Subsidiary
	Far Eastern International Leasing Corporation	Taiwan	Leasing	301,125	301,125	22,203	5	327,680	173,611		Associate
	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	33,490	33,490	11,254	1	159,994	1,060,261		Subsidiary
	Yue Ming Trading Co., Ltd.	Taiwan	Import and export trading and distribution	21,291	21,291	4,901	47	68,833	588		Associate
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building leasing	28,672	28,672	1,259	44	13,872	1,312		Subsidiary
	Far Eastern CitySuper Co., Ltd.	Taiwan	Retail	-	-	2	-	1	33,128		Subsidiary
FEDS Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	302,756	814,794		Subsidiary
FEDS New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	302,756	814,794		Subsidiary
	Chubei New Century Shopping Mall Co., Ltd.	Taiwan	Shopping mall	2,000,000	2,000,000	200,000	100	1,991,269	(1,383)		Subsidiary
Bai Yang Investment Co., Ltd.	FEDS Asia Pacific Development Co., Ltd.	Taiwan	Shopping mall	1,522,761	1,522,761	149,100	70	1,779,226	109,694		Subsidiary
	Far Eastern International Leasing Corporation	Taiwan	Leasing	1,555,590	1,555,590	132,388	30	1,690,092	173,611		Associate
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	577,457	577,457	60,019	33	1,176,926	226,601		Subsidiary
	FEDS New Century Development Co., Ltd.	Taiwan	Shopping mall	2,245,272	2,245,272	232,000	100	2,403,784	19,094		Subsidiary
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	302,756	814,794		Subsidiary
	FEDS Development Ltd.	British Virgin Island	Investment	723,946	723,946	185	46	1,215,339	(6,820)		Subsidiary
	Pacific China Holdings (HK) Limited	Hong Kong	Investment	3,853,976	3,853,976	44,080	40	(1,133,042)	(652,744)		Subsidiary
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	200,000	200,000	20,000	40	281,241	147,148		Subsidiary
Ya Tung Department Stores, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	55,000	55,000	11,000	1	167,942	814,794		Subsidiary
Yu Ming Advertising Agency Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,200	1,200	200	-	2,860	814,794		Subsidiary
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	8,400	8,400	1,400	-	19,373	814,794		Subsidiary
Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	4,469,904	4,469,904	650,817	79	10,838,804	1,060,261		Subsidiary
	Pacific Department Store Co., Ltd.	Taiwan	Department store	62,480	62,480	6,840	3	139,390	83,449		Associate
Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings (HK) Limited	Hong Kong	Investment	6,117,447	6,117,447	66,120	60	(1,699,563)	(652,744)		Subsidiary
	Pacific Department Store Co., Ltd.	Taiwan	Department store	599,000	599,000	60,296	29	1,019,110	83,449		Associate
	Lian Ching Investment Co., Ltd. (Note C)	Taiwan	Investment	270,641	270,641	26,764	50	-	-		Subsidiary
	Pacific Venture Investment Ltd.	Hong Kong	Investment	357,050	357,050	100,000	48	-	-		Associate
	Sogo Department Store Co., Ltd.	Taiwan	Credit card business	32,984	32,984	7,120	34	-	-		Associate
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	64,500	64,500	3,631	10	25,787	(15,685)		Associate
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	300,000	300,000	30,000	60	421,862	147,148		Subsidiary
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	8,226	11	61,713	(186,922)		Associate
Pacific China Holdings (HK) Limited	Pacific China Holding Ltd.	British Virgin Island	Investment	4,414,400	4,414,400	130,200	100	(2,936,789)	(577,790)		Subsidiary
Pacific China Holding Ltd.	Bai Fa China Holdings (HK) Ltd.	Hong Kong	Investment	46	46	2	100	46	-		Subsidiary

(Continued)

Note A: The foreign-currency investments were translated at the rate of US\$1:NT\$28.48 prevailing on December 31, 2020.

Note B: The amount is the investment accounted for using the equity method to \$2,418,928 thousand deduct the parent company shares reclassification to treasury shares of \$97,110 thousand.

Note C: 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.

(Concluded)

TABLE 6

## FAR EASTERN DEPARTMENT STORES, LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020

(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, 2020 (Note A)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (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, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outflow	Inflow						
Shanghai Pacific Department Store Co., Ltd.	Department store	\$ 504,096	(2)	\$ 365,470 (Note B)	\$ -	\$ -	\$ 365,470 (Note B)	\$ (66,649)	49	\$ (48,307)	\$ 122,967	\$ -
Chengdu Quanxing Building Pacific Department Store Co., Ltd.	Department store	626,275	(2)	28,195 (Note B)	-	-	28,195 (Note B)	(17,865)	67	(11,999)	(72,656)	-
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Department store	85,440	(2)	85,440 (Note B)	-	-	85,440 (Note B)	(238,746)	67	(160,352)	(353,530)	-
Chongqing Pacific Consultant and Management Co., Ltd.	Consulting services	2,079,040	(2)	5,696 (Note B)	-	-	5,696 (Note B)	(15,572)	67	(10,459)	757,735	-
Shanghai Pacific Consultant and Management Co., Ltd.	Consulting services	9,968	(2)	4,884 (Note B)	-	-	4,884 (Note B)	264	33	87	6,182	-
Shanghai Bai Ding Consultant and Management Co., Ltd.	Consulting services	2,848	(2)	-	-	-	-	(8,105)	100	(8,105)	2,924	-
Chongqing FEDS Co., Ltd.	Department store	79,744	(2)	-	-	-	-	28,077	100	28,077	977,841	-
Chengdu Department Emporium Group Co., Ltd.	Department store, logistics and storehouse	982,084	(2)	-	-	-	-	32,025	22	-	1,148,607	-
Dalian Pacific Department Store Co., Ltd.	Department store	69,837	(2)	-	-	-	-	(11,232)	67	(7,544)	4,519	-
Pacific(China) Investment Co., Ltd.	Investment	6,151,680	(2)	-	-	-	-	(48,525)	67	(31,970)	(45,915)	-
Chengdu FEDS Co., Ltd	Department store	3,816,320	(2)	-	-	-	-	(43,535)	67	(29,240)	(112,540)	-
Yuan Ding Enterprise(Shanghai)Co., Ltd.	Wholesale of equipment and consulting services	7,696,997	(2)	-	-	-	-	(99,768)	20	(19,954)	1,542,009	-

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ - (Note C)	\$225,362 (US\$7,913 thousand) (Notes A and C)	\$ - (Note E)

- Note A: Translated at the rate of US\$1:NT\$28.48 and RMB1:NT\$4.3648 prevailing on December 31, 2020.
- 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 companies registered in a third region. The companies registered in a third region were FEDS Development Ltd. and Pacific China Holding Ltd.
  3. Others.

(Concluded)

**TABLE 7****FAR EASTERN DEPARTMENT STORES, LTD.****INFORMATION ON MAJOR SHAREHOLDERS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Major Shareholder	Shareholding	
	Number of Shares Held	Shareholding Percentage
Far Eastern New Century Corporation	241,769,702	17.06
Yuan Ding Investment Corporation	139,785,985	9.86
Asia Cement Corporation	80,052,950	5.64
Land Union Investment Limited	77,135,000	5.44

Note 1: The information on major shareholders above is extracted as of the last business day of the current quarter. The shareholders are holding non-physical ordinary and preference shares (including treasury stocks) of 5% or more. The share capital in the financial statements of the Company and the actual registration of non-physical shares may differ due to a difference in computation basis.

Note 2: For the above information, if the shares are entrusted to a trustee by the shareholder, it is disclosed by account of settlor. In accordance with the Securities Exchange Act, shareholder who has acquired a 10% shares or more has to disclose his insider ownerships, including the shares held and shares entrusted to a trust, in which the shareholder possesses the right to use on the trusted assets. For information on insider ownership declaration, please see the Market Observation Post System website.



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

## **THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS**

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**STATEMENT 1****FAR EASTERN DEPARTMENT STORES, LTD.****STATEMENT OF CASH****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Rate (%)</b>	<b>Amount</b>
Cash on hand		\$ 1,897
Revolving funds		34,627
Checking accounts		673,667
Demand deposits (Note)	0.001-0.05	88,585
Cash equivalents		<u>13,930</u>
		<u>\$ 812,706</u>

Note: The accounts include foreign currency deposit of US\$140,897, EUR2,388.20 and AUD8,499.77, translated at the exchange rates of US\$1:NT\$28.48, EUR1:NT\$35.02 and AUD1:NT\$21.95.

**FAR EASTERN DEPARTMENT STORES, LTD.****STATEMENT OF TRADE RECEIVABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Related parties (Note)	
Far Eastern International Bank	\$ 28,703
Yuan Ding Co., Ltd	29,042
Others (Note)	<u>17,498</u>
	<u>75,243</u>
Non-related parties	
National credit card center of R.O.C	100,964
Others (Note)	<u>147,242</u>
	<u>248,206</u>
Less: Allowance for impairment loss	<u>1,338</u>
	<u>246,868</u>
	<u>\$ 322,111</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF OTHER RECEIVABLES**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Fubon insurance	\$ 188,508
Others (Note)	<u>67,364</u>
	<u>\$ 255,872</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**FAR EASTERN DEPARTMENT STORES, LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Net Realizable Value</b>
Merchandise		
Cosmetics and boutiques	\$ 333,430	\$ 459,725
Supermarket and restaurants	15,322	24,098
Men's fashion	4,285	9,112
Living and lifestyle	<u>92</u>	<u>129</u>
	<u>\$ 353,129</u>	<u>\$ 493,064</u>

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance at January 1, 2020		Additions in Investment		Decrease in Investment		Unrealized Profit or Loss	Balance at December 31, 2020		Collateral
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount		Shares (In Thousands)	Amount	
Shares										
Asia Cement Corporation	50,000	\$ 2,397,524	-	\$ -	-	\$ -	\$ (237,503)	50,000	\$ 2,160,021	Including 35,000 thousand shares provided as collateral for bank borrowings and issuance
Far Eastern New Century Corporation	19,964	595,937	-	-	-	-	(17,968)	19,964	577,969	Nil
Yuan Ding Leasing Corp.	7,309	70,925	-	-	-	-	733	7,309	71,658	Nil
Kaohsiung Rapid Transit Corporation	6,286	36,082	-	-	-	-	(691)	6,286	35,391	Nil
Yuanshi Digital Technology Co., Ltd.	1,041	571	-	-	729	-	-	312	571	Nil
Yuan Ding Co., Ltd.	3	10	-	-	-	-	-	3	10	Nil
		\$ 3,101,049		\$ -		\$ -	\$ (255,429)		\$ 2,845,620	

**FAR EASTERN DEPARTMENT STORES, LTD.**

STATEMENT OF CHANGE IN INVESTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Par Value Per Share	Changes in Investment								Balance at December 31, 2020			Market Value or Net Assets Value	
		Balance at January 1, 2020		Addition/Decrease in Investment (Note B)		Share of Loss of Subsidiaries and Associates Accounted for Using the Equity Method	Unrealized Gain or Loss on Financial Assets At FVTOCI	Exchange Differences on Translating the Financial Statements of Foreign Operations	Other	Shares (In Thousands) (Note A)	%	Amount	Unit Price NT\$	Total Amount
		Shares (In Thousands)	Amount	Shares (In Thousands)	Amount									
		Amount (Note C)												
BYIC	\$ 10	924,991	\$ 9,104,890	-	\$ -	\$ 68,668	\$ (59,674)	\$ (4,977)	\$ (323)	924,991	100	\$ 9,108,584	\$ 9.88	\$ 9,141,547
PLTI	10	281,734	3,781,245	-	-	286,236	(391)	(7,865)	(34,728)	281,734	35	4,024,497	14.21	4,003,158
BDIC	10	119,981	2,392,241	-	-	151,269	(47,997)	(2,492)	(74,093)	119,981	67	2,418,928	20.15	2,417,324
OSC	10	140,297	1,995,131	1,683	-	19,136	24,842	(630)	(21,496)	141,980	20	2,016,983	14.2	2,016,694
AIMAI	10	87,744	1,287,839	-	-	(59,253)	-	-	(6,575)	87,744	100	1,222,011	9.01	790,469
FEDS Development	US\$ 10	218	1,409,738	-	-	(2,568)	257	19,852	-	218	54	1,427,279	5,883.94	1,281,521
FECS	10	47,827	36,407	-	-	31,690	-	-	-	47,827	96	68,097	2.31	110,534
YHDP	10	11,651	82,257	(3,425)	-	(28,037)	-	-	7,493	8,226	11	61,713	7.5	61,714
YMAC	10	3,500	119,878	-	-	14,246	(7,152)	(6)	(8,431)	3,500	100	118,535	33.87	118,536
DDUN	10	3,631	31,466	-	-	(1,352)	-	(100)	(4,227)	3,631	10	25,787	7.1	25,787
FEHLD	10	1,571	12,529	-	-	846	1	(21)	(72)	1,571	56	13,283	11.01	17,301
Asians Merchandise Company (AMC)	US\$ 1	950	4,495	-	-	101	-	(229)	-	950	100	4,367	4.6	4,367
YTDS	10	41,000	131,722	-	-	(45,828)	(16)	(307)	118	41,000	100	85,689	2.09	85,689
			20,389,838		\$ -	435,154	\$ (90,130)	\$ 3,225	\$ (142,334)	-		20,595,753		\$ 20,074,641
Add: Credit balance on the carrying amounts of investments accounted for using the equity method and reclassified to other liabilities														
Less: Ordinary shares held by subsidiary and reclassified from long-term investments to treasury shares														
			97,110									97,110		
			20,292,728							-		20,498,643		
Less: The differences of accounting treatments from the consolidated financial statements (Note D)			471,327			(27,241)						444,086		
			\$ 19,821,401			\$ 462,395				-		\$ 20,054,557		

Note A: Including 83,200 thousand shares of OSC provided as collateral of bank borrowings and bills payables.

Note B: The annual general shareholders' meeting of Oriental Securities Corporation for 2020 passed a resolution for the capitalization of retained earnings. The Company acquired 1,683 thousand shares per its existing ownership percentage. In October 2020, Yuan Hsin Digital Payment Co., Ltd. undertook a capital reduction to offset the deficit, which resulted in a decrease that corresponded to the existing ownership percentage of the Company's shareholding in Yuan Hsin Digital Payment Co., Ltd. by 3,425 thousand shares.

Note C: The adjustments of an increase of \$11,325 thousand in capital reserve, a decrease of \$14,222 thousand in actuarial loss and a decrease of \$139,437 thousand in cash dividends are as per the existing shareholding percentage.

Note D: Please see Note 11.

## FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENT OF RIGHT-OF-USE ASSETS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Balance at January 1, 2020	Addition in	Decrease in	Reclassification	Balance at December 31, 2020	Note
Cost						
Land	\$ 8,191,429	\$ 103,196	\$ -	\$ -	\$ 8,294,625	
Buildings	19,378,186	130,537	-	-	19,508,723	
Plant, transportation, and miscellaneous equipment	<u>323</u>	<u>5,337</u>	<u>-</u>	<u>-</u>	<u>5,660</u>	
	<u>27,569,938</u>	<u>\$ 239,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>27,809,008</u>	
Accumulated depreciation						
Land	(152,646)	\$ (275,545)	\$ -		(428,191)	
Buildings	(1,581,033)	(869,492)			(2,450,525)	
Plant, transportation, and miscellaneous equipment	<u>(54)</u>	<u>(421)</u>	<u>-</u>	<u>-</u>	<u>(475)</u>	
	<u>(1,733,733)</u>	<u>\$ (1,145,458)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,879,191)</u>	
	<u>\$ 25,836,205</u>				<u>\$ 24,929,817</u>	



## FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Type	Contract Period	Interest Rates (%)	Balance, End of Year	Loan Commitments	Collateral
Credit loans					
Taipei Fubon Bank	2020/12/02-2021/02/25	0.81	\$ 300,000	\$ 300,000	-
Taishin International Bank	2020/12/14-2021/01/11	0.87	1,500,000	2,500,000	-
Bank of Taiwan	2020/11/27-2021/01/20	0.86	800,000	800,000	-
Mizuho Corporate Bank Ltd.	2020/12/10-2021/01/07	0.85	1,000,000	1,000,000	-
Land Bank of Taiwan	2020/11/27-2021/01/19	0.87	<u>350,000</u>	<u>800,000</u>	-
			<u>3,950,000</u>	<u>5,400,000</u>	
Secured loans					
Bank of Taiwan	2020/12/28-2021/02/20	0.86	<u>700,000</u>	<u>700,000</u>	Land and buildings
			<u>\$ 4,650,000</u>	<u>\$ 6,100,000</u>	

## FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENT OF SHORT-TERM BILLS PAYABLES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Promissory Institution	Contract Period	Interest Rates (%)	Nominal Amount	Discount Amount	Carrying Amount	Collateral
Mega Bills Finance Co., Ltd.	2020/12/18-2021/01/27	0.62	\$ 500,000	\$ 207	\$ 499,793	-
The Shanghai Commercial & Savings Bank	2020/12/21-2021/01/18	0.332	500,000	196	499,804	-
China Bills Finance Corporation	2020/12/11-2021/01/08	0.25	350,000	57	349,943	-
Grand Bills Finance Corporation	2020/11/25-2021/01/06	0.65	300,000	35	299,965	-
International Bills Finance Corporation	2020/12/16-2021/01/15	0.51	200,000	65	199,935	-
Taiwan Cooperative Bills Finance Corporation	2020/12/15-2021/01/04	0.70	200,000	14	199,986	-
Taiwan Finance Corporation	2020/12/28-2021/01/22	0.60	200,000	99	199,901	-
Ta Ching Bills Finance Corporation	2020/12/14-2021/01/11	0.61	<u>200,000</u>	<u>47</u>	<u>199,953</u>	-
			<u>\$ 2,450,000</u>	<u>\$ 720</u>	<u>\$ 2,449,280</u>	

**FAR EASTERN DEPARTMENT STORES, LTD.****STATEMENT OF TRADE PAYABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Related parties (Note)	\$ 49,983
Unrelated parties	
Others (Note)	<u>3,822,290</u>
	<u>\$ 3,872,273</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

## FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Type and Creditor	Contract Period	Repayment Terms	Interest Rates (%)	Current	Non-current	Total	Collateral
A revolving line of credit of commercial paper loans							
KGI Bank				\$ -	\$ 600,000	\$ 600,000	
Less: Unamortized discount	2022.01.25	A revolving line of credit of loans is allowed	0.281	-	172	172	
				-	599,828	599,828	
Mega Bank	2021.09.25	A revolving line of credit of loans is allowed	0.402	300,000	-	300,000	
				67	-	67	
				299,933	-	299,933	
Secured loans							
Bank of Taiwan	2023.07.06	A revolving line of credit of loans is allowed	0.86	-	2,400,000	2,400,000	Land and buildings
Hua Nan Commercial Bank	2022.07.24	A revolving line of credit of loans is allowed	0.88	-	8,000,000	8,000,000	Land and buildings
				-	10,400,000	10,400,000	
Credit loans							
Bank of China	2022.07.22	A revolving line of credit of loans is allowed	0.86	-	1,000,000	1,000,000	-
Bank of Taiwan	2023.07.06	A revolving line of credit of loans is allowed	0.86	-	1,000,000	1,000,000	-
				-	2,000,000	2,000,000	
				\$ 299,933	\$ 12,999,828	\$ 13,299,761	

## FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Summary	Lease Period	Discount Rates	Balance at December 31, 2020	Note
Land		2003/10/31-2053/10/30	0.88%-1.72%	\$ 5,891,245	-
Buildings		2011/12/29-2041/12/31	0.86%-1.72%	8,888,876	-
Miscellaneous equipment		2019/03/01-2025/08/31	0.88%-0.92%	<u>5,205</u>	-
				14,785,326	
Transferred into current liabilities within a year				<u>(941,237)</u>	
				<u>\$ 13,844,089</u>	

**FAR EASTERN DEPARTMENT STORES, LTD.****STATEMENT OF OPERATING COST  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Cost of goods sold	
Inventories, beginning of year	\$ 512,976
Add: Purchases	4,025,940
Less: Inventories, end of year	353,129
Less: Transferred to operating expenses	<u>340</u>
	4,185,447
Rental cost	183,606
Others	<u>36,778</u>
	<u>\$ 4,405,831</u>

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

## **STATEMENT OF OPERATING EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020 (In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Selling and Marketing Expenses</b>	<b>General and Administrative Expenses</b>	<b>Expected Credit Loss</b>	<b>Total</b>
Advertising	\$ 280,572	\$ -	\$ -	\$ 280,572
Payroll	-	1,082,318	-	1,082,318
Depreciation	-	1,944,005	-	1,944,005
Utilities	-	210,833	-	210,833
Tax	-	285,089	-	285,089
Others (Note)	<u>74,759</u>	<u>766,102</u>	<u>801</u>	<u>841,662</u>
	<u>\$ 355,331</u>	<u>\$ 4,288,347</u>	<u>\$ 801</u>	<u>\$ 4,644,479</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

# FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020			2019		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Employees' benefits expenses						
Salary and bonus	\$ -	\$ 1,024,885	\$ 1,024,885	\$ -	\$ 977,745	\$ 977,745
Labor and health insurance	-	86,899	86,899	-	83,686	83,686
Pension	-	37,432	37,432	-	39,410	39,410
Director remuneration	-	57,433	57,433	-	56,528	56,528
Others	-	27,779	27,779	-	26,340	26,340
	<u>\$ -</u>	<u>\$ 1,234,428</u>	<u>\$ 1,234,428</u>	<u>\$ -</u>	<u>\$ 1,183,709</u>	<u>\$ 1,183,709</u>
Depreciation	<u>\$ 90,755</u>	<u>\$ 1,944,005</u>	<u>\$ 2,034,760</u>	<u>\$ 88,000</u>	<u>\$ 1,566,458</u>	<u>\$ 1,654,458</u>
Amortization	<u>\$ -</u>	<u>\$ 50,182</u>	<u>\$ 50,182</u>	<u>\$ -</u>	<u>\$ 26,757</u>	<u>\$ 26,757</u>

Note A: As of December 31, 2020 and 2019, the Company had 1,347 and 1,403 employees, which included 7 and 6 directors not serving concurrently as employees, respectively.

Note B: As of December 31, 2020 and 2019, the Company's average employees' benefits expenses were \$878 thousand and \$807 thousand, respectively.

Note C: As of December 31, 2020 and 2019, the Company's average employees' salary and bonus were \$765 thousand and \$700 thousand, respectively.

Note D: The adjustment of average employees' salary and bonus was 9.29%.

Note E: The Company has established the remuneration committee in accordance with the laws and regulations. The committee takes into consideration the remuneration offered by the industry counterparts and publicly listed corporations and convenes meetings to evaluate and determine the remuneration of directors and managers.

The distribution of remuneration of directors is as provided by the Articles of Incorporation, Article 27. If the Company is profitable for the year, it shall appropriate not more than 2.5% of its profit as remuneration of directors. The actual appropriation percentage and amount of the remuneration of directors are reported to the shareholders' meeting by the board of directors after taking into consideration the performance evaluation, operating performance of the Company, future business risks and other relevant factors. Furthermore, the payment is determined by taking into consideration the payments offered by the industry counterparts and publicly listed corporations.

The remuneration to managers consists of four types of payments, namely salary, pension, bonus reward and special allowance, and compensation of employees. The compensation of employees is appropriated as per the Articles of Incorporation. The actual appropriation percentage, amount and disbursement method are subject to the resolution passed by the board of directors, and in turn shall be reported to the shareholders' meeting. The overall combination of the compensation is determined by taking into consideration the payments offered by the industry counterparts for the corresponding positions. The reasonableness of the correlation between individual performance, operating performance of the Company and future business risks is also taken into consideration, so as to establish a compensation policy that is rewarding and can reasonably reflect performances.

The Company shall review the compensation level of the market on a regular basis, so as to establish a fair, competitive and rewarding compensation benefit that retains employees and attracts outstanding talents to join the big family of Far Eastern Department Store. The compensation system consists of economic factors, namely the fixed salary, variable bonus and employee benefits, as well as non-economic factors, namely the work environment, job rotation, training and education, etc. Via a holistic design of the compensation system, the Company seeks to attract and retain outstanding and critical talents in the entity, boost working morale which form the core competitive advantages of the Company.



## VII. Review and Analysis of the Financial Condition, Performance and Risk Management

### 1. Analysis of Financial Conditions

#### Financial Conditions Analysis

Unit: NT\$ thousands

Item \ Year	2019	2020	Increase (decrease) amount	Percentage Change(%)
Current assets	20,746,075	21,116,116	370,041	2
Investment using the equity method	10,107,165	10,164,724	57,559	1
Property, plant and equipment	34,323,257	33,945,566	(377,691)	(1)
Other assets	65,334,608	63,197,363	(2,137,245)	(3)
<b>Total assets</b>	<b>130,511,105</b>	<b>128,423,769</b>	<b>(2,087,336)</b>	<b>(2)</b>
Current liabilities	47,667,701	45,683,684	(1,984,017)	(4)
Non-current liabilities	43,939,597	42,951,797	(987,800)	(2)
<b>Total liabilities</b>	<b>91,607,298</b>	<b>88,635,481</b>	<b>(2,971,817)</b>	<b>(3)</b>
Total equity attributable to owners of the Company	30,790,406	31,193,920	403,514	1
Common stock	14,169,406	14,169,406	0	0
Capital surplus	3,327,466	3,338,791	11,325	0
Retained earnings	8,095,475	8,828,962	733,487	9
Other equity	5,295,169	4,953,871	(341,298)	(6)
Treasury stocks	(97,110)	(97,110)	0	0
Non-controlling interests	8,113,401	8,594,368	480,967	6
<b>Total equity</b>	<b>38,903,807</b>	<b>39,788,288</b>	<b>884,481</b>	<b>2</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: None

### 2. Analysis of Financial Performances

#### 2.1 Comparative Analysis of Financial Performances

Unit: NT\$ thousands

Item \ Year	2019	2020	Increase (decrease) amount	Percentage Change(%)
Operating Revenues	37,896,062	37,287,949	(608,113)	(2)
Gross Profit	19,642,613	18,707,278	(935,335)	(5)
Operating Profit	4,538,651	4,084,964	(453,687)	(10)
Nonoperating Income (Expenses)	(1,435,713)	(1,084,193)	351,520	(24)
Income Before Income Tax	3,102,938	3,000,771	(102,167)	(3)
Net Profit For The Year	2,152,269	2,544,897	392,628	18

- Analysis and explanation of the increase and decrease ratio:  
 Net operating profit decrease: Mainly due to the decrease in operating margin.  
 Non-operating income and expenses increase: Mainly due to the decrease in impairment loss.  
 Net profit increase in the current period: Mainly attributed to increases in non-operating income and expenses.
- Expected volume of sales and its basis of the future year, and the possible impact on the Company's future financial operations and response plan:  
 Please refer to "Letter to Shareholders"..

#### 2.2 Analysis of operating gross profit: Not applicable

### 3. Analysis of Cash Flow

Unit: NT\$ thousands

Cash and cash equivalents - Beginning balance in 2020 (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	Investment plan
13,424,223	10,687,166	9,319,955	14,791,434	-	-

1. Analysis of cash flow changes in the current year:  
 Net cash inflow from operating activities of NT\$10.7 billion: Mainly attributed to the inflow of cash generated from operating activities.  
 Net cash outflow from investing activities of NT\$2.4 billion: Mainly attributed to the NT\$2 billion acquisition of real estate, factories and equipment.  
 Net cash outflow from financing activities of NT\$6.9 billion: Mainly due to the repayment of loans of NT\$2.6 billion, the repayment of lease liabilities of NT\$3 billion, and the payment of cash dividends of NT\$1.2 billion.
2. Remedial measures for cash deficit and liquidity analysis: No cash deficit.
3. Cash flow analysis for the coming year:

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
14,791,434	9,449,004	7,688,758	16,551,680	-	-

1. Analysis of cash flow changes in the current year:  
 Net cash inflow from operating activities of NT\$9.4 billion: Mainly attributed to the inflow of cash generated from operating activities.  
 Net cash outflow from investing activities of NT\$2.5 billion: Mainly to obtain business assets.  
 Net cash outflow from financing activities of NT\$5.2 billion: Mainly to repay lease liabilities and pay cash dividends.
2. Remedial measures for cash deficit and liquidity analysis: No cash deficit.

#### 4. Impact of major capital expenditures on corporate finances and business in the most recent year: None

#### 5. Investment policy, main causes for profits or losses, improvement plans in the most recent year and the investment plans for the coming year

In terms of the overall performance of the consolidated company, the investment income recognized by the equity method comes from the stable profit of the investment company; In addition, the retail group is also continuing to expand and mobilize markets with consumer potential. Adhering to the tradition and spirit of being the first department store in Taiwan, the retail group has been deeply involved in Taiwan, focusing on the mainland, and providing a full range of products and services to satisfy the needs of both sides of the strait. Consumer demand.

With the continuous expansion of the retail business, profits will be expected to inject new growth momentum, and the growth of the overall revenue and profit of the retail group will also be more significant. To this end, the Company and its subsidiaries still adopt a prudent investment evaluation strategy, continue to strengthen the management of reinvestment businesses and improve the synergy of operations in order to achieve successful diversified business goals.

## 6. Risk analysis and evaluation

### 6.1. The 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:

Because the entities in the consolidated company borrow funds at fixed and floating interest rates at the same time, interest rate risk is incurred. The consolidated company manages interest rate risk by maintaining an appropriate combination of fixed and floating interest rates.

The book amounts of financial assets and financial liabilities of the consolidated company exposed to interest rate exposure on the balance sheet date are as follows:

	<u>2021 Mar. 31</u>	<u>2020 Dec. 31</u>	Unit: NT\$ thousands <u>2020 Mar. 31</u>
Fair value interest rate risk			
- Financial assets	\$ 7,442,614	\$ 9,490,963	\$ 6,855,407
- Financial liabilities	27,763,642	28,361,111	30,703,648
Cash flow interest rate risk			
- Financial assets	2,021,273	\$ 4,701,632	\$ 1,794,848
- Financial liabilities	26,711,315	27,662,415	33,594,152

#### Sensitivity analysis

The following sensitivity analysis is determined based on the interest rate risks on the balance sheet date, and the risk is measured for financial assets and financial liabilities with floating interest rates. The rate of change used when reporting interest rates within the group to key management is a 100 base points increase/decrease in interest rates, which also represents management's assessment of the reasonably possible range of changes in 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, 2021 and 2020 would have decreased/increased by \$61,725 thousand and \$79,498 thousand, respectively.

#### 6.1.2. Exchange Rate Analyses and Response strategy:

The consolidated company holds foreign currency assets and liabilities, so the consolidated company is exposed to risk of exchange rate fluctuations.

The book value of monetary assets and monetary liabilities denominated in non-functional currencies of the consolidated company on the balance sheet date (including monetary items denominated in non-functional currencies that have been offset in the consolidated financial report) are as follows:

	<u>2021 Mar. 31</u>	<u>2020 Dec. 31</u>	Unit: USD\$ thousands <u>2020 Mar. 31</u>
Assets			
USD	<u>\$5,804</u>	<u>\$5,218</u>	<u>\$5,269</u>
Liabilities			
USD	<u>\$13,816</u>	<u>\$13,772</u>	<u>\$3,882</u>

#### Sensitivity analysis

The consolidated company 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 consolidated company 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, 2021 and 2020 would increase/decrease by \$2,286 thousand and \$419 thousand, respectively.

#### **6.1.3. Impact of inflation on the Company's profit and loss, and response measures:**

In 2020, the Consumer Price Index (CPI) has increased in comparison with neighboring Asian countries, and the overall price trend is stable. In 2020 and as of the publication date of the Annual Report, the consolidated company has not yet had an immediate and significant impact due to inflation.

#### **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, high-leverage investment: The consolidated company did not engage in high-risk, high-leverage investments in 2020 and from January 1 to March 31, 2021.
2. Loaning of capital to others: As of 2020 and from January 1 to March 31, 2021, the balance of funds loaned by our merged companies were NT\$4,916,338 thousand and NT\$4,717,094 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 2020 and from January 1 to March 31, 2021, the balance of endorsements and guarantees provided by our merged companies were NT\$21,731,659 thousand and NT\$23,555,198 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. Derivative commodity transactions: The consolidated company did not engage in derivative commodity transactions in 2020 and from January 1 to March 31, 2021.

#### **6.3 R&D Plans and Estimated Expenses in Recent Years and until the Annual Report being Published**

Our consolidated companies does not engage in product R&D and manufacturing, so there are no R&D plans or expenses. However, it is evident from the characteristics of the industry that nurturing and developing talents and improving the quality of management personnel are necessary steps 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. Therefore, rapidly enhancing talent competitiveness has become a key factor to ensuring success in store expansion. Our consolidated companies are committed to improving "soft power" and actively promoting corporate culture and brand value. We aim to provide systematic and professional service quality training courses via complete education and training mechanisms to nurture employees' professional, leadership and innovation skills, further improving the competitiveness of our companies in response to the rapid changes in the industry.

#### **6.4. Effects of 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 appropriate measures to deal with important domestic and foreign policy and legal changes in the most recent years. In the future, the Company's legal, financial and accounting units will keep abreast of the latest regulatory changes and seek professional opinions from lawyers, accountants, etc. Discuss response measures to important policy and legal changes in order to comply with the law and reduce the impact on the Company's financial business.

#### **6.5. Technology Developments and Impacts on the Company and its subsidiaries from last year up to the Annual Report being published:**

The Company attaches great importance to the development of technological trends, continues to actively promote informatization, and effectively uses manpower to achieve the goal of reducing costs and enhancing corporate competitiveness. It is also committed to the application of information technology, continues to develop mobile apps, introduces restaurant waiting lists, membership management and electronic gift certificates to respond to the changes in the retail industry from traditional to smart sales. Due to the rapid development of e-commerce, which has significantly affected the physical department store channels, the Company continues to update and build its official website, pay close attention to and expand online shopping, and is committed to the integration of virtual reality and the development of omnichannel department store retail. It is expected to improve the Company's operating results and increase the equity of all shareholders.

In order to protect the security of consumers' personal data, the Company established an information review committee in October 2012 to coordinate decision-making and implementation of the Company's personal information and privacy protection management business and resource integration with information security. In addition, an information security promotion team was established for information security risk detection and information security insurance to conduct necessary company self-tests before purchasing information security insurance. Management methods for information security-related equipment network AD management, system account life cycle and authority account management, data access records and remote backup, network communication security (antivirus/Email), etc. have been formulated to implement the Company's information security system and policies and through the annual internal audit unit and external accountant supervision to ensure the appropriateness and effectiveness of the rules and procedures.

#### **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:**

In 2020 and as of the publication date of the Annual Report, the consolidated company has no plans for mergers and acquisitions. However, if there is a merger plan in the future, the Company will follow the acquired company's acquisition or disposal of assets processing procedures, uphold a cautious assessment attitude, consider whether the merger can bring specific performance to the Company, so as to ensure the Company's interests and shareholders' rights.

#### **6.8. Expected Benefits and Risks from Plant Expansion in Recent Years until the Annual Report being Published:**

The consolidated company has detailed evaluation and planning of relevant units for the expansion of business base plans, and fully evaluates the expected benefits and possible risks through a rigorous financial module; After the establishment of the new business location, pay close attention to changes in the industry and business conditions at any time, and propose appropriate countermeasures against

possible risks.

**6.9. Risks from Concentration in Supply or Sales in the Recent Year until the Annual Report being Published:**

The Company is a department store retail business, and sells diversified products, and does not purchase or sell goods to a single manufacturer or customer. Therefore, there is no risk of purchase or sales concentration.

**6.10. Impacts and Risks from Major Shareholding Transfers or Changes of Directors, Supervisors, or Shareholders with More than 10% Shareholding and Subsequent Response Measures in the Recent Year up to the Publication of the Annual Report:**

In 2020 and as of the publication date of the Annual Report, our consolidated companies did not have any instance of major shareholding transfers or changes.

**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: None.**

**6.13. Other Major Risks: not applicable**

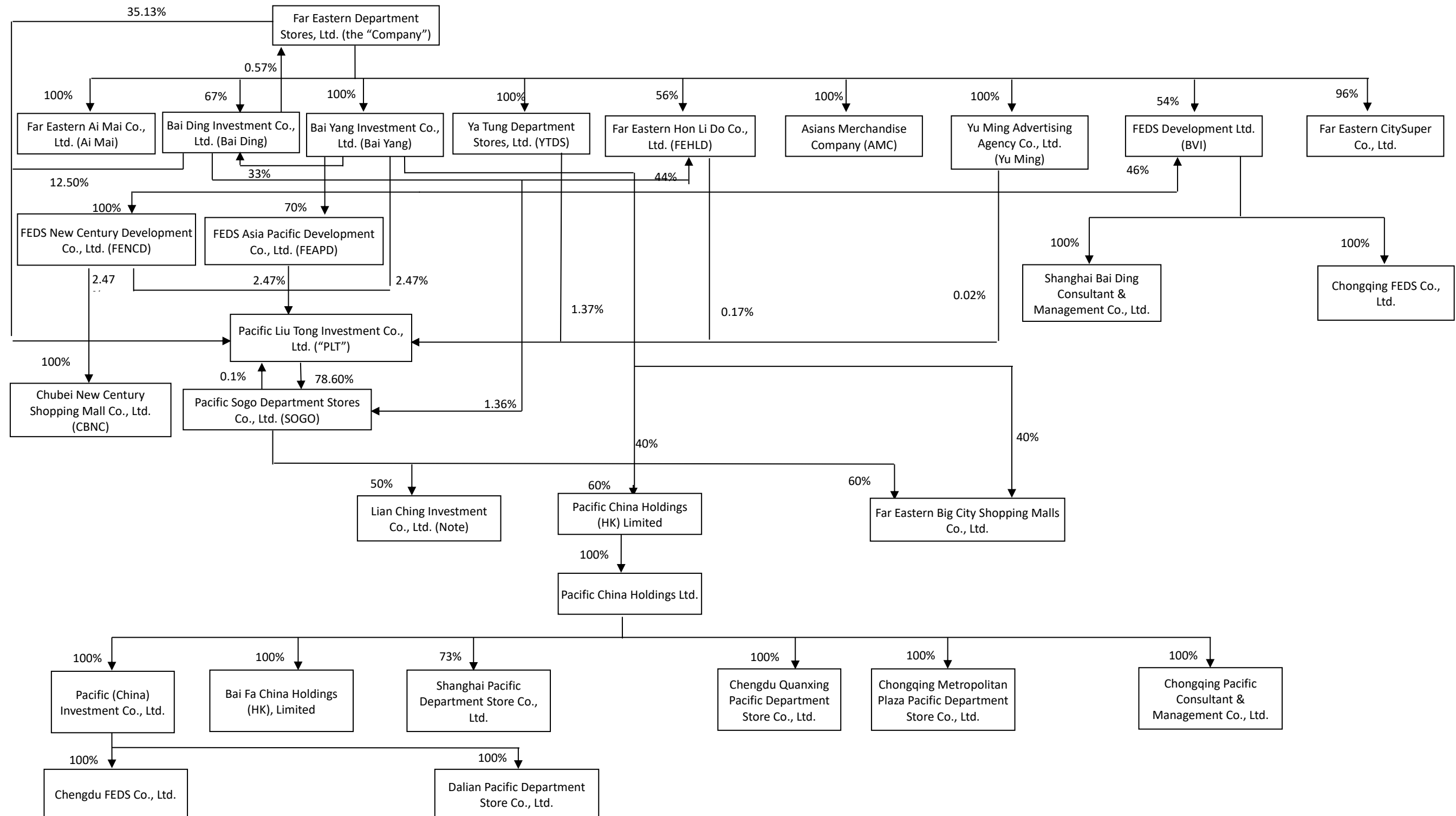
**7. Others: None**

## VIII. Special Disclosure

### 1. Affiliated Companies

#### 1.1. Subsidiaries and Affiliated Companies in the Consolidated Financial Report

##### 1.1.1. Holding Structure of the Organization



Note: The amount of Lian Ching Investment Co., Ltd. had been written off to zero, no liabilities were be undertaken by the Group and the accounts are not disclosed in the consolidated financial statement.

### 1.1.2 Profile of 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	Supermarket
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	Trade
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
Shanghai Pacific Department Stores Co., Ltd.	1993.10.07	NO.932 HENGSHAN RD Xuhui Dist. SHANGHAI	USD17,700,000	Department store



Company	Date of Incorporation	Address	Paid-in Capital	Major Business Activities
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	Consultation 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, Ca oxibei Road Xuhui Dist. SHANGHAI	USD100,000	Consultation services
Chongqing FEDS Co., Ltd.	2004.06.02	No.10, yanghe road, jiangbei district, chongqing	USD2,800,000	Department store
Far Eastern City Super Co., Ltd.	2004.09.16	7F, No.64, Sec. 4, Ren Ai Rd., Taipei, Taiwan, R.O.C.	500,000	Department store and supermarket
Pacific (China) Investment Co., Ltd.	2009.04.16	Room 2104, 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 affiliates

As of December 31, 202 Unit: Number of Shares; %

Company	Title	Name or representative	Registered Shares Owned	
			Shares	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 President	Philby Lee	—	—
		Edward Way, Eugene You-Hsin Chien, Dong, Ding Yu	—	—
		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	—	—
	Supervisors	Far Eastern Department Stores, Ltd.	87,744,000	100.00
Bai Ding Investment Co., Ltd.	Director	Jia-Cong Wang, Chris Liu	—	—
		Far Eastern Department Stores, Ltd	119,980,876	66.66
	Supervisors	Douglas Tong Hsu (Chairman), Nancy Hsu, Shaw-Yi Wang, James Tang, Chris Liu	—	—
		Bai Yang Investment Co., Ltd	60,019,124	33.34
	President	Shyh-ching Ro, Jia-Cong Wang	—	—
Bai Yang Investment Co., Ltd	Director	Douglas Tong Hsu	—	—
		Far Eastern Department Stores, Ltd	924,991,127	100.00
	Supervisors	Nancy Hsu (Chairman), Douglas Tong Hsu, James Tang	—	—
		Far Eastern Department Stores, Ltd	924,991,127	100.00
Yu Ming Advertising Agency Co., Ltd.	Director	Jia-Cong Wang	—	—
		Far Eastern Department Stores, Ltd	3,500,000	100.00
	Supervisors	Nancy Hsu (Chairman), Douglas Tong Hsu, Chang-Li Lin	—	—
Ya Tung Department Stores, Ltd	Director	Far Eastern Department Stores, Ltd	3,500,000	100.00
		Jia-Cong Wang	—	—
	Supervisors	Far Eastern Department Stores, Ltd	41,000,000	100.00
		Nancy Hsu (Chairman), Douglas Tong Hsu, James Tang, Chris Liu, Zong Yuan Jhang	—	—
Far Eastern Hon Li Do Co., Ltd.	Director	Far Eastern Department Stores, Ltd	41,000,000	100.00
		Jia-Cong Wang, Lily Y. T. Liu	—	—
	Supervisors	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	—	—

Company	Title	Name or representative	Registered Shares Owned	
			Shares	Shares
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	—	—
		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	—	—
		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	Far Eastern Department Stores, Ltd	281,733,862	35.13
		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	Pacific Liu Tong Investment Co., Ltd.	650,817,194	78.60
		J.W. Huang (Chairman), Douglas Tong Hsu	—	—
		Morton Mate Huang, Chee Ching		
		Shaw-Yi Wang		
	Supervisors	Bai Ding Investment Co., Ltd.	11,253,943	1.36
		Eli Ching-I Wang		
Pacific China Holdings (HK) Limited	Director	Pacific Sogo Department Stores Co., Ltd.	*USD66,120,000	60.00
		J.W. Huang (Chairman), Cheng-Hsien Yang, Shyh-ching Ro	—	—
		Bai Yang Investment Co., Ltd	*USD44,080,000	40.00
		H.T Peng	—	—
		Shyh-ching Ro	—	—
Pacific China Holdings Ltd.	Director	Pacific China Holdings (HK) Limited	*USD130,200,000	100.00
		J.W. Huang (Chairman), Chin-Sen Tu, R.H. Shao, Cheng-Hsien Yang	—	—
		Shyh-ching Ro	—	—
Bai Fa China Holdings (HK) Ltd.	Director	Pacific China Holdings Ltd.	*USD1,500	100.00
		Nancy Hsu (Chairman), J.W. Huang, Shyh-ching Ro	—	—
		Shyh-ching Ro	—	—

Company	Title	Name or representative	Registered Shares Owned	
			Shares	Shares
Shanghai Pacific Department Stores Co., Ltd.	Director	Shanghai Xujiahui Center(Group)	*USD 4,867,500	27.5
		Bo Wang (Chairman), Jie Yin, Yi-Ping Song	—	—
		Pacific China Holdings Ltd.	*USD12,832,500	72.5
		Chin-Sen Tu (Vise Chairman), Ting-Sung Wang Kuo, Ai-Chia Li, Chung-Hsin Chen, Cheng-Hsien Yang	—	—
	Supervisors	Shanghai Xujiahui Center(Group)	*USD 4,867,500	27.5
		Xuan Liu	—	—
		Pacific China Holdings Ltd.	*USD12,832,500	72.5
		Yong-He Chen	—	—
President	Yu-Tsung Tao	—	—	
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Director	Pacific China Holdings Ltd.	*USD21,990,000	100.00
		Chin-Sen Tu, Chung-Hsin Chen, Cheng-Hsien Yang,	—	—
		China Railway Ruicheng Building	—	—
		Feiyue Shi (Chairman), Haitao Tang	—	—
	Supervisors	Pacific China Holdings Ltd.	*USD21,990,000	100.00
		Ai-Chia Li	—	—
		China Railway Ruicheng Building	—	—
		Jie, Tan	—	—
President	Chung-Hsin Chen	—	—	
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Director	Pacific China Holdings Ltd.	* USD3,000,000	100.00
		Chin-Sen Tu (Chairman), Ai-Chia Li, shyh-chingRo, Cheng-Hsien Yang,	—	—
	Supervisors	Pacific China Holdings Ltd.	* USD3,000,000	100.00
	Yong-He Chen	—	—	
Chongqing Pacific Consultant & Management Co., Ltd.	Director	Pacific China Holdings Ltd.	*USD73,000,000	100.00
		Chin-Sen Tu (Vise Chairman), Yong-He Chen, Chung-Hsin Chen	—	—
Dalian Pacific Department Store Co., Ltd	Director	Pacific (China) Investment Co., Ltd.	*RMB16,000,000	100.00
		Chin-Sen Tu (Chairman), Chao-Yu Wang, Chung-Hsin Chen	—	—
	Supervisors	Pacific (China) Investment Co., Ltd.	*RMB16,000,000	100.00
		Yong-He Chen	—	—
	President	Jen-Hao Chiang	—	—
Shanghai Bai Ding Consultant & Management Co., Ltd	Director	FEDS Development Ltd.	* USD100,000	100.00
		R.H. Shao(Chairman), Lily Y. T. Liu, Chris Liu	—	—
	Supervisors	FEDS Development Ltd.	* USD100,000	100.00
		Yong-He Chen	—	—
	President	R.H. Shao	—	—

Company	Title	Name or representative	Registered Shares Owned	
			Shares	Shares
Chongqing FEDS Co., Ltd.	Director	FEDS Development Ltd. Ding-Sung Wang Kuo (Chairman), Lily Y. T. Liu, 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 —
	Supervisors	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 —
	Supervisors	Bai Yang Investment Co., Ltd James Tang, Chris Liu	20,000,000 —	40.00 —
	Supervisors	Cheng-Hsien Yang,	—	—
Chubei New Century Shopping Mall Co., Ltd.	Director	FEDS New Century Development Co., Ltd. Philby Lee (Chairman), Nancy Hsu, James Tang, Chang-Li Lin, Chris Liu	200,000,000 —	100.00 —
	Supervisors	FEDS New Century Development Co., Ltd. Y.S. Yang	200,000,000 —	100.00 —

**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

December 31, 2020

Unit: NT\$ for EPS, NT\$ thousands for other

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	78,026,240	46,832,320	31,193,920	11,037,055	1,986,745	1,939,139	1.38
Far Eastern Ai Mai Co., Ltd.	877,440	10,363,149	9,574,896	788,253	10,595,292	136,268	(60,172)	(0.69)
Bai Ding Investment Co., Ltd.	1,800,000	5,292,858	1,650,071	3,642,787	264,085	243,748	241,569	1.34
Bai Yang Investment Co., Ltd	9,249,911	10,307,644	106,616	10,201,028	262,778	257,153	254,542	0.28
Yu Ming Advertising Agency Co., Ltd.	35,000	121,284	2,748	118,536	2,331	(362)	14,246	4.07
Ya Tung Department Stores, Ltd	410,000	339,811	254,122	85,689	83,638	(22,308)	(45,828)	(1.12)
Far Eastern Hon Li Do Co., Ltd.	28,300	31,444	271	31,173	1,433	1,312	1,312	0.46
FEDS Asia Pacific Development Co., Ltd.	2,130,000	3,314,475	889,889	2,424,586	270,724	232,693	(4,852)	(0.02)
FEDS Development Ltd.	126,278	2,628,086	255,307	2,372,779	1,739	(4,756)	(6,820)	(16.91)
Asians Merchandise Company	27,056	4,436	68	4,367	2,878	10	100	0.11
FEDS New Century Development Co., Ltd.	2,320,000	2,406,189	2,733	2,403,456	19,218	19,094	19,094	0.08
Chubei New Century Shopping Mall Co., Ltd.	2,000,000	2,626,789	635,520	1,991,269	69	(1,373)	(1,383)	(0.01)
Pacific Liu Tong Investment Co., Ltd.	8,020,000	11,426,866	31,244	11,395,622	839,415	815,222	814,794	1.02
Pacific Sogo Department Stores Co., Ltd.	8,280,000	40,853,346	29,089,098	11,764,248	11,502,249	2,021,850	1,060,261	1.28
Pacific China Holdings (HK) Limited	3,406,401	104,184	2,936,789	(2,832,605)	2,378	(652,744)	(652,744)	(5.92)
Pacific China Holdings Ltd.	3,909,758	657,614	3,594,390	(2,936,777)	7,232	(577,788)	(577,788)	(4.44)
Bai Fa China Holdings (HK) Ltd.	41	42	0	42	0	0	0	0.00
Shanghai Pacific Department Stores Co., Ltd.	501,251	1,198,321	521,306	677,015	1,677,785	(96,821)	(91,775)	N/A

Name	Paid-in Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income (loss)	Net Income (After tax)	EPS (after tax)
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	681,176	272,242	126,666	145,576	338	(4,607)	(4,435)	N/A
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	108,594	385,599	531,638	(146,039)	767,001	(209,297)	(209,215)	N/A
Chongqing Pacific Consultant & Management Co., Ltd.	2,147,154	1,810,833	682,657	1,128,176	1,873	(15,591)	(15,572)	N/A
Dalian Pacific Department Store Co., Ltd.	69,837	121,365	114,636	6,729	93,403	(13,173)	(11,232)	N/A
Far Eastern CitySuper Co., Ltd.	500,000	605,673	490,475	115,198	1,405,605	27,610	33,101	0.66
Shanghai Bai Ding Consultant & Management Co., Ltd.	3,607	31,465	28,541	2,924	20,050	(8,105)	(8,105)	N/A
Chongqing FEDS Co., Ltd.	85,072	1,515,603	528,493	987,110	1,705,771	43,530	32,471	N/A
Pacific (China) Investment Co., Ltd.	6,228,758	158,910	171,540	(12,630)	35,636	(37,292)	(37,292)	N/A
Chengdu FEDS Co., Ltd.	3,794,326	73,806	206,105	(132,299)	2,773	(9,006)	(8,939)	N/A
Far Eastern Big City Shopping Malls Co., Ltd.	500,000	5,046,817	4,391,124	655,693	996,611	175,680	125,213	2.50

## 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 2020 (from January 1 to December 31, 2020) are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies in accordance to IFRS 10. The 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, therefore we have not prepared a separate set of consolidated financial statements for affiliates.

Yours truly,

Far Eastern Department Stores

By

Douglas Tong Hsu

Chairman

March 23, 2021

## 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, 2021

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 loans guaranteed by the Company	Amount of loans lent by the Company
Bai Ding Investment Co., Ltd.	1,800 million	-	67%	-	-	-	-	8,207,004 shares 196.968 million	-	1,400 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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