遠東百貨

FAR EASTERN DEPARTMENT STORES

107 年 度 年 報

2018 Annual Report

股票代號 2903

刊印日期 108年5月15日

公開資訊觀測站 http://mops.twse.com.tw

遠東百貨網站 http://www.feds.com.tw

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Contents

I. LETTER TO SHAREHOLDERS 1

II. COMPANY PROFILE 6

1. DATE OF INCORPORATION 6
2. COMPANY HISTORY 6

III. CORPORATE GOVERNANCE REPORT 11

1. ORGANIZATION 11
2. DIRECTORS AND MANAGEMENT TEAM 13
3. REMUNERATION OF DIRECTORS, PRESIDENT, AND VICE PRESIDENTS 21
4. CORPORATE GOVERNANCE 26
5. AUDIT FEES 55
6. INFORMATION FOR CHANGE OF CPA 56
7. THE COMPANY' S CHAIRMAN, PRESIDENTS, AND MANAGERS RESPONSIBLE FOR FINANCE OR ACCOUNTING WHO HAVE HELD A POSITION IN THE CPA OFFICE OR ITS AFFILIATES WITHIN THE LATEST YEAR 57
8. SHAREHOLDING TRANSFERRED OR PLEDGED BY DIRECTORS, MANAGEMENT, AND MAJOR SHAREHOLDERS WHO HOLDS 10% OF THE COMPANY SHARES OR MORE 57
9. TOP TEN SHAREHOLDERS BEING THE RELATED PARTY AS DEFINED IN STATEMENT OF FINANCIAL ACCOUNTING STANDARDS 59
10. THE SHAREHOLDING OF THE COMPANY, DIRECTOR, SUPERVISOR, MANAGEMENT AND THE BUSINESS THAT IS CONTROLLED BY THE COMPANY DIRECTLY OR INDIRECTLY ON THE INVESTED COMPANY 61

IV. CAPITAL OVERVIEW 62

1. CAPITAL AND SHARE 62
2. CORPORATE BONDS 66
3. PREFERRED SHARES 66
4. ISSUANCE OF OVERSEAS DEPOSITORY RECEIPTS 66
5. EMPLOYEE STOCK OPTIONS 66
6. EMPLOYEE RESTRICTED STOCK OPTIONS 66
7. SHARE ISSUED FOR MERGER OR ACQUISITION 66

8. FUND UTILIZATION PLANS AND STATUS 67

V. OPERATIONAL HIGHLIGHTS 68

1. BUSINESS ACTIVITIES 68
2. MARKET, PRODUCTION AND SALES OVERVIEW 70
3. EMPLOYEE INFORMATION IN RECENT 2 YEARS UP TO THE ANNUAL REPORT BEING PUBLISHED 72
4. Environmental Protection Expenditure 72
5. Employee Relations 72
6. IMPORTANT CONTRACTS AND AGREEMENTS 73

VI. FINANCIAL INFORMATION 79

1. FINANCIAL SUMMARY FOR THE LAST FIVE YEARS AND INDEPENDENT AUDITORS' REPORT 79
2. FINANCIAL RATIO ANALYSIS FOR RECENT FIVE YEARS 82
3. THE AUDIT COMMITTEE'S REVIEW REPORT 85
4. IMPACT OF THE FINANCIAL DISTRESS OCCURRED TO THE COMPANY AND AFFILIATES IN RECENT YEARS UNTIL THE ANNUAL REPORT BEING PUBLISHED 85
5. 2018 FINANCIAL REPORT (CONSOLIDATED) 86
6. 2018 FINANCIAL REPORT (STAND-ALONE) 98

VII. REVIEW AND ANALYSIS OF THE FINANCIAL CONDITION, PERFORMANCE, AND RISK MANAGEMENT 109

1.REVIEW AND ANALYSIS OF FINANCIAL CONDITIONS 109
2. REVIEW AND ANALYSIS OF FINANCIAL PERFORMANCES 109
3. REVIEW AND ANALYSIS OF CASH FLOW 110
4. MAJOR CAPITAL EXPENDITURES IN RECENT YEARS AND IMPACTS ON FINANCIAL AND OPERATIONAL SITUATIONS 110
5. INVESTMENT POLICIES IN RECENT YEARS, PROFIT AND LOSS ANALYSIS, IMPROVEMENT PLAN, AND INVESTMENT PLAN IN THE COMING YEAR 111
6. ANALYSIS OF RISK ISSUES 111
7. OTHERS 114

VIII. SPECIAL DISCLOSURE 115

1. AFFILIATED COMPANIES 115
2. PRIVATE PLACEMENT SECURITIES IN THE LATEST YEARS 125
3. THE COMPANY'S SHARES HELD OR DISPOSED BY SUBSIDIARIES IN RECENT YEARS UNTIL THE ANNUAL REPORT BEING PUBLISHED 125
4. OTHER SUPPLEMENTARY INFORMATION 125
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 125

I. Letter to Shareholders

Preface

In 2018, despite the trade dispute between China and the U.S., a turbulent financial market, coupled with geopolitical risks, world economic growth remained at 3.7%, according to the International Monetary Fund (IMF). While the U.S. economy has outperformed, other developed economies such as Europe and Japan continued to underperform whilst China also reported sluggish growth under the impact of trade war.

Taiwan's economic growth is not in line with the global performance. The economy outperformed over 3% of growth in the first half of 2018. In contrast, due to the weak momentum in the second half, the annual growth is lowered by 0.23% year-on-year to 2.63%. Looking into the future, there are still uncertainties in the global economy. The government has adjusted its domestic demand policies to drive economic growth via expanding domestic consumption, together with a steady labor market, a salary adjustment, and an increased base salary, all these measures can stimulate and stabilize the growth momentum in private consumption.

Taiwan department stores' total revenue reached NT$340.1 billion in 2018, up 1.6% year-over-year with consecutive growth for nine years. However, competition and challenges have also intensified along with the dynamic market. Faced with transformation and disruptive changes in the retail environment, FEDS has been keen to lead the industry to focus on "retail technologies" and develop smart retailing by adopting digital technologies to create smart stores and transform its business model. On the other hand, by deploying digital systems, we are refining management efficiency, expediting the transformation of the workforce, processes, and a positive mindset to improve the overall efficiency and profitability. Thanks to the joint efforts by the management team and all of the workforce, in 2018 FEDS delivered an outstanding performance, registering record high sales and operating profit exceeding NT$2 billion, and continues to create maximum value and reward for its shareholders.

Given the power of disruptive technologies, FEDS has been embracing digital transformation, deploying future intelligent retailing, and entering the new terrain of smart retailing. During the past year, our outstanding performances were comprehensive and often been accredited by several domestic and international awards. We were bestowed with nearly 20 honors, including "National Sustainable Development Awards," by the Executive Yuan; "Excellent Innovation Award" by Retailers Association of Chinese Taipei; "Taiwan Corporate Sustainability Awards," "Growth through Innovation Award," and "Social Inclusion Award" by Taiwan Corporate Sustainability Award; "Top 50 Corporate Sustainability Award" by Commonwealth Magazine; and selected in the "Top 100 Brand Asia list." Facing this new digital era, the Company will continue to innovate, transform, and rebuild so as to operate the new retailing as "Digitized FEDS," construct smart stores, develop "digital operation, digital management, digital experience," enrich new shopping journey for consumers, transform traditional retailing, and embrace new challenges of smart retailing.

Operating Report of 2018

In 2018, FEDS recorded consolidated sales of NT$116.4 billion (according to IFRS, consolidated revenues were NT$39.24 billion). Consolidated net profit was NT$1.65 billion, company alone net profit was NT$1.32 billion, and earnings per share were NT$0.94. According to the 18th Board Meeting of FEDS, total cash dividend payout for 2018 was NT$0.85. Operating result of the Far Eastern Retail Group in 2018 is summarized as follows:

(1) Far Eastern Department Stores

1. Maintaining growth momentum and continuously rising profit, FEDS registered sales at NT$44.28 billion in 2018, up 1.12% year-on-year; operating profit stood at NT$2.09 billion which grew 11% from 2017, and pretax net profit was NT$1.63 billion.
2. With "Bricks + Clicks" to create online and offline shopping, FEDS launched a brand-new online shopping website in April 2018 focusing on online and offline integration and diversion. Vouchers obtained online can be used in the department stores. After purchasing online, deliveries can be sent to stores to effectively direct online customers into physical stores and attract a more diversified customer base.
3. To embrace the trend of digitization, FEDS has upgraded its APP smart digital services, and added mobile payment tools including e-vouchers, allowing consumers to enjoy more real-time shopping convenience with added benefits, in order to optimize digital shopping experience, and increase more customer loyalty.

4. Position as the market trend lead, in responding to the latest fashion trends to introduce new brands into the market and renovate the existing counters' image. For example, Mega City Banqiao has introduced Emporio Armani and Y3; Top City Taichung introduced OMEGA, upgraded COACH, and refurnished Tiffany stores; by constantly improving each store's brand counters to maintain the exquisite image as a fashion trend leader.
5. Sponsoring international culinary exhibitions to bring new gourmet trends, in 2018 FEDS sponsored four major international exhibitions including the U.S., Japan, Korea, and Canada, which were all well received to attract huge foot traffic. These international exhibitions let the customers enjoy exotic delicacies and produce in close encounters as to its origins.
6. To expedite digitized management, the Company already established or upgraded over 40 digital systems, set up exclusive management data value chain through database analytics, elevating management efficiency and execution effectiveness while also preparing for the use of big data.
7. To fulfill corporate social responsibilities, FEDS has set up its CSR standards and collected nearly 20 domestic and international major awards in 2018; aiming at the theme of "Caring, Healthy, and Eco-friendly," the Company sponsored 336 non-profit events throughout the year to encourage the public to care for people, be mindful of staying healthy and be environmental friendly, and maintain a sustainable life style.

(2)Far Eastern SOGO Department Stores

1. The sales in 2018 were NT$44.39 billion, up 1.2% from 2017. Operating profit was NT$2.28 billion, grew 8.3% year-on-year; pretax net profit was NT$830 million, up 19.5% from 2017, the increase of revenues and stringent operating expenses contributed to growth.
2. To improve customer services and meet their demands, SOGO adjusted each store's environment, merchandise, and brands; altogether 426 counters were modified, accounting for 18% of total brands, in combination with holistic promotional campaigns to boost customer flow and revenues.
3. In Taiwan, new competitor department stores are constantly emerging to fight for customer volume and revenues. In response, the management at Far Eastern SOGO Taipei Megastores shall implement "Top Store Strategy" in the Metropolitan Taipei area and commit to the developments in environments, merchandise, brand, service, and digital developments in order to lead the industry and create market share.
4. In 2017, Far Eastern SOGO closed its Chengdu Beicheng Store and Tianfu Store in China both of which reported losses, which should contribute favorably to operating efficiency in 2018. Also, improvements were expedited of three major stores (Hsu Huei in Shanghai, FEDS Metropolitan Plaza Store, and FEDS Jiangbei Store in Chongqing) to bring increased profit.
5. To achieve group synergy, in 2018 the Company joined forces with Far Eastern International Bank to promote their credit card leading to total spending amounting to NT$4.19 billion, surging 41% year-on-year.
6. Far Eastern SOGO has been committed to corporate social responsibilities and received 18 domestic and international CSR awards plus 6 certificates including first prize of "The National Brand Yushan Award" to be granted audience by the R.O.C. President Tsai Ing-wen and "Enterprise Environmental Protection Award" by R.O.C. Environmental Protection Administration with SOGO being the first department store to be accredited this national occupational safety and health award during its 27 years of history. Also because of their reduction of carbon emission by 25%, the Company is the first retailer to be awarded Taiwan's first "Carbon Labeling" to department store. In terms of CSR endeavors, Social Return on Investment (SROI) of our "SO GOOD Child Juvenile Role Model" rating stood at 10.18, ranking top of similar categories throughout Taiwan.

(3) Far Eastern Ai-Mai

1. Ai-Mai registered sales of NT$14.73 billion in 2018, down 1.9% year-on-year, if excluding the closure of Yuanlin Store, revenues dropped by only 0.9%; operating profit stood at NT$75.39 million, grew 26.7% from 2017.
2. Strengthen customer management and marketing:
   Consolidate key customers, elevate membership ratio, and apply content marketing and O2O strategy to enhance customer loyalty.
3. Continuous optimization of shopping space and merchandise:
   (A) Improve friendly shopping environment: Ratio of senior membership to exceed 40%, increase rest and ready-to-dine areas to create more convenient shopping.
   (B) Enrich customer shopping experience: Trial services at Taoyuan Store in end of July 2018, providing

on site cooking service for customers (tempanyaki and tempura workshops).

(C) Merchandise differentiation: Introduce small-pack organic and self-labeled brand products (sales ratio 5%) to increase the ratio of imported and seasonal goods.

4. Deepen EC engagement: Ai-Mai online shopping builds multi-platform and multi-store delivery operating model, launched on Shopee website in June 2018.

Business Plan

Digital technologies have significantly disrupted the consumption model of traditional retailing. Consumers' shopping journey roams freely between virtual and physical channels, the requirements and expectations for their shopping experience are also becoming much higher. We shall quickly respond to consumer needs with forward vision, flexible strategy, agile thinking, and the leverage of new technologies to better serve the consumers and continue to create outstanding performance:

(1)Far Eastern Department Stores

1. Create an innovative leading shopping mall, FEDS 5G Store: FEDS Hsinyi Store is scheduled to have its grand opening in second half of 2019 as a new smart department store to satisfy consumers' needs and imagination for smart e-tailing.
2. Continue to lead fashion trend, establish fashion icons, each branch store is proceeding with merchandise mix adjustments in accordance with local market features, create hot topics, elevate inbound and merchandise marketing, and therefore further increase revenues.
3. Enhance customer loyalty, increase their number of visits, plan more flexible and diverse promotion programs via big data analytics and data application, and also with the help of digital technologies to seize more real time consumer trends.
4. Increase interaction with the mall, stay close with cultural topics, each branch store organizes festive atmosphere and cooperates actively with government or public sectors to promote CSR events, and let each store serve as the daily hub for local public welfare platform and district commercial center.
5. Responding to changes in media environment and technological innovation, the Company will strengthen the application of digital media and social platforms, and attract attention in a lively and interesting engagement to elevate digital communication services.
6. Continue to enhance the digital services of smart APP and official website, integrate virtual and physical channels, and allow customers to enjoy speedy and personalized services.
7. Taiwan's consumers are highly interested in foreign products. In 2019, FEDS continues to sponsor various international exhibitions so that customers can feel the full replication of foreign destination atmospheres without traveling abroad.
8. Promote Taiwan's local delicacies, support locally grown produce, plan to sponsor Taiwan featured cultural product exhibitions including a Hakka culture and food exhibition, a Taiwan specialties market, a springtime cultural and creativity fair, and an independent farmer's market.
9. Focus on management: promote digitized management, establish management reporting system, expedite talent cultivation, foster competitive management teams, and continue to lower operating costs, optimize enterprise resource allocation, and set up a low leverage business model.

(2)Far Eastern SOGO Department Stores

1. According to Director-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan's economic growth for 2019 is forecasted at 2.22%, lower than that of 2018 due to sluggish growth after third quarter of 2018. Current global economy is still at its low end and spending is expected to drop and affect revenues. 2019 is filled with changes and challenges. We will strive and aim to increase revenues, continue to cut expenses, and increase profit.
2. Revenues of four major annual campaigns (Chinese New Year, Mother's Day, Mid-year Sales, and Anniversary Sales) account for 38% of total revenues. In addition to traditional marketing, we will invest more in digital marketing in accordance with the new retailing era.
3. The quantity and quality of customers are the basic foundation for our operations. Subsequent to cultivating HG card spending groups in 2018, we will further enhance VIP services to elevate spending with higher contribution to revenue growth than average members.
4. In terms of "Taipei Megastores Top Store Strategy," the Fuxing Store will become more exquisitely high-end as the single store with highest revenues in the northern Taiwan, while the Zhongxiao Store will increase its customer flow focusing on the family customer base to create a unique and friendly mega store.

5. Expedite digital developments to embrace new economy, upgrade and revise SOGO APP to add mobile payment, digital marketing, and social media e-commerce.
6. The lease of Hsinchu Store will expire in September 2019. We are currently negotiating for a lower lease to achieve profit target; if the lease is too costly in this intense market competition and the store fails to report profit, the Company is considering its closure .
7. With dynamic digital advancements in China, each store is also integrating online and offline operations, fully utilizing the digital communication, marketing, and campaigns to increase revenues. Shanghai Hsu Huei Store, Chongqing FEDS Metropolitan Plaza Store, and Jiangbei Store are on the priority list to boost profit.
8. As the house relocation and reconstruction in the neighborhood of FEDS Luomashi Store in Chengdu had been delayed, there is a huge loss of foot traffic with serious brand loss and difficulty in recruiting booths. If the situation continues to worsen, we will suggest closure of the operation to cut down loss.
9. There is still growth opportunity in the Chengdu, China market. Now we are developing new locations, and will submit appropriate new development projects for the Company to consider.
10. For 2019, Operation Division has set up “SOGO Fortune Pig in Action” strategy, instills SOGO FUN operational execution, each store aims to achieve fun retailing and inbound marketing, with the methodology of more digitization, more creativeness, and more customer flow to create high margin as well as high profit.

(3)Far Eastern Ai-Mai

1. In 2019, we will continue to optimize sales space, elevate service quality, proceed with digital transformation, combine big data of Happy Go, explore new quality customers, develop new interactive APP, and create customer loyalty with Happy Go members.
2. Optimize sales space, elevate store experience – 3E strategy
   (A) Edited：
      i. Decrease redundant or ineffective SKU, optimize merchandise mix, satisfy comprehensive selection, and improve category distinction and operating efficiency.
      ii. Quicken response speed to customers.
      iii. Fully utilize store space to create maximum value.
   (B) Elevated：
      i. Commit to better quality and collaborate with exclusive small farmers to engage in direct sales of traceable agricultural products, and LOHAS organic food.
      ii. Optimize display to highlight more fashion, trending, and seasonable merchandise to boost number and spending of customers.
      iii. Provide more comfortable shopping space.
   (C) Exclusive：
      i. Establish professional on site cooking workshops (tempanyaki, noodle, sushi, and vegetable) to elevate services and experiences.
      ii. Set up exclusive and themed product exhibition zones and immediate launch on shelves.
3. Digital transformation :
   (A) Replace new P.O.S.
   (B) Introduce electronic labeling
   (C) Introduce auto billing system
   (D) Develop interactive APP
4. The lease will expire for Yungfu Store and Chungking Store which will stop operations in March.
5. Taichung Shuinan Store is scheduled to open in third quarter of 2019.

Future Prospective

New technologies have become the fundamental power to develop new retailing. Far Eastern Department Stores positioned as the “Digitized FEDS” has been growing steadily, expediting its digital transformation and technology deployments so as to embrace the new smart retailing era. FEDS Hsinyi Store is expected to meet the consumers in the latter half of 2019 as a brand new “smart shopping mall” to satisfy consumers’ smart technology shopping needs. Aside from increasing digital application within the mall, conducting digital communication and digital marketing by applying data analytics, we are also offering nearly 30 innovative services of digital approaches, each being the industry first. With personalized interactive services, we will provide an innovative smart shopping experience.

As Taiwan’s leading publicly listed department store, FEDS will also continue to strengthen corporate governance, establish a model corporate structure, implement professional division and accountability, and create a management team with a competitive advantage, equipping FEDS with a competitive edge in facing the challenges of new retailing. We respect stakeholder interest and comply with the “New Corporate Governance Blueprint” issued by Financial Supervisory Commission as the guideline to deepen the function and operation of promoting corporate governance. To fully enhance the function of the board of directors, relying on the professional and diversified background of our board members to periodically communicate and have dialogues with the management team to draw upon governance strategy, improve policymaking, assist in promoting enterprise transformation, drive for sustainable operation and fulfill the sustainability performance in terms of economy, environment, and society

“Natural selection, survival of the fittest” is the rule of nature. This is the same with the survival and competition of enterprises where one must be highly adaptive to pass the keen challenges of the market. Facing swift changes in the retail industry, FEDS will continue to expand its scale and seek appropriate merger targets and investment opportunities. The management team is also actively involved in changes and innovation, with forward vision and agile action to plan an innovative operating strategy, establish a smart retail blueprint, create an innovative business model, and seize a concrete path to fulfill its decisions. Overall, this will ensure everlasting growth and sustainable excellence, sailing toward new oceans to create a continuous growth curve and continue to create maximum value and reward for its shareholders.

Chairman Douglas Tong Hsu

II. Company Profile

1. Date of Incorporation

31 August 1967

2. Company History

1967	August	Far Eastern Textile Co. Ltd. established Far Eastern Department Stores Ltd., which was located on Yongsui Rd. in Taipei
	October	The first store of FEDS was opened in its own six-floor building on Yongsui Rd. in Taipei.
1969	October	FEDS Taichung Store was set up.
1972	January	FEDS Paoching Store was set up and FEDS Yongsui Store was moved to and merged with FEDS Paoching Store.
1973	April	FEDS established Ya Tung Department Store Ltd. in Far Eastern Department Building. FEDS made a 65% investment in it. It was located on Wufu fourth Rd.
1976	March	FEDS Tainan Store was established.
1977	September	FEDS Taichung Store suffered some damage due to the fire in a neighboring building.
	December	FEDS Jenai Store was established.
1978	May	FEDS Taichung Store re-opened.
	October	FEDS Taipei Store expanded its operating space to eight floors. FEDS officially listed on the Taiwan Stock Exchange
1980	February	After helping to restore the neighboring building, FEDS Taichung Store expanded its own operation.
1981	December	FEDS established Yuan Yang Department Store Ltd., in which FEDS made a 60% investment and it was located on Xinsheng Rd., Chungli City.
1982	January	FEDS Chiayi Store was established.
1983	January	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.
	September	FEDS Panchiao Store was established.
	December	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.
		The operation of FEDS first specialty electronic appliance store in Tienmu ended.
	April	The operation of the first community-based supermarket in the Far Eastern New World Community ended.
		FEDS Paoching Store suffered the fire damage. Its basement first floor and first and second floors experienced smoke and slight flooding, however, its third, fourth and fifth floors were destroyed by fire.
	May	FEDS Taichung Store was re-opened after completely being restored.
	June	The operation of FEDS Paoching Store on the basement first floor and first and second floors was resumed.
	July	FEDS Tainan Store was re-opened after 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.
		Taichung Fuxing Store and Kaohsiung Pingdeng Store of French Casino Group's Taiwan Branch D.F.I. Geant were renamed as Taichung Fuxing HYPER Store and Kaohsiung Pingdeng HYPER Store of Far Eastern Ai Mai Co., Ltd.
		FEDS held the eleventh IDGS (International Group Department Store) Asia Summit in Taipei.
	December	The operation of FEDS Taichung Store ended.
2001	September	Chunghsiao HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.
	October	Taoyuan HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.
		The operation of FEDS Kaohsiung Store, located in front of the Kaohsiung Railway Station, ended.
		FE21' Mega Kaohsiung Store inaugurated its services.
	December	Central HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.
2002	March	The operation of FEDS Hsinchu Store ended.
	July	FE21' Mega Tainan Chenkong Store re-opened after FEDS Tainan Chenkong Stores was remodeled.
		FE21' Mega Tainan Konyuan Store comprised of a recreation center which was re-opened after FEDS Tainan Park Stores was remodeled.
		Yuanlin HYPER Store of Far Eastern Ai Mai Co., Ltd. was established.

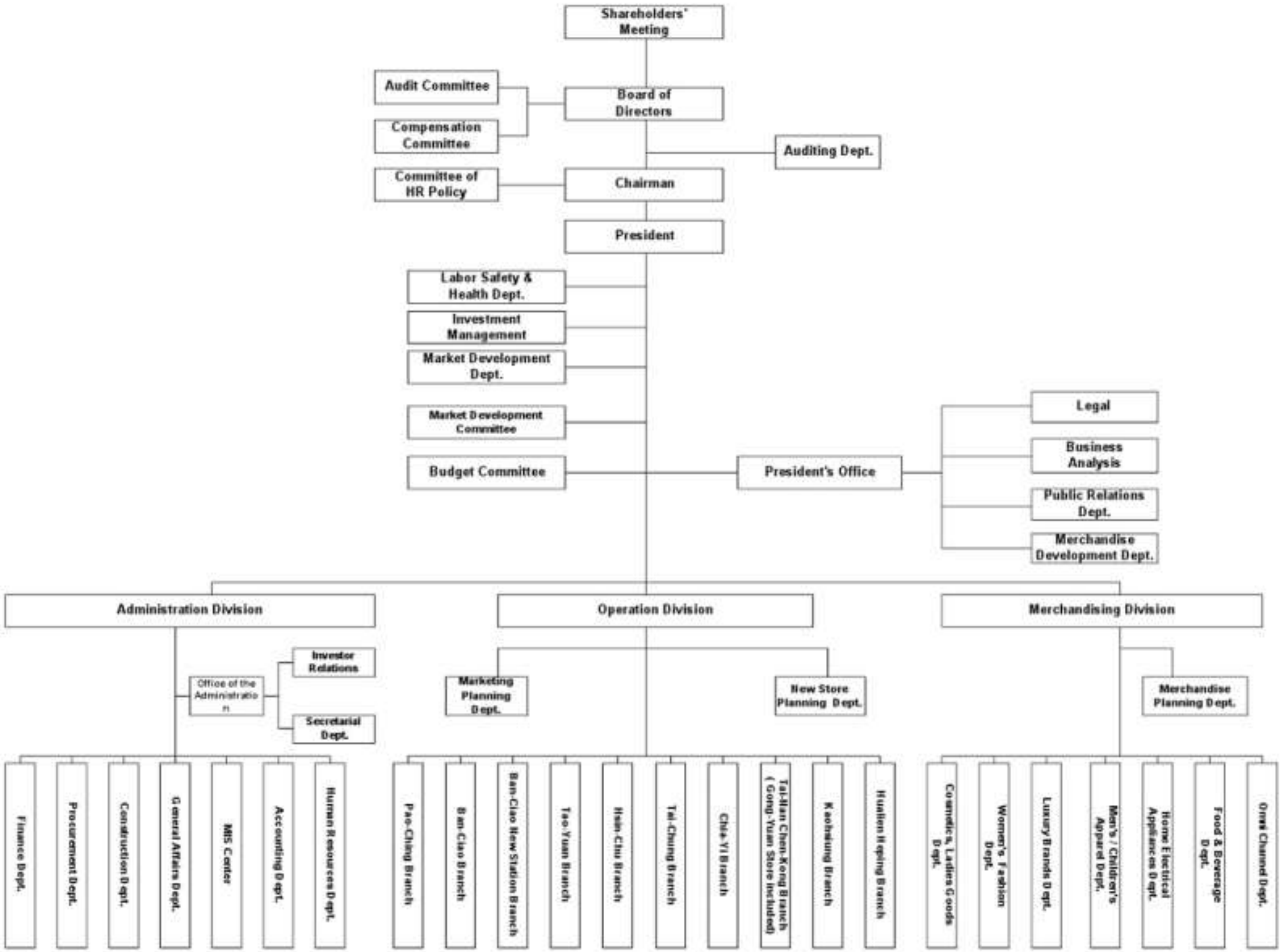
	September	FEDS invested in Pacific Liu Tong Investment Co., Ltd.
	November	FE21' Mega Hsinchu Store inaugurated its services.
2003	April	A groundbreaking and commencement ceremony for Far Eastern Panchiao Shopping Mall was held.
	May	The operation of Central HYPER Store of Far Eastern Ai Mai Co., Ltd.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

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

III. Corporate Governance Report

1. Organization

ORGANIZATION CHART



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

Department	Head of Department	Affairs in charge
Auditor Office	Hwa-Ling Hsu Senior Vice President	・Based on the articles of incorporation, the internal control system, the internal auditing executive regulation and the related law stipulation, the auditing office handles each investigation.
Administration Division	James Tang Vice President	・To supervise the duty of each department, as follows (1) 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. (2) 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. (3) The duties of the MIS center: Cope with all affairs related to management information systems and information security. (4) 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. (5) The duties of the construction department: To handle each construction project, the maintenance of air conditioners as well as electronic devices. (6) 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. (7) The duties of the construction department: Handling engineering equipment and general affairs procurement management.
Operation Division	Chang-Li Lin Vice President	・In charge of all business related to marketing and planning : (1)Marketing strategic planning of events and other programs. (2)Propose and implement store visual expression, merchandise displays, and window design. (3)Handle customer complaints and services. (4)Handle media and public relations. ・Supervise operation business of branches. ・Plan and integrate new store preparatory affairs.
Merchandise Division	Chris Liu Vice President	・Responsible for luxury brands, home appliance, cosmetics, lingrie, shoes, women's fashion apparel, young ladies' apparel, kid's apparel, men's apparel, electric appliances and supermarkets. Invite concessionaires and administer stores. ・E-Commerce Business.

2. DIRECTORS AND MANAGEMENT TEAM

2.1 Directors

2.1.1 Directors

Book closure date: 27 April 2019

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

	R.O.C	Asia Cement Corporation Represented by: Jin-Lin Liang	Female	21 Jun 2018	3	2 Jun 2006	80,052,950	5.65	80,052,950	5.65	0	0.00	M.A. in Mass Communication, University of Illinois, ISA EMBA, National Taiwan University, Taiwan.	President of Ding Ding Integrated Marketing Services Ltd.; Director of Yuan Ding Tech-info (Shanghai) Ltd.; Chairman of Yuan Hsin Digital Payment Co., Ltd.	-	-	-
							*0	*0.00	*0	*0.00	0	0.00					
	R.O.C	Eugene You-Hsin Chien	Male	21 Jun 2018	3	21 Jun 2012	0	0.00	0	0.00	0	0.00	Ph.D., Aeronautics and Astronautics, New York University, USA. Department of Mechanical Engineering, National Taiwan University Minister of the Environmental Protection Administration; Minister of Transportation and Communications; Minister of Foreign Affairs; Legislator, Legislative Yuan (Member of Parliament); Representative, Taipei Representative Office in the U.K.	Independent Director of Eva Airways Corporation; Director of ECOVE Environment Corporation.	-	-	-
Independent Director	R.O.C	Raymond R.M. Tai	Male	21 Jun 2018	3	22 Jun 2015	0	0.00	0	0.00	0	0.00	Master, Department of American Studies, University of Hawaii, USA. Honor Ph.D. in School of Law, Fu Jen Catholic University, Taiwan Deputy Secretary-General to the President and Spokesperson; Ambassador Extraordinary and Plenipotentiary to the Holy See	-	-	-	-
	R.O.C	Edward Way	Male	21 Jun 2018	3	21 Jun 2012	0	0.00	0	0.00	0	0.00	MBA, University of Georgia, USA.. CEO of Deloitte Taiwan; Director of Deloitte Touche Tohmatsu; Chairman of United way of Taiwan; CPA of Georgia State, USA.	Chairman, Yong Qin Xing Ye Limited Co.; Independent Director of Synnex Technology International Corp, Cathay Financial Holdings Co., Ltd., and Cathay United Bank Ltd; Supervisor of Kaimei Electronic corp.; Director of Chilisin Electronics Corp. and Vanguard International Semiconductor Corp., MiTAC Holdings Corp., and Iron Force Industrial Co. Ltd.	-	-	-

Notes 1: Director(April 19, 1979 - April 18, 1982); Supervisor(April 30, 1990 - April 12, 1995); Direcotr(April 12, 1995 – present)
Notes 2: Director(June 10, 2003 - June 1, 2006); Supervisor(June 2, 2006 - June 22, 2015); Direcotr(June 22, 2015 – present)
Notes 3: The total number of shares outstanding at the time of election and current is 1,416,940,589 shares.
Notes 4: All directors in the company do not have shares held in the name of other persons

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

Book closure date: 27 April 2019

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. (2.60)、Cathay Life Insurance Co, Ltd.(1.98)、Douglas Tong Hsu (1.71)、China Life Insurance Co., Ltd. (1.58)、 Der Ching Investment Co Ltd.(1.55)
Asia Cement Corporation	Far Eastern New Century Corp. (22.33); Far Eastern Medical Foundation (5.40); Shin Kong Life Insurance Co., Ltd. (2.12)、New labor pension fund(1.77)、Labor Pension Fund Committee of Far Eastern New Century Corp. (1.51)、Far Eastern Department Stores Ltd. (1.49)、China Life Insurance Co., Ltd. (1.43)、Yuan Ze University (1.41); Far Eastern Memorial Foundation (1.31); Yu Yuan Investment Co., Ltd. (1.29)
Yuli Investments Corporation	U-Ming Marine Transport Corp. (68.18)、U-Ming Marine Transport (Singapore) Private Limit (31.82)

2.1.3 Major Shareholders of the Major Shareholders that are Juridical Persons

Book closure date: 27 April 2019

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 Ju Fibers Co., Ltd.	Yuan Ding Investment Co., Ltd. (41.86), Yue Ding Industry Co., Ltd. (38.76), Yue Li Investment Corp. (19.38)
Fu-Da Transport Corporation	Fu Ming Transport Corp. (99.87)、Asia Investment Corp. (0.03)
Asia Engineering Enterprise Corp.	Asia Cement Corporation (98.23) 、Asia Investment Corp (0.07)
Bai Ding Investment Co., Ltd.	Far Eastern Department Stores Ltd (66.66)、Bai-Yang Investment Co.,Ltd (33.34)
Asia Cement Corporation	Far Eastern New Century Corp. (22.33); Far Eastern Medical Foundation (5.40); Shinkong Life Insurance Co., Ltd. (2.12)、New labor pension fund(1.77)、Labor Pension Fund Committee of Far Eastern New Century Corp. (1.51)、Far Eastern Department Stores Ltd. (1.49)、China Life Insurance Co., Ltd. (1.43)、Yuan Ze University (1.41); Far Eastern Memorial Foundation (1.31); Yu Yuan Investment Co., Ltd. (1.29)
Cathay Life Insurance Co, Ltd.	Cathay Financial Holding Co., Ltd. (100.00)
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd. (100.00)
China Life Insurance Co., Ltd.	China Development Finance Holding Corp. (25.33)、 KGI Securities Co., Ltd. (9.63)、 Cathay Life Insurance Co., Ltd. (3.34)、 Videoland Inc. (2.35)、 Government of Singapore account in custody of Citibank (Taiwan) (1.73)、 New labor pension fund(1.34)、Lin-Lang Chan (1.27)、Norges Bank account in custody of Citibank (Taiwan) (1.19) 、 Saudi Arabian Monetary Agency account in custody of J.P. Morgan Chase Bank (1.13)、Vanguard Emerging Markets Stock Index Fund account in custody of J.P. Morgan Chase Bank (1.08)

Nan Shan Life Insurance Co., Ltd.	Ruenchen Investment Holding Company account in the custody of First Bank (68.17); Ruenchen Investment Holding Co., Ltd. (22.46); Yin-zong Tu (3.25); Ruenhwa Dyeing and Fabricating Co., Ltd. (0.28); Ruentex Industries Ltd. (0.13); Wen-der Kuo (0.10); Gping Investment Co., Ltd. (0.11); Pouchi Investment Co., Ltd. (0.05); Pouyi Investment Co., Ltd. (0.05); Pouhuei Investment Co., Ltd. (0.05);Pouhwan Investment Co.,Ltd.
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. (2.60)、Cathay Life Insurance Company,Co. Ltd.(1.98)、Douglas Tong Hsu (1.71)、China Life Insurance Co., Ltd. (1.58)、 Der Ching Investment Co.,Ltd.(1.55)
Far Eastern Department Stores Co., Ltd.	Far Eastern New Century Corporation (17.06), Asia Cement Corporation (5.65), Yuan Ze University (4.75), Yuan Tong Investment Co., Ltd. (2.80), Labor Pension Fund Committee of Far Eastern Department Stores Ltd. (2.11)、Yu Yuan Investment Co., Ltd. (2.06),、Norges Bank account in custody of Citibank (Taiwan) (2.00)、Tranguil Enterprise Ltd. (1.88)、Far Eastern Memorial Foundation (1.71); Yuan Ding Investment Co., Ltd. (1.66);
Yue Yuan Investment Co., Ltd.	Asia Cement Corporation. (29.92); Yuan-Ding Co., Ltd. (25.02); Yuan Ding Investment Co., Ltd. (18.96); U-Ming Marine Transport Corp. (17.66); Ding Shen Investment Co., Ltd. (6.50); Yue Tung Investment Co., Ltd. (1.84); Yue Ding Investment Co., Ltd. (0.10)
U-Ming Marine Transport Corp.	Asia Cement Corp. (39.25); Cathay Life Insurance Co., Ltd. (3.95); Fubon Life Insurance Co., Ltd. (2.26); Management Board of the Public Service Pension Fund (1.97); TransGlobe Life Insurance Inc. (1.21); Ding Shen Investment Co., Ltd.(1.06)、Yuan Ding Investment Co., Ltd. (1.05); Yu Yuan Investment Co., Ltd. (0.94)、Asia Investment Corp. (0.92); Vanguard Emerging Markets Stock Index Fund account in custody of J.P. Morgan Chase Bank (0.92)
U-Ming Marine Transport (Singapore) Private Limit	U-Ming Marine Transport Corp. (100.00)
Der Ching Investment Corp.	Asia Cement Corpoartion (99.99), Asia Investment Corp. (0.001)

2.1.4 Directors

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

Note 1：Please tick the corresponding boxes if Directors have been any of the following during the two years prior to being elected or during the term of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the company's affiliates. (Unless the person is an independent director of the company, its' parent company or its subsidiaries of which are required to set up independent director according to "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" or local law.)

(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 spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. Unless a member of the Remuneration Committee who has exercised Article 7 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(9) Not been a person of any conditions defined in Article 30 of the Company Act.

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

* The board of directors has three independent directors this year.

2.2 President, Vice President, Senior Vice President, and Managers of Departments and Branches

Book closure date: 27 April 2019

Title	Nationality	Name	Gender	Date effective	Shareholding		Shareholding of spouses & minor children		Curriculum vitae	Positions in other companies	Managers who are spouses or within two degrees of kinship		
					Shares	%	Shares	%			Title	Name	Relation
President	R.O.C	Nancy Hsu	Female	2006.06.02	1,173,788	0.08	228,927	0.02	Fashion Design, Shih Chien University, Taiwan	Chariman of Bai Yang Investment Co., Ltd.; Director of Far Eastern Ai Mai Co .,Ltd.	-	-	-
Vice President, Merchandise Division	R.O.C	Chris Liu	Male	2007.03.20	0	0.00	0	0.00	Master, Computer Science, Central Michigan University, U.S.A.	Director of Ya Tung Department Store Ltd.;Supervisor of Far Eastern Ai Mai Co., Ltd..	-	-	-
Vice President, Administration Division	R.O.C	James Tang	Male	2013.10.01	169	0.00	0	0.00	Master, Laws, Soochow University, Taiwan、Master, Finance, University of Leicester , U.K Master, Laws, London School of Economics and Political Science , U.K	Director of Ding Shen Investment Co., Ltd.、Supervisor of Pacific (China) Investment Co., Ltd.	-	-	-
Vice President, Operation Division	R.O.C	Chang-Li Lin	Male	2015.07.01	0	0.00	0	0.00	Fine Arts, National Taiwan Normal University, Taiwan	Director of Far Eastern City Super Co ,.Ltd.; Supervisor of Ya Tung Department Stores Ltd.	-	-	-
Senior Vice President, Human Resources Dept.	R.O.C	Lily L. Y. Liu	Female	2011.06.01	0	0.00	0	0.00	Education, National Cheng-Chi University EMBA , Tulane University, U.S.A.	-	-	-	-
Senior Vice President, Construction Dept.	R.O.C	Chin-Shih Liao	Male	2011.09.01	336	0.00	60	0.00	Electrical Engineering, National Chin-Yi University of Technology, Taiwan 、Electrical Engineering Program, Yuan Ze University, Taiwan	-	-	-	-
Senior Vice President, Accounting Dept.	R.O.C	Lily Y. T. Liu	Female	2011.09.01	0	0.00	0	0.00	Master, Accounting, National Taipei University, Taiwan	Supervisor of Far Eastern International Leasing Corporation	-	-	-
Senior Vice President, Top City Taichung Store	R.O.C	Cho-Cheng Lan	Male	2011.12.01	5,192	0.00	0	0.00	International Business, Tunghai University, Taiwan MBA Program, Yuan Ze University, Taiwan	-	-	-	-

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
Senior Vice President, Food & Beverage Dept.	R.O.C	Peter Chen	Male	2014.01.15	2,132	0.00	0	0.00	Executive Master of Business Administration, National Tsing Hua University, Taiwan	-	-	-	-
Senior Vice President, Mega City Banqiao Store	R.O.C	Chih-Yao Shih	Male	2014.01.15	137	0.00	0	0.00	Master, Business Administration, Saint John's University, U.S.A.	-	-	-	-
Senior Vice President, Auditor Office	R.O.C	Hwa-Ling Hsu	Female	2014.08.12	0	0.00	0	0.00	Master, Business Administration, Yuan Ze University, Taiwan	-	-	-	-
Senior Vice President, Taoyuan Store	R.O.C	Tian-Zuo Jiang	Male	2015.07.13	563	0.00	0	0.00	Economy, Fu Jen Catholic University, Taiwan	-	-	-	-
Senior Vice President, Luxury Brands Dept.	R.O.C	Rebecca Chan	Female	2015.07.13	6,252	0.00	0	0.00	Master, Business Administration, University of South Australia , AU	-	-	-	-
Senior Vice President, Finance Dept.	R.O.C	Greg Tseng	Male	2015.07.13	0	0.00	0	0.00	Department of Finance and Cooperative Management, National Taipei University, Taiwan Master, Political Economy, Nankai University, China	Director of Yuan Hsin Digital Payment Co.,Ltd.	-	-	-
Senior Vice President, Cosmetics, Ladies Goods Dept.	R.O.C	Jason Wang	Male	2017.07.27	860	0.00	0	0.00	International Business, Fu Jen Catholic University, Taiwan	-	-	-	-
Senior Vice President, Hsinchu Store	R.O.C	Wei- Hsing Hsu	Male	2018.01.10	2,040	0.00	3,040	0.00	Business Administration, Chinese Culture University,Taiwan	-	-	-	-
Senior Vice President, Kaohsiung Store	R.O.C	Chih-Kuo Mao	Male	2018.07.31	0	0.00	0	0.00	Saint Dominic's Catholic High School,Taiwan	-	-	-	-

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

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

3. Remuneration of Directors, President, and Vice Presidents

Remuneration Paid to Directors

Book closure date: 31 December 2018 Unit: NT$ thousands

Title	Name	Remuneration								Ratio of total remuneration (I+II+III+IV) over net income (%)		Relevant compensation received by directors who are also employees								Ratio of total remuneration (I+II+III+IV+V+VI+VII) to net income (%)		Remuneration paid to Directors from an invested company other than the Company's subsidiary
		Base Remuneration (I)		Severance Pay and Pension (II)		Directors' remuneration from distribution of earnings (III)		Operating Allowances (IV)				Salary, Bonuses, and Allowances (V)		Severance Pay and Pension (VI)		Employees' compensation from distribution of earnings (VII)						
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A		B		A	B	
																Cash	Stock	Cash	Stock			
Chairman	Douglas Tong Hsu	0	0	0	0	41,538	41,538	792	920	3.21	3.22	7,871	16,554	0	0	465	0	465	0	3.84	4.51	56,709
Director	Ding&Ding Management Consultants Co., Ltd																					
	Far Eastern New Century Corporation																					
	Yuli Investments Corporation																					
	Asia Cement Corporation																					
Independent Director	Edward Way																					
	Eugene You-Hsin Chien																					
	Raymond R.M. TAI																					
* Remuneration to Directors providing service to entities under the Company's most recent financial report (ex. Serving as non-employee consultants), in addition to remuneration disclosed in the above table: None																						

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

＊Representative of Ding&Ding Management Consultants Co., Ltd: Nancy Hsu; Representative of Far Eastern New Century Corporation: Nicole Hsu, Yvonne Li; Representative of Yuli Investments Corporation: Philby Lee; Representative of Asia Cement Corporation: Jin-Jin Liang。

＊The remuneration from 2018 distribution of earnings is proposed amount, not actual payment amount yet.

Guiding Principles for Compensation to Directors

Range of Compensation	Name of Directors			
	Total of (I+II+III+IV)		Total of (I+II+III+IV+V+VI+VII)	
	The Company	Companies in the consolidated financial statement	The Company	All Affiliated Company
Under NT$2,000,000	Edward Way, Eugene You-Hsin Chien, Raymond R.M. TAI	Edward Way, Eugene You-Hsin Chien, Raymond R.M. TAI	Edward Way, Eugene You-Hsin Chien, Raymond R.M. TAI	Edward Way, Eugene You-Hsin Chien, Raymond R.M. TAI
NT$2,000,000 ~ NT$4,999,999	Representative of Far Eastern New Century Corporation: Nicole Hsu, Yvonne Li Representative of Asia Cement Corporation: Jin-Jin Liang Representative of Yuli Investments Corporation: Philby Lee	Representative of Far Eastern New Century Corporation: Nicole Hsu, Yvonne Li Representative of Asia Cement Corporation: Jin-Jin Liang Representative of Yuli Investments Corporation: Philby Lee	Representative of Far Eastern New Century Corporation: Nicole Hsu, Yvonne Li Representative of Asia Cement Corporation: Jin-Jin Liang Representative of Yuli Investments Corporation: Philby Lee	Representative of Far Eastern New Century Corporation: Nicole Hsu
NT$5,000,000 ~ NT$9,999,999	Representative of Ding&Ding Management Consultants Co., Ltd: Nancy Hsu	Representative of Ding&Ding Management Consultants Co., Ltd: Nancy Hsu	0	Representative of Far Eastern New Century Corporation: Yvonne Li Representative of Yuli Investments Corporation: Philby Lee
NT$10,000,000 ~ NT$14,999,999	Douglas Tong Hsu	Douglas Tong Hsu	Douglas Tong Hsu	Representative of Asia Cement Corporation: Jin-Jin Liang
NT$15,000,000 ~ NT$29,999,999	0	0	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	0	0	0	0
NT$50,000,000 ~ NT$99,999,999	0	0	0	Douglas Tong Hsu
NT$100,000,000 and over	0	0	0	0
Total	9	9	9	9

Compensation Paid to President and Vice Presidents

Book closure date: 31 December 2018 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 Company's subsidiary
		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	13,118	13,600	372	372	17,631	17,631	1,469	0	1,469	0	2.47	2.51	42
Vice President	Chang-Li Lin													
Vice President	Chris Liu													
Vice President	James Tang													
Vice President	Tony Liu													

* 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$613,000

Guiding Principles for Compensation to President and Vice Presidents

Range of Compensation	Name of Presidents and Vice Presidents	
	The Company	All Affiliated Company
Under NT$2,000,000	0	0
NT$2,000,000 ~ NT$4,999,999	0	0
NT$5,000,000 ~ NT$9,999,999	Nancy Hsu, Chris Liu, James Tang,Chang-Li Lin, Tony Liu,	Nancy Hsu, Chris Liu, James Tang,Chang-Li Lin, Tony Liu
NT$10,000,000 ~ NT$14,999,999	0	0
NT$15,000,000 ~ NT$29,999,999	0	0
NT$30,000,000 ~ NT$49,999,999	0	0
NT$50,000,000 ~ NT$99,999,999	0	0
NT$100,000,000 and over	0	0
Total	5	5

Compensation Paid to Managers

Book closure date: 31 December 2018 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	3,668	3,668	0.28
Vice President,Merchandise Division	Chris Liu				
Vice President,Administration Division	James Tang				
Vice President,Operation Division	Chang-Li Lin				
Vice President,Investment Management Dept.	Tony Liu				
Senior Vice President,Human Resources Dept.	Lily L. Y. Liu				
Senior Vice President,Construction Dept.	Chin-Shih Liao				
Senior Vice President,Accounting Dept.	Lily Y. T. Liu				
Senior Vice President,Top City Taichung Store	Cho-Cheng Lan				
Senior Vice President,Food & Beverage Dept.	Peter Chen				
Senior Vice President,Mega City Banqiao Store	Chih-Yao Shih				
Senior Vice President,Auditor Office	Hwa-Ling Hsu				
Senior Vice President, Taoyuan Store	Tian-Zuo Jiang				
Senior Vice President, Luxury Brands Dept.	Rebecca Chan				
Senior Vice President, Finance Dept.	Greg Tseng				
Senior Vice President,Cosmetics, Ladies Goods Dept.	Jason Wang				
Senior Vice President,Investment Management Dept.	John Lin				
Senior Vice President,Investment Management Dept.	Tomson Yang				
Senior Vice President,Hsinchu Store	Wei- Hsing Hsu				
Senior Vice President,Kaohsiung Store	Chih-Kuo Mao				

Note: Proposed amount of remuneration of 2018 earnings distribution.

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

Unit: NT$ thousands

Title	Name	Stock Dividend	Cash Dividend	Total Amount
President	Nancy Hsu	0	2,302	2,302
Vice Presidents	Chris Liu			
	James Tang			
	Chang-Li Lin			
	Tony Liu			
Senior Vice Presidents	Lily L. Y. Liu			
	Chin-Shih Liao			
	Lily Y. T. Liu			
	Cho-Cheng Lan			
	Chih-Yao Shih			

Note: The actual distributing of 2017 earning.

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

（1）**Analysis of total remunerations paid to directors, president and vice presidents as a percentage of net income by the company and by each other company included in the consolidated financial statements in the past two fiscal years:**The ratios of remuneration paid to directors, president and vice presidents of the Company and the companies in the consolidated financial statements to net income were 5.68% and 5.73% in 2018 and 4.93% and 4.95 % in 2017.

（2）**Policy, standard and combination description for payment of remunerations:** Pursuant to Company Act and the Article 27 of the "Articles of Incorporation of Far Eastern Department store ", the distributed as Directors' compensation should not more than 2.5% of profit of the current year. The ratio and amount of actual distribution of directors' remuneration shall be determined by the Board of Directors in consideration of factors such as performance appraisal, company operating results and future business risks, and shall be reported to the shareholders' meeting. In addition, the business execution expenses are mainly based on the cost of vehicles and horses, and are determined by the relevant standards of the relevant industry and listed companies. The remuneration paid by the company is divided into salary, retirement pension, bonus and special expenses and employee compensation. The employee's remuneration is handled in accordance with the company's articles of association. The actual distribution ratio, amount and method are decided by the board of directors and reported to the shareholders' meeting. The overall remuneration package is based on the job title, with reference to the normal level of the industry, and considers the relationship between individual performance, the company's operating performance and future risks, and sets a reward policy that is motivating and can reasonably reflect performance.

（3）**Procedure for setting a fee:** Set up the salary and remuneration committee according to law, consider the level of relevant peers and listed companies, hold meetings to evaluate, set the salary remuneration of directors and managers, and submit the recommendations to the board of directors for discussion. If the board resolutions do not adopt or amend the committee's recommendations, It should be specified. However, if the resolution of the board of directors has a salary remuneration that is better than the committee's recommendation, it will report the relevant announcement according to the organization rules of the committee.

（4）**Relevance to business performance:** Business performance directly affects compensation.

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

4. Corporate Governance

4.1 Board of Directors

Total 7 meetings (A) were convened by the Board of Directors from 2018 up to the Annual Report being published. Attendance of each Director is as follows:

Title	Name(Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate(%)(B/A)(Note 2)	Remarks
Chairman	Douglas Tong Hsu	7	0	100	-
Director	Nancy Hsu, Representative of Ding & Ding Management Consultants., Ltd.	7	0	100	-
Director	Nicole Hsu, Representative of Far Eastern New Century Corporation	7	0	100	-
Director	Yvonne Lee, Representative of Far Eastern New Century Corporation	5	1	83	Resigned upon re-appointment on April 12,2019
Director	Chee Ching, Representative of Far Eastern New Century Corporation	1	0	100	Succeeded upon re-appointment on April 12,2019
Director	Philby Lee, Representative of Yuli Investments Corporation	7	0	100	-
Director	Jin-Lin Liang, Representative of Asia Cement Corporation	7	0	100	-
Independent Director	Edward Way	7	0	100	-
Independent Director	Eugene You-Hsin Chien	7	0	100	-
Independent Director	Raymond R.M. Tai	7	0	100	-

Other required disclosure:

(1) Should any circumstance occurred on board practices, the dates and sessions of the said board meetings, the contents of the said resolutions, opinions of all independent directors, and measures the Company had in responding to such opinions shall be specified:

(A) Any circumstance described in Article 14-3 of the Securities and Exchange Act: Not applicable since The Company has established the Audit committee.。

(B) Any resolution on which an independent director had a dissenting or qualified opinion occurred in board meetings: None

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

(3) Targets and measures of this and previous years established to improve the functionality of the Board of Directors and their execution results (for instance, the establishment of the audit committee, the improvement of information disclosure, and so forth):

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

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

4.2 Audit Committee or Supervisors Participating in Board Meetings

4.2.1

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

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 2018 up to the Annual Report being published：

Title	Name	Attendance in Person(Ｂ)	By Proxy	Attendance Rate(%) (Ｂ/Ａ)	Remarks
Independent Director	Edward Way	6	0	100	-
Independent Director	Eugene You-Hsin Chien	6	0	100	-
Independent Director	Raymond R.M. Tai	6	0	100	-

Other required disclosure:

(1). If any any of below listed-circumstances of operation of Audit Committee Meetings, it's necessary to be disclosured, including dates of Audit Committee meetings, sessions, the contents of motions, all independent opinions from Audit Committee members and the Company's response to Audit Committee's opinions :

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

Meeting Date (Term)	Important Resolutions	Meeting results and The Company's response to Audit Committee's opinions
The 11th Meeting of the 1st Term (March 21, 2018)	1. Internal audit report 2. The Declaration of Internal Control System 3. 2017 financial reports (including consolidated & standalone) 4. The proposal for distribution of 2017 profits	All presented committee members have approved and submitted to the Board of Directors. All Directors present consented to the Declaration, and no dissenting opinion was expressed.
The 12th Meeting of the 1st Term (May 2, 2018)	1. Internal audit report 2. The 2017 business report	
The 1st Meeting of the 2nd Term (August 9, 2018)	1. Internal audit report 2. 2018Q2 financial reports	
The 2nd Meeting of the 2nd Term (November 12, 2018)	1. Internal audit report 2. The 2019 Audit Plan	
The 3rd Meeting of the 2nd Term (March 20, 2019)	1. Approved the change of auditing CPA from Deloitte & Touche since 2018Q4 2. 2018 financial reports (including consolidated & stand-alone) 3. The proposal for distribution of 2018 profits 4. The amendments to the "Procedure for Acquisition and Disposal of Assets" 5. Internal audit report 6. The Declaration of Internal Control System	
The 4th Meeting of the 2nd Term (May 3, 2019)	1. Internal audit report 2. The 2018 business report 3. Proposal to amend the certain provisions of the Company's "Procedures For Endorsements and Guarantees." 4. Proposal to amend the certain provisions of the Company's "Procedures for Lending of Capital to Others"	

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

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

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

A. Communication between independent directors and Chief Audit Executive:

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

b.The Chief Audit Executive not only regularly reports audit-related affairs to the Audit Committee, the Board of Directors and independent directors, but also establishes communication and holds discussion from time to time according to degree of risk, so as to ensure a smooth channel of communication.

B. Communication between independent directors and CPAs: CPAs appointed by the Company report the results of financial statement audit or review and other matters to be communicated in accordance with the relevant laws and regulations during the quarterly meeting of the Audit Committee. Under special circumstances, CPAs will report to the Audit Committee immediately. The Audit Committee of the Company has established good communication with CPAs

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

a. Communications between Independent Directors and CPA:

Meeting Date (Term)	Communication Outlines
2018/03/21 The 11th Audit Committee Meeting of the 1st Term	2017 financial reports (including consolidated & stand-alone)
2018/05/02 The 12th Audit Committee Meeting of the 1st Term	2018Q1 consolidated financial report
2018/08/09 The 1st Audit Committee Meeting of the 2nd Term	2018Q2 consolidated financial report
2018/11/12 The 2nd Audit Committee Meeting of the 2nd Term	2018Q3 consolidated financial report
2019/03/20 The 3rd Audit Committee Meeting of the 2nd Term	2018 financial reports (including consolidated & stand-alone)
2019/05/03 The 4th Audit Committee Meeting of the 2nd Term	2019Q1 consolidated financial report

b. Communications between Independent Directors and the Chief Auditor:

Meeting Date (Term)	Communication Outlines
2018/03/21 The 11th Audit Committee Meeting of the 1st Term 2018/03/21 The 12th Board of Directors Meeting of the 17th Term	1. 2017Q4 Internal audit report 2. The Declaration of 2017 Internal Control System
2018/05/02 The 12th Audit Committee Meeting of the 1st Term 2018/05/02 The 13th Board of Directors Meeting of the 17th Term	2018Q1 Internal audit report
2018/08/09 The 1st Audit Committee Meeting of the 2nd Term 2018/08/09 The 2nd Board of Directors Meeting of the 18th Term	2018Q2 Internal audit report
2018/11/12 The 2nd Audit Committee Meeting of the 2nd Term 2018/11/12 The 3rd Board of Directors Meeting of the 18th Term	1. 2018Q3 Internal audit report 2. The 2019 Audit Plan
2019/03/20 The 3rd Audit Committee Meeting of the 2nd Term 2019/03/20 The 4th Board of Directors Meeting of the 18th Term	1. 2018Q4 Internal audit report 2. The Declaration of 2018 Internal Control System
2019/05/03 The 4th Audit Committee Meeting of the 2nd Term 2019/05/03 The 5th Board of Directors Meeting of the 18th Term	2019Q1 Internal audit report

4.2.3 Communication outlines of Supervisors with the Board of Directors: Not applicable

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

Evaluation Criteria	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
(1) Has the Company formulated and disclosed its own corporate governance bestpractice principles in accordance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"?	✓		The Company has established the Corporate Governance Principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", and has fully complied with the relevant regulations by implementing these principles. In addition, these principles have been disclosed on the Company's website and the Market Observation Post System (MOPS) for search purposes.	No material difference
(2) Shareholding Structure & Shareholders' Rights				
a. Has the Company established internal operating procedures to handle shareholder proposals, doubts, disputes, and litigationrelated issues, and practically implemented such procedures?	✓		The Company has established the Corporate Governance Principles, in which a specific chapter titled "Protection of Shareholders' Rights and Interests" is stipulated for implementation. According to the Corporate Governance Principles, the Company has appointed a spokesperson, an acting spokesperson, and a stock affairs agent, namely Oriental Securities Corporation which is responsible for handling shareholders' suggestions or questions so as to protect the rights and interests of shareholders. In case of disputes and lawsuits, the Company will hire the services provided by lawyers to help overcome these disputes and lawsuits depending on the situation.	No material difference
b. Has the Company kept a list of major shareholders and a list of ultimate owners of these major shareholders?	✓		Through the stock affairs agent, the Company fully keeps abreast of the list of major shareholders with actual control over the Company and the ultimate controllers of major shareholders, and reports information regarding the relevant changes in accordance with the "Rules Governing Information Reporting by Companies with TPEx Listed Securities".	No material difference
c. Has the Company established and operated a risk management mechanism and "firewall" between the Company and its affiliates?	✓		Written guidelines have been formulated with regard to financial and business operations between the Company and our affiliated companies. In addition, price terms and payment methods are clearly defined to eliminate unconventional transactions, and reduce business risks. In addition to the "Rules Governing Supervision and Management of Subsidiaries", the Company has also established the "Procedures for Lending of Capital to Others", the "Procedures For Endorsements and Guarantees", the "Procedures for Acquisition and Disposition of Assets", and the "Operating Guidelines for Related Party Transaction Management", in order to establish the mechanism and firewall for personnel, asset and financial risk management between the Company and our affiliated companies.	No material difference
d. Has the Company established internal rules to prohibit company insiders from trading securities using information not disclosed to the market?	✓		The Company has established the "Procedures for Handling Material Inside Information", and the "Code of Ethics", which stipulate that insiders in the Company may not use undisclosed information to purchase and sell securities. Besides, the Company has notified all directors and supervisors, managers and employees of this provision, and has published these rules and regulations on the Company's website (http://www.feds.com.tw) to be complied by all coworkers, so as to prevent violations or insider trading. Insiders, such as newly appointed directors and managers at the Company, 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.	No material difference
(3) Composition and Responsibilities of the Board of Directors				
a. Have members of the Board of Directors formulated diverse policies and implemented them accordingly?	✓		The nomination and election of members of the Board of Directors are carried out using the candidate nomination system, with reference to the opinions of independent directors, by assessing the academic qualifications of each member, as well as in compliance with the "Election Procedures of Directors and Supervisors", and the "Corporate Governance Principles", to ensure that diversity, independence and stakeholders' opinions are taken into consideration. Members of the Company's 18th Board of Directors (including 4 male	No material difference

Evaluation Criteria	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
			directors and 5 female directors) are highly specialized in business management, leadership and decision-making, as well as knowledge of related industries, and have education background in accounting, finance, sales, diplomacy, as well as information and communications technology. The diversity policy and operation of the Board of Directors are disclosed on the Company's website.	
b. In addition to establishing a Remuneration Committee and an Audit Committee, has the Company voluntarily established other types of functional committees?	✓		The Company has established the Remuneration Committee and the Audit Committee in accordance with the law. In addition, the Company has set up other functional committees, including the Personnel Evaluation Committee, the Market Development Committee, and the Budget Committee. Each division and department are responsible for corporate governance operations according to its duties and responsibilities. The Company will assess the establishment of other functional committees as needed.	No material difference
c. Has the Company established a Board performance assessment method, and have performance evaluations been conducted annually?	✓		To implement corporate governance and enhance the functions of the Board of Directors, as well as to set performance targets to enhance the efficiency of the operations of the Board of Directors, the Company formulated the "Rules for Performance Evaluation of Board of Directors" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", which is simultaneously announced on the Company's website. "Performance Evaluation for Board of Directors" is conducted regularly every year, where members of the Board of Directors and its agenda working group are assessed through a questionnaire survey. The performance evaluation indicators are determined according to the operations and needs of the Company, in order to effectively enhance the quality of decision-making by the Board of Directors and its operational performance.	No material difference
d. Has the Company evaluated the independence of CPAs on a regular basis?	✓		Every year, the Company regularly assesses the independence of CPAs, thereby complying with independence-related provisions in the "Bulletin of Norm of Professional Ethics for Certified Public Accountant". The assessment results have been submitted to the 4th meeting of the 18th Board of Directors for approval.	No material difference
(4) Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, record minutes of board meetings and shareholders meetings, etc.)?	✓		On May 3, 2019, the Board of Directors appointed **Senior** Vice Presidentr—Lily YT Liu as the Head of Corporate Governance, who is responsible for supervising and implementing corporate governance-related affairs. **Senior** Vice President—Lily YT Liu had more than three years of managerial experience in accounting, finance, legal affairs and stock affairs at public companies. The main duties of the Head of Corporate Governance, and the performance of corporate governance are described as follows: 1. Handle matters related to Board of Directors' meetings and shareholders' meetings, and prepare minutes of Board of Directors' meetings and shareholders' meetings in accordance with the law: (1) Draw up Board of Directors' meeting agendas and notify directors of these agendas seven days in advance; convene Board of Directors' meetings and provide meeting information and materials; issue prior notice if recusal due to conflict of interests is required for specific agendas; and complete the minutes of a Board of Directors' meeting within 20 days after the meeting. (2) Handle pre-registration of Board of Directors' meeting dates in accordance with the law; prepare meeting notices, meeting handbooks, and meeting minutes within the statutory time limit; and handle change registration during the amendment of Articles of Incorporation or the re-election of directors. 2. Assist directors in taking office and undergoing continuing education and training: 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. 3. Provide information required by directors to carry out corporate affairs, and assist directors in legal compliance:	No material difference

Evaluation Criteria	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons
	Yes	No	Summary	
			(1) Regularly notify members of the Board of Directors of the latest developments and amendments of rules and regulations related to the Company's business areas and corporate governance. (2) Review the confidentiality level of relevant information, and provide company information required by directors to ensure smooth communication with directors and supervisors at all departments and divisions. (3) Assist in arranging meetings when there is a need for independent directors to personally meet with the Chief Audit Executive or CPAs in accordance with the Corporate Governance Best Practice Principles. (4) Verify whether the convening of shareholders' meetings and Board of Directors' meetings comply with the relevant laws and the Best Practice Principles of Ethical Corporate Management. (5) Assist and remind directors of the regulations and suggestions to be followed when carrying out their duties or making formal resolutions in Board of Directors' meetings. (6) Responsible for examining the announcement of major information regarding important resolutions passed by the Board of Directors, and ensure the legality and correctness of major news, so as to ensure information symmetry for investor transactions. 4. Other matters stipulated in the Company's Articles of Incorporation or contracts. The status of continuing education for the Head of Corporate Governance will be announced in accordance with the regulations, and disclosed on the Company's website.	
(5) Has the company established a stakeholder (including, but not limited to, shareholders, employees, clients and suppliers, etc.) communication channel, a company website dedicated to stakeholders, and appropriately responded to the main social responsibility issues which are critical to stakeholders?	✓		Contact information for investor relations and opinion mailbox are provided on the Company's website, providing employees, shareholders and stakeholders with channels of direct communication with the management team at all departments and divisions so that they can provide various opinions and recommendations.	No material difference
(6) Has the Company commissioned professional stock services agents to handle shareholder affairs?	✓		The Company has appointed Oriental Securities Corporation to serve as a professional stock affairs agent to assist in handling matters related to shareholders' meetings.	No material difference
(7) Information Disclosure				
a. Has the Company set up a corporate website to disclose information on financial, business and its corporate governance?	✓		A shareholders' section has been established on the Company's website in Chinese and English , thereby disclosing complete information regarding financial statements and revenues, major news and corporate governance-related information. The Company's website: http://www.feds.com.tw	No material difference
b. Has the Company adopted other information disclosure channels (i.e. English website; designated appropriate personnel to be in charge of Company information collection and disclosure, implemented the spokesperson system, uploaded the investor conference presentations on the Company’s website, etc.)?	✓		The Company has set up, and is implementing the spokesperson and acting spokesperson system, while holding investor conference and publishing public information from time to time. In addition, the Company has also appointed dedicated personnel to collect company information and disclose major news on MOPS. A shareholders' section has been established on the Company's website in Chinese and English .	No material difference
(8) Does the Company have other critical information which can help others to understand the implementation of corporate governance (including, but not limited to, employee welfare, staff care, investor relations, supplier relations,	✓		(1) Employee rights and interests: The Company and our affiliated companies have always adhered to the founding spirit of The Far Eastern Group, namely "Sincerity, Diligence, Thrift, Prudence and Innovation" to encourage employees, and insist on treating employees with integrity while safeguarding employee rights and interests in accordance with the Labor Standards Act. (2) Employee care: To improve the living and safety standards of	No material difference

Evaluation Criteria	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
stakeholder rights, Director and Supervisor training status, risk management policies and risk measurement standard implementation progress, customer policy implementation progress, and the Company's purchase of liability insurance for Directors and Supervisors?			employees, the Company and affiliated companies implement various employee care measures, including purchasing insurance for employees and their dependents, organizing health checkups for employees, giving out solatium for injury and illness, and providing hospital treatment discounts at Far Eastern Memorial Hospital. (3) Investor relations: The Company has appointed dedicated personnel to handle investors' suggestions and questions, so as to maintain a good channel of communication between investors and the Company. (4) Supplier relations: The Company have always maintained a good long-term partnership with our suppliers based on mutual trust and benefits, in order to provide customers with products that meet their needs. (5) Stakeholder rights: Stakeholders may establish communication with the Company and offer suggestions to the Company in order to maintain their legal rights and interests, and can search for financial, business and corporate governance information on the Company's website. (6) Continuing education for directors and managers: Refer to Appendix 1 and Appendix 2. (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 controlled by each business and administrative departments, whereas the Internal Audit Department performs plan, project and for-cause auditing, and regularly reports audit results to the Company for decision-making, so that the Company's risk management policy can be adjusted and revised in a timely manner. (For its implementation status, refer to 6. Risk Analysis and Assessment in Chapter VII - Review and Analysis of Financial Position and Financial Performance, and Risk Issues) (8) Implementation of Customer Policies: With regard to customer policies for all consumers, the strategies we have adopted are as follows: In terms of products, we approach reputable and popular counter vendors in various areas in order to provide high-quality and diversified products. With the ever-changing replacement of products in the market, the Company continues to strive for introducing new brands with great potential in order to maintain product competitiveness. As regards management, in addition to the launch of ISO quality management system and the implementation of standardized operating procedures, all branches regularly convene supervisor meetings and strive to achieve the best performance in terms of hardware equipment and sales services, so as to carry out strict examination for consumers. (9) Liability insurance purchased for directors and supervisors by the Company: The Company will purchase liability insurance for all directors before the end of June, which reduces the legal risks and financial liabilities of directors, thereby protecting directors from possible damage during performance of duties. (10) Relevant certifications obtained by personnel related to financial information transparency as required by the competent authority: Refer to Appendix 3.	

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

Appendix 1 . Board Directors training status:

Title	Name	Study Date		Sponsoring Organization	Study Hours
		From	To		
Chairman	Douglas Tong Hsu	2018.07.24	2018.07.24	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (5th Session)			
		2018.12.24	2018.12.24	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (6th Session)			
Director	Nancy Hsu	2018.07.24	2018.07.24	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (5th Session)			
		2018.12.05	2018.12.05	Securities and Futures Institute	3
		Directors and Supervisors (including Independent) Practice Advanced Seminar - Corporate Strategy and Key Performance Indicators			
Director	Nicole Hsu	2018.08.01	2018.08.01	Taiwan Corporate Governance Association	3
		Supervisor and important staff liability insurance			
		2018.11.05	2018.11.05	Taiwan Corporate Governance Association	3
		Directors need to understand the cyber risk issues			
		2018.12.24	2018.12.24	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (6th Session)			
Director	Yvonne Li	2018.07.24	2018.07.24	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (5th Session)			
		2018.12.24	2018.12.24	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (6th Session)			
Director	Philby Lee	2018.11.16	2018.11.16	Taiwan Corporate Governance Association	3
		Directors and supervisors must not know the brand intellectual property strategy			
		2018.11.30	2018.11.30	Taiwan Corporate Governance Association	3
		Director Responsibility and Risk Management under the Latest Corporate Governance Blueprint			
Director	Jin-Lin Liang	2018.07.24	2018.07.24	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (5th Session)			
		2018.12.24	2018.12.24	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (6th Session)			
Independent Director	Eugene You-Hsin Chien	2018.01.25	2018.01.25	Taiwan Institue for Sustainable Energy	2
		2018 International Economic Trends and Financial System			
		2018.02.07	2018.02.07	Taiwan Institue for Sustainable Energy	1
		Enterprise and business sustainability			

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

		2018.10.24	2018.10.24	Taiwan Institue of Directors	3
		The crisis and turnaround of global rebalance			
		2018.10.25	2018.10.25	Taiwan Institue for Sustainable Energy	2
		CEO special speech(14th)			
Independent Director	Edward Way	2018.05.09	2018.05.09	Taiwan Academy of Banking and Finance	3
		The speech of orporate governance			
		2018.05.23	2018.05.23	Taiwan Academy of Banking and Finance	3
		The speech of orporate governance			
		2018.05.25	2018.05.25	Taiwan Corporate Governance Association	3
		Global Trend Analysis - Risks and Opportunities			
		2018.05.28	2018.05.28	Taiwan Corporate Governance Association	3
		Artificial wisdom is coming" and "anti-business era			
		2018.06.26	2018.06.26	Taiwan Corporate Governance Association	1
		Introduction of the new version of corporate governance blueprint			
		2018.09.06	2018.09.06	Securities and Futures Institute	3
		Directors and Supervisors (including Independent) Practice Advanced Seminar - Discussion on the Latest Corporate Law Amendment Focus and Practice			
		2018.09.19	2018.09.19	Taiwan Corporate Governance Association	6
		The 14th International Forum on Corporate Governance - Compliance and Supervision Director's Obligations - Drava Experience, Oversight Duties of Directors under Taiwan's Current Legal System, Responsibility of Independent Directors, Effectiveness of Independent Directors, Support from Independent Directors			
		2018.11.23	2018.11.23	Taiwan Academy of Banking and Finance	3
		The speech of corporate Governance– Information Security Trends and Corporate Response			
Independent Director	Raymond R.M. Tai	2018.05.08	2018.05.08	Taiwan Stock Exchange Corporation	3
		The speech of New Corporate Governance Blueprint			
		2018.07.24	2018.07.24	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (5th Session)			
		2018.12.24	2018.12.24	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (6th Session)			

(End of 2018.12.31)

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

Appendix 2 Managers training status

Title	Name	Study Date		Sponsoring Organization	Study Hours
		From	To		
President	Nancy Hsu	2018.07.24	2018.07.24	Taiwan Academy of Banking and Finance	3
		Board Operations and Corporate Governance (5th Session)			
		2018.12.05	2018.12.05	Securities and Futures Institute	3
		Directors and Supervisors (including Independent) Practice Advanced Seminar - Corporate Strategy and Key Performance Indicators			
Senior Vice President	Hwa-Ling Hsu	2018.10.04	2018.10.04	National Chung Cheng University E-Manufacturing and E-Commerce Center	6
		Personal Data Protection Law Compliance Technology - Database Personal Asset Management Check Case Exercise			
		2018.10.31	2018.10.31	Computer Audit Association	6
		ERP system control and inspection			
Senior Vice President	Lily Y. T. Liu	2018.10.18	2018.10.19	Accounting Research and Development Foundation	12
		Issuer. Securities Dealer. Stock Exchange Accounting Supervisor Continuing Education Course			

Appendix 3. For those staff who work to create transparency in the Company's financial affairs, relevant licences and certification obtained from professional authorities are shown:

Department / Name of Certification	The Company			Companies in the consolidated financial Report statement		
	Finance Dept.	Accounting Dept.	Auditor Office	Finance Dept.	Accounting Dept.	Auditor Office
CPA ROC	1	3		2	3	1
CPA China				1	4	
Mid-Level Accountant China				1	10	
Entry-Level Accountant China				7	8	
CIA					1	
Mid-Level Accountant					1	
Junior-Level Accountant				1	1	
Certificate of Accounting Profession				1	2	
Level C technician for accounting		2	4		2	4
Internal controller of corporation		1	2		1	2
CIA			1	1		2

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

ICCP			3			3
JCCP			5			5
Lead inspector for ISO 27001 IT safety management			1			1
Bank Internal Control and Audit			2			2
Corporation Assistant E-planner	1			1		
Certified Financial Manager for Small and Medium Enterprisess	1			1		
Financial Planner	1	1		1	1	
Stock & Investment Analyst				1		
High Level Sales Representative in Stock Company	1		1	3		1
Sales Representative in Stock Company			1			1
Investment Trust and Consulting Representative			1			1
Trust Representative			1			1
Book Keeper of General Examination			1			1
Property Insurance Representative			1			1
Personal Insurance Representative			2			2
Sales Representative in Future Company			1			1
Financial Markets and Professional Ethics		1			1	
RMB Foreign Exchange and Futures Practical Traning Course	1			1		

(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 haven't been improved：

We will continue to work hard and continue to optimize the company's website content, such as increasing the annual English financial report and other information.

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

4.4.1 Information of the Remuneration Committee Members

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

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

Note 2: Indicates qualified members during the two years before being elected or during the term of the appointment.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any its affiliates. This is not restrictive on any person who is an independent director of the Company, or its parent company which established based on this law or local law.

(3) Not an individual shareholder who, together with those held by the person's spouse, minor children, or held under others' names, holds shares in an aggregate amount of one percent or more of the total outstanding shares of the Company, or an individual who ranks among the top ten shareholders in terms of the share volume held.

(4) Not a spouse, or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total outstanding shares of the Company or ranks among the top five corporate shareholders in term of share volume held.

(6) Not a director, supervisor, executive officer, or shareholder holding five percent or more shares of a specific Company or institution, and who also has financial or business dealings with the Company.

(7) Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, Company, or institution that provides commercial, legal, financial, accounting or consulting services to the Company or to any affiliates of the Company.

(8) Not affected by the circumstances as listed in the subparagraphs of Article 30 of the Company Act

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4.4.2 Duties of Remuneration Committee

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

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

(2) Regularly assess and formulate remuneration for directors and managers. ◦

4.4.3 Operation of the Remuneration Committee

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

(2).The current term of office is from August 9, 2018 until June 20, 2021. Remuneration Committee meetings have been held two times (A), with the attendance status listed below:

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

4.5 **Measures the Company Takes to Fulfill Corporate Social Responsibilities and Their Execution Results:**

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companes" and Reasons
	Yes	No	Summary	
(1) Implementation of Corporate Governance				
(a) Has the Company established a CSR (corporate social responsibility) policy and assessed the effectiveness of its implementation?	✓		1. The Company has established the "Corporate Social Responsibility Principles of Far Eastern Department Stores Ltd.", with implementation goals in four major areas, namely "implementing corporate governance, developing a sustainable environment, maintaining social welfare, and enhancing information disclosure." 2. The Company has set up a CSR website and a CSR Facebook group to increase the number of communication channels, and to actively interact with stakeholders. The total number of reach for our Facebook group reached 800,000 people, a 40% increase from the previous year. 3. Each business location plays the role of a local public welfare platform to engage in various public welfare activities, such as care for the disadvantaged, supporting the local industry, providing charitable donations, and giving back to the neighborhood. The Company's annual public welfare expenditure accounts for 0.03% of the Company's revenue.	No material difference
(b) Does the Company hold CSR training on an ongoing basis?	✓		The Company has established the "Code of Ethics" and the "Best Practice Principles of Ethical Corporate Management" to implement corporate social responsibility (CSR). In order to advocate and promote CSR, the Company has published the relevant rules and regulations on our website so that employees can search for them at all times. In addition, the Company enhances employees' awareness toward social responsibility through internal meetings, channels of communication, and trainings.	No material difference
(c) Has the Company established a dedicated (or non-dedicated) unit to promote CSR, which is authorized to handle seniormanagement level affairs by the Board of Directors, and sends feedback on its handling to the Board?	✓		1. Since 2015, the Company set up the "Corporate Social Responsibility Committee", in which the President serves as the chairman of the committee, and the Chief Financial Officer serves as the chief executive officer of the committee. Moreover, an executive office has also been set up to implement strategy development, offer event proposals and prepare CSR reports. 2. A total of eight functional committees have been formed under the CSR Committee. These committees meet regularly every month to report and track the progress of various projects. 3. Major CSR decisions and the implementation of these decisions are regularly reported to the Board of Directors in the quarterly Board of Directors' meeting. In 2018, the Board of Directors has passed a total of 19 resolutions.	No material difference
(d) Has the Company established a reasonable remuneration policy, which incorporates ethical conduct into the performance evaluation system of employees, and clearly carries out an effective reward and discipline system?	✓		The Company's annual reports and official website disclose the Company's Articles of Incorporation, which clearly specifies the allocation of employee remuneration, stating that: "If the Company posts a profit for a particular year, the Company shall allocate 2% to 3.5% of its profit as employee remuneration... Employee remuneration may be distributed in the form of shares or cash. The actual distribution ratio, amount and method, as well as the number of shares involved therein shall be approved by the Board of Directors, and reported to the shareholders' meeting before implementation." In addition to establishing the "Remuneration Committee" to enhance corporate governance and strengthen the compensation system, the Company also	No material difference

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companes" and Reasons
	Yes	No	Summary	
			formulates a reasonable employee compensation policy with reference to the pay standards set by the same industry and public companies, which clearly specifies that the Company's incentive bonus systems, such as monthly performance evaluation bonus, anniversary event target achievement bonus and year-end bonus, which are distributed according to personal or departmental performance, so as to enhance the Company's overall business performance. Supervisors at all levels are required to assess the knowledge, conduct, skills and performance of their subordinates at all times. They also pay serious attention to the implementation of social responsibility-related rules and regulations, such as ethical corporate management policy, and regard these rules and regulations as the basis for individual performance appraisal. Merged companies also organizes employee training sessions according to the needs of corporate governance, and set clear rules and regulations for performance appraisal, as well as reward and punishment systems.	
(2). Development of Sustainable Environment				
(a) Is the Company committed to enhancing the effectiveness of utilizing various resources and consuming recycled materials as feedstock to minimize the adverse impact on the environment?	✓		The Company and our subsidiaries comply with environmental regulations and the relevant international standards and regulations to properly protect the natural environment and learn about social responsibility. In addition, the Company actively promotes the implementation of best practice principles, and is committed to improving the efficiency of use of various resources. When engaging in any operational activities, the Company takes the impact of such activities on ecological benefits into consideration, so as to reduce their impact on the environment.	No material difference
(b) Has the Company established an appropriate environmental management system according to its industry characteristics	✓		The Company and our subsidiaries actively promote various energy management and energy conservation goals, and incorporate the ISO50001 certification, in response to government policies and climate change mitigation, thereby fulfilling corporate social responsibility to jointly protect the Earth's environment. The Company is not a manufacturing company; therefore, ISO 14001 does not apply to the Company.	No material difference
(c) Has the Company paid attention to the impact from climate changes on its business operations, carried out assessments on greenhouse gases, and set up corporate strategies to save energy and to reduce the emission of carbon and greenhouse gas?	✓		The Company gradually replaced old energy-consuming equipment, such as some air-conditioner coils or cooling towers for air-conditioning systems in Kaohsiung, Tainan, Paoching, Hsinchu and Taoyuan Store, and continuously uses energy-saving LED lights. In addition, the Company controls power consumption at all stores based on energy use intensity (EUI). In 2018, the Company managed to save a total of 2.313 million kWh of electricity.	No material difference
(3) Promote Common Goods and Public Welfare				
(a) Has the Company set up management policies and procedures according to related laws and regulations as well as the International Bill of Human Rights?	✓		The Company and our subsidiaries comply with various labor regulations and international human rights convention, pay serious attention to employee rights and equality in right-to-work, and do not restrict the recruitment of employees by gender, place of birth, race, age, marital or family status. In addition, the Company and our subsidiaries arrange professional training at appropriate times, provide employees with transparent job promotion or transfer channels to broaden employees' experience, offer a wide variety of	No material difference

Evaluation Criteria	Implementation Status: Yes	No	Summary	Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companes" and Reasons
			development opportunities, and actively protect employees' legal rights and interests. At the same time, the Company also complies with the relevant laws and regulations, including the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, public listing-related rules and regulations, and other business conduct practices. The Company establishes our internal rules and regulations to safeguard the rights and interests of all stakeholders, and social welfare.	
(b) Has the Company established employee grievance mechanisms and channels, and handled these grievances appropriately?	✓		Labor representatives are elected via resolution by the party representing employees in the labor-management meeting. Coworkers can participate in the Company's Occupational Safety and Health Committee by becoming labor representatives. Improvement measures are implemented with regard to safety and health proposals and recommendations.	No material difference
(c) Has the Company offered a safe and healthy work environment and routinely implements safety and health education for its employees?	✓		1. With the implementation of self-management and automatic inspection programs, the Company's Head Office regularly visits each branch to examine the implementation and performance of the occupational safety and health management program, and carry out on-site safety and health inspection. 2. The Company regularly formulates the operating environment monitoring plan every six months, and carry out operating environment monitoring (carbon dioxide and noise) once, in order to monitor safety and health conditions at the workplace. Furthermore, the Company regularly conducts drinking water quality inspection every quarter. 3. New coworkers are required to undergo safety and health training. The Company formulates education and training plans to educate employees on safety and health issues at the workplace, and organizes professional training and regular retraining for personnel with the relevant certifications and licenses (including occupational safety and health management personnel, nursing staff in charge of labor health services, emergency rescue personnel, fire prevention personnel, dedicated personnel for indoor air quality maintenance and management, etc.). 4. The Company regularly conducts health checkups for employees, and implements health tracking management in line with physical and mental health protection programs (including muscle and bone damage prevention, overwork prevention, workplace violence prevention and maternal health protection). Besides, the Company hires doctors to offer on-the-spot health services, in order to provide our coworkers with health consultation and management services. 5. The Company regularly conducts fire drills once every six months, and regularly conducts Group A personnel drills every month, so that coworkers are familiar with handling firefighting tasks and emergency response. 6. The Company has emergency personnel and first-aid kits in place, in order to provide initial treatment for injuries during workplace accidents. 7. The Company has set up automated external defibrillators (AED). AED managers regularly undergo retraining, while over 70% of our coworkers regularly undergo AED and CPR training. In 2018, the Company's stores, including Paoching Store, Banqiao Store, Panhsin Store, Taoyuan Store, Hsinchu Store, Taichung Store, Chiayi Store, Tainan Chenkung Store, Tainan Gongyuan Store, Kaohsiung Store and Hualien	No material difference

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companes" and Reasons
	Yes	No	Summary	
			Store, have obtained the "AED Certification" from the Ministry of Health and Welfare. 8. The Company has implemented smoke prevention management and health management to protect coworkers' physical and mental health. In 2018, the Company's Head Office, Paoching Store, Panhsin Store, Banqiao Store, Taoyuan Store, Hsinchu Store, Taichung Store, Chiayi Store, Tainan Chenggong Store, Kaohsiung Store, and Hualien Store have obtained the "Healthy Workplace Certification" from the Ministry of Health and Welfare. 9. The Company continues to create a zero-accident workplace. In 2018, the Company's Head Office, Paoching Store, Banqiao Store, Panhsin Store, Taoyuan Store, Hsinchu Store, Taichung Store, Chiayi Store, Tainan Chenggong Store, Kaohsiung Store, and Hualien Store were awarded the "Zero-Accident Time Record Certification" from the Ministry of Labor. 10. The Company offers safety and health management information and organizes related activities from time to time as a reference for our coworkers while engaging in autonomous management.	
(d) Has the Company established a routine communications mechanism of the employees, and provides notice of operational changes that may pose a significant impact on its employees in a fair and appropriate manner	✓		Adhering to the spirit of labor-management cooperation, the Company and our subsidiaries provide a diverse range of labor-management communication modes. In addition to departmental meetings, cross-departmental coordination meetings, and announcements of government decrees, the Company also convenes in-store labor-management meetings, in which the Company's management team and labor representatives in such meetings learn about and discuss matters that are of concern to employees, thereby creating mutually beneficial, win-win situation for both the employer and the employees.	No material difference
(e) Has the Company established an effective career developmental plan for its employees?	✓		The Company provides a diverse range of learning channels and development resources according to personal job needs, performance evaluation results and career development needs, and is committed to creating a learning environment, including on-the-job training, classroom training, job guidance and job rotation, so that employees can move toward personal career development and company development, and continue to learn happily.	No material difference
(f) Has the Company established consumer rights protection policies and complaint-filing procedures in terms of R&D, purchasing, manufacturing, operations, and customer service?	✓		The Company, which belongs to the department store retailing industry, does not engage in research and development and product manufacturing. In order to become the best shopping channel for the general public, the Company carefully selects all the counters, and adheres to the philosophy of "operating for the aspiration of consumers" to serve the public. To protect the rights and interests of all consumers, each branch has a customer service center, as well as a 0800 customer service hotline and a customer service e-mail address (service@feds.com.tw) to provide the most direct, instant complaint channels. "Customer Feedback Form" is also prepared to collect suggestions and criticisms from the general public. The Company strives to adjust various facilities and services in a timely manner, with a view to meeting customer needs and safeguarding the rights and interests of consumers.	No material difference

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companes" and Reasons
	Yes	No	Summary	
(g) For the marketing and labels on products and services, does the Company comply with related laws, regulations, and international standards?	✓		Products are provided by ethical counters which are run legitimately, and exhibit the terms of use, country of origin, and inspection marks which indicate that the products comply with national standards. All products comply with laws and regulations.	No material difference
(h) Prior to conducting business with suppliers, has the Company evaluated whether such suppliers have had past records where they made an impact on the environment and on society at large?	✓		Before the Company establishes business dealings with a supplier, the supplier is required to provide product-related test records, while the Company carefully assesses and learns about the supplier's past information and data.	No material difference
(i) Do the Company's contracts with its primary suppliers contain any immediate termination or cancellation clauses when suppliers violate their corporate social responsibility policies, and pose a significant impact on the environment and society?	✓		The contract signed by the Company and all suppliers has detailed the management of various matters, including building environment, shopping mall management, product quality, store safety, personnel management, accounting treatment, customer service, etc., in order to achieve the goal of enhancing CSR. Any violation committed by suppliers shall be handled in accordance with the law.	No material difference
(4) Improvement in Information Disclosure				
Does the Company include the disclosure of corporate social responsibility related information with significance and reliability on the corporate website and the M.O.P.S. website operated by the Taiwan Stock Exchange?			The Company has disclosed information regarding the implementation of social responsibility in this annual report in accordance with the relevant laws and regulations. It has always been our belief and persistence to provide a high-quality shopping environment through honest management and give back to the society. The Company publishes CSR reports, and discloses these reports on the Company's website (CSR section) (http://www.feds.com.tw/csr/) and MOPS (http://mops.twse.com.tw).	No material difference
(5) If the company has set up the principles based on "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies", please illustrate the implementation progress and any difference: The Company has established the "Corporate Social Responsibility Policy", while actively fulfilling our role as a corporate citizen. In addition to regularly publishing CSR reports every year to enhance the transparency of CSR information disclosure, the Company also formulates corporate sustainability visions through the CSR Committee to achieve goals such as "implementing corporate governance, developing a sustainable environment, and maintaining social welfare", which becomes a positive force in driving sustainability, thereby welcoming a better life with the society.				

Evaluation Criteria	Implementation Status			Deviations from "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companes" and Reasons
	Yes	No	Summary	
(6) Please state any other important information that would facilitate better understanding of the Company's status in fulfilling corporate social responsibilities:				

(7)If the company's corporate social responsibility report has passed the verification criteria of the relevant verification agency, it should be stated: The Corporate Social Responsibility Report is compiled in accordance with the GRI Sttandards published by the Global Reporting Initiative and adopts a core option to expose the principles. The report is verified by a third-party verification unit to confirm compliance with the core options of the GRI Standards. And AA1000 Type 1 Moderate Level.				

4.6 Implementation of Code of Ethical Conduct

Evaluation Criteria	Implementation Status (Note 1)			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
(1). Establishment of Business Conduct policy and plans (a) Does the Company demonstrate business conduct policy and practice in the corporate guidelines and external documents? Have the Board of Directors and management committed to actively implement such policy? (b) Has the Company established and implemented an unethical conduct prevention plan, which stipulates operational processes, provides guidelines for conduct, discipline for violations of rules, and an appeal system in each case? (c) Has the Company taken any precautionary measures to prevent corruption or high-risk illegal business activities, based on Paragraph 2 in Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"?	✓ ✓ ✓		The Company has established the "Code of Ethics" and the "Best Practice Principles of Ethical Corporate Management", which specify that employees of the Company shall adhere to the best practice principles of ethical corporate management while conducting various business activities. Besides, the Company clearly specifies matters related to the code of conduct, including "prohibition of offering and receiving bribes", "prohibition of providing illegal political contributions", "prohibition of improper charitable donations or sponsorships", "prohibition of unreasonable gifts, hospitality or other illegitimate interests", etc., where the scope of application for the "Best Practice Principles of Ethical Corporate Management" applies to subsidiaries of the Company. To ensure the implementation of these rules and regulations, the ideas and beliefs behind the Code of Ethics and the Best Practice Principles of Ethical Corporate Management have been promoted and incorporated into the daily work of employees via various channels, including the Company's website (http://www.feds.com.tw), internal publications, and various types of meetings. In addition, the Company's stakeholders are also reminded to follow and respect the Company's moral and ethical standards. With respect to business activities with high risk of unethical conduct, the Company has established effective accounting and internal control systems without establishing external accounts or keeping confidential accounts/ The Company also conducts review at any time to ensure that the design and implementation of these systems are continuously effective.	No material difference
(2). Implementation of the Code of Business Conduct			Because the Company has developed and built a strong presence in Taiwan for years by adhering to our founding spirit of "Sincerity, Diligence, Thrift, Prudence and Innovation" as the highest guiding principles for business development, the Company requires all stakeholders with commercial dealings with us, including suppliers, contractors or other collaborators, to comply with the same moral and ethical standards as our managers and coworkers. For instance, since October 2016, the Company has gradually required suppliers, contractors or other collaborators to sign the "Letter of Undertaking for Supplier Social Responsibility" in service contracts, and to be committed to complying with the items specified in the letter of undertaking. The initial targets for this initiative are those involved in contracts with significant amounts. The Company also takes the opportunity to communicate with	
(a) Does the Company evaluate the ethical conduct records of its counterparties and specify "Ethical clauses" in business contracts? (b) Has the Company established dedicated units under the supervision of the Board of Directors	✓			No material difference

Evaluation Criteria	Implementation Status (Note 1)			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
	Yes	No	Summary	
to promote corporate ethical management and which regularly report to the Board on their implementation status? (c) Does the Company promulgate policies to prevent conflicts of interests and offer appropriate channels for reporting conflicts of benefits?	✓ ✓		stakeholders and continuously remind them of our ethical standards, so as to prevent unethical conduct. At present, the Human Resources Department is responsible for the "Best Practice Principles of Ethical Corporate Management" and the "Code of Ethics", and submits them to the Board of Directors for approval and implementation upon formulation and revision. At the same time, internal auditors also include the implementation of ethical corporate management into the scope of audit to perform annual self-assessment, and report these matters to the Board of Directors. The Company has established the "Whistleblower and Disciplinary Measures Against Violations of Ethical Conduct and Ethical Corporate Management". Any personnel who violates the best practice principles of ethical corporate management shall be punished based on the seriousness of the violation. The Company has set up a grievance system to provide violators with a route to seek help in accordance with the relevant rules and regulations.	
(d) Does the Company establish an effective operation of the accounting and internal control systems, and periodically conduct internal audits by internal auditors, or audit by CPA? (e) Does the Company periodically conduct internal and external training on ethical management?	✓ ✓		The Company's internal auditors examine compliance with the Company's accounting and internal control systems from time to time based on these systems, and prepare audit reports, which are to be submitted to the Board of Directors. The Company has published these rules and regulations on the Company's website in order to promote these rules and regulations. Other than requiring new employees to learn about the code of ethics and ethical corporate management, the Company also implements methods such as establishing internal regulations, internal management requirements, as well as education and training, in order to implement ethical corporate management policies. In 2018, a total of 141 people attended a total of 147.3 hours of internal and external trainings on issues related to ethical corporate management (including courses related to compliance with ethical corporate management regulations, accounting system, internal control system, etc.).	

<table>
<tr><th rowspan="2">Evaluation Criteria</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(3). Establishment of Reporting Channels for Violations of the Code Of Business Conduct.
(a) Has the Company established a specific complaints and rewards system through convenient channels for lodging complaints? And does the Company assign dedicated personnel to attend to the matter?

(b) Has the Company established standard operating procedures for investigating and handling complaints in a confidential manner?

(c) Does the Company adopt measures to protect whistleblowers from reprisals for having filed the complaint report?</td><td>✓

✓

✓</td><td></td><td>The Company has stipulated the relevant provisions in the "Code of Ethics", the "Best Practice Principles of Ethical Corporate Management", and the "Whistleblower and Disciplinary Measures Against Violations of Ethical Conduct and Ethical Corporate Management".
If an employee at the Company discovers a violation of provisions related to ethical corporate management, the employee shall take the initiative to file a whistleblower complaint to the Audit Committee, managers, the Chief Audit Executive, the Human Resources Department or other appropriate supervisors. The Company will keep the whistleblower's identity and complaint confidential. In case of violations of provisions related to ethical corporate management, the Company shall carry out punishment based on the seriousness of the violation in accordance with the disciplinary measures.</td><td>No material difference</td></tr>
<tr><td>(4). Improvements in Information Disclosure
Does the Company disclose the principle and the practice of business conduct related information on the corporate website and M.O.P.S. website operated by the Taiwan Stock Exchange?</td><td>✓</td><td></td><td>To implement the "Code of Ethics", the "Best Practice Principles of Ethical Corporate Management", and the "Whistleblower and Disciplinary Measures Against Violations of Ethical Conduct and Ethical Corporate Management", these rules and regulations are disclosed on MOPS and the Company's website (http://www.feds.com.tw) for every personnel at FEDS to comply with.</td><td>No material difference</td></tr>
<tr><td colspan="5">(5).If the Company has established its own guidelines for the “Code of Business Conduct” according to Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please state the discrepancies (if any) between actual operation and policy: None</td></tr>
<tr><td colspan="5">(6)Other important information revealing the Company’s ethical operations (e.g. review and revision of the Company’s code of business conduct):
The Company complies with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, public listing-related rules and regulations, and other business conduct practices. Besides, the Company inspects our internal regulations at all times to ensure the implementation of ethical corporate management.</td></tr>
</table>

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 Webiste：http://www.feds.com.tw

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

4.8 Other information relating to corporate governance:

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

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

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

4.9 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: 20 March 2019

1. Based on the self-examination results of the internal control system for the year of 2018, Far Eastern New Century Corporation (the Company) therefore declares the following:
2. Board of Directors and the management of the Company understand that it is their responsibility to establish, implement, and maintain an internal control system, and such a system has been established. The purpose to establish the aforesaid system is to reasonably assure (1) the operating results and operating efficiencies (including profit, performance, and the safeguard of assets); (2) the reliability, instantaneity and transparency of the financial reports, and (3) the compliance of the relevant laws and regulations.
3. An internal control system, regardless how perfectly the system is being designed, can have its defects. A system that can reasonably assure the achievements of the three purposes mentioned in the preceding paragraph is considered as effective and useful. In addition, changes in the business environment and situation may, as a result, hinder the effectiveness of an adequate system. However, the internal control system of the Company has included a self-examination mechanism; the Company will make immediate corrections considering the materiality when material errors are detected.
4. The evaluation of effectiveness of the internal control system design and implementation is made in accordance with “Guidelines for the Establishment of Internal Control Systems by Public Companies” (the Guidelines). The Guidelines are made to exam the following five items during the internal control process: (1) Control Environment, (2) Risk Evaluation and Management, (3) Control Activities, (4) Information and Communication, and (5) Monitoring processes. Details of each area being examined can be found in the Guidelines。
5. Based on the items mentioned in the preceding paragraph, the Company has evaluated the design of the internal control system and the effectiveness of the implementation of the aforesaid system.。
6. The Company management declares that the internal control system (including Subsidiary Governance) as of 31 Dec 2018 has effectively assured that the following objectives have been reasonably achieved during the assessment period:

   (1) The effectiveness and efficiency of business operations; (2) The reliability, timeliness, transparency, and regulatory compliance of the financial reports; (3) The compliance of the relevant laws/regulations.。
7. This Declaration is a significant content in the annual report and prospectus of the Company, and it is available to the general public. If it contains false information or conceals any material contents, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the ROC Securities and Exchange Act。
8. The Board of Directors has approved the Declaration of Internal Control System in the board meeting held on 20 March 2019. All of 12 Directors present consented to the Declaration, and no dissenting opinion was expressed.

Far Eastern Department Stores Ltd

Chairman: Douglas Tong Hsu

President: Nancy Hsu

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

4.10 Any penalties for violations of regulations or the company's internal control systems by the personal；major defects and the status of corrections in the internal control systems from last year up to the Annual Report being published : None.

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

4.11.1 Resolutions in the Annual Shareholders' Meeting

Date: June 21, 2018

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

Resolutions of Shareholders' Meeting	
Matters Reported	1. 2017 business operation report 2. 2017 financial statement 3. The Audit Committee's review report of 2017 business operations and financial statements 4. 2017 employees' compensation and Directors' remuneration
Matters Approved	1. 2017 business report and financial statements of the company **Resolution**: The number of approval weights has exceeded the statutory amount. The resolution was approved. 2. The proposal for distribution of 2017 profits of the company **Resolution**: The number of approval weights has exceeded the statutory amount. The resolution was approved. **Execution**: 24 July 2018 was settled as the ex-dividend date, and cash dividend was distributed on 16 August 2018
Discussions and Elections	1. The amendment to by-laws of the company **Resolution**: The number of approval weights has exceeded the statutory amount. The resolution was approved. **Execution**: It was execute according to the resolution of the shareholders' meeting and also approved by the Ministry of Economic Affairs on July 13, 107 and published on the company's website.
	2. The amendment to "Procedure for Acquisition and Disposal of Assets" of the Company. **Resolution**: The number of approval weights has exceeded the statutory amount. The resolution was approved. **Execution**: It was execute according to the resolution of the shareholders' meeting and published on the company's website according to the revised procedures.
	3. Re-elect the Company's Directors (including independent directors)。 **Election result**：Douglas Tong Hsu、Nancy Hsu, Representative of Ding & Ding Management Consultants Co.、Nicole Hsu & Yvonne Li, Representative of Far Eastern New Century Corporation、Jin Lin Liang, Representative of Asia Cement Corporation、Philby Lee, Representative of Yu Li Investment Corporation Independent Director：Eugene You-Hsin Chien、Raymond R. M. Tai、Edward Way

	Execution: It was approved by the Ministry of Economic Affairs on July 13, 2018 and published on the company's website. ◦
	4. Lift the restriction on non-competition of the Company's directors as defined in Article 209 of the Company Act. **Resolution**: The number of approval weights has exceeded the statutory amount. The resolution was passed **Execution**: It was execute according to the resolution of the shareholders' meeting

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

Term	Date	Important Resolutions
12th Board Meeting of the 17 th term	2018/03/21	1. Approved 2017 employees' compensation and Directors' remuneration. 2. Approved the revisions to the "Articles of Incorporation of the Company. 3. Approved 2017 financial statements (including consolidated & standalone). 4. Approved the proposal for distribution of 2017 profits. 5. Approved the proposal for 2018 operating budget. 6. Approved the declaration of internal control system of the Company. 7. Approved the re-election of the Company's Directors (including independent directors) 8. Approved the proposal of convening 2018 Annual General Shareholders' Meeting.
13th Board Meeting of the 17 th term	2018/05/02	1. Reported 2018 Q1 financial statements 。 2. Approved 2017 business operations. 3. Approved the candidate list of the Company's Director nominees. 4. Approved the Lift of the restriction on non-competition of the Company's directors as defined in Article 209 of the Company Act.
1st Board Meeting of the 18 st term	2018/06/21	1. Approval of the election of chairman of the Company. 。
2nd Board Meeting of the 18 st term	2018/08/09	1. Reported 2018 Q2 financial statements 。 2. Approved the end of Hualien store. 3. Approved the re-election of of the 4th Remuneration Committee.
3rd Board Meeting of the 18 st term	2018/11/12	1. Reported 2018 Q3 financial statements 。 2. Approved amending the Company bylaw of "Accounting Policy" 3. Approval of the 2019 Audit Plan.
4th Board Meeting of the 18 th term	2019/03/20	1. Approved 2018 employees' compensation and Directors' remuneration. 2. Approved the change of auditing CPA from Deloitte & Touche since 2018Q4. 3. Approved 2018 financial statements (including consolidated & standalone). 4. Approved the proposal for distribution of 2018 profits. 5. Approved the proposal for 2019 operating budget. 6. Approved amending the Company article of "Procedures for Acquisition and Disposition of Assets" 7. Approved the declaration of internal control system of the Company. 8. Approved the proposal of convening 2019 Annual General Shareholders' Meeting.
5th Board Meeting of the 18 th term	2019/05/03	1. Reported 2019 Q1 financial statements. 2. Approved 2018 business operations. 3. Approved to amend the certain provisions of Corporate Governance Principles、Meeting Rules of Board of Directors、Audit Committee Charter、Remuneration Committee charter. 4. Approved the appointment of the company's corporate governance executive 5. Approved the appointment of the members to the company's salary and remuneration committee 6. Approved to amend the certain provisions of the Company's "Procedures For Endorsements and Guarantees." 7. Approved to amend the certain provisions of the Company's "Procedures for Lending of Capital to Others" 8. Approved the company's registration of Xinyi branch case

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

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

5. Audit Fees

5.1 Professional Fees of CPA in Recent Year：

Accounting Firm	Name of CPA		Audit Period	Remarnk
Deloitte & Touche	Vivian Ye	Kenny Hong	2018/01/01-2018/09/30	The firm has undergone internal restructuring
	Vivian Ye	Gary Cho	2018/10/01-2018/12/31	

Unit: NT$ thousands

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

Unit: NT$ thousands

Accounting Firm	Name of CPA		Audit Fees	Non-audit Fees					Audit Period
				System Design	Registration	Human Resources	Other	Total	
Deloitte & Touche	Vivian Ye	Kenny Hong	6,800	0	0	0	389	389	2018/01/01-2018/09/30
	Vivian Ye	Gary Cho							2018/10/01-2018/12/31
Note	Non-audit Fees are mainly for transfer pricing.								

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

5.3 If the audit fee dropped year on year by more than 15%, specify the amount, percentage, and reason for the reduction: None.

6. Information For Change Of CPA:

6.1 Regarding the former CPA

<table>
<tr><td>Replacement Date</td><td colspan="5">October, 2018</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="5">The original CPA Yeh,Shu-Jyuan and Hong,Guo-Tian were replaced by Yeh,Shu-Jyuan and Jhuo,Ming-Sin accountant for the internal organization adjustment of Deloitte & Touche.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td colspan="2">Parties / Status</td><td colspan="2">CPA</td><td>The Company</td></tr>
<tr><td colspan="2">Termination of appointment</td><td colspan="2">Not Applicapable</td><td>Not Applicapable</td></tr>
<tr><td colspan="2">No longer accepted (continued) appointment</td><td colspan="2">Not Applicapable</td><td>Not Applicapable</td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="5">None</td></tr>
<tr><td rowspan="6">Differences with the company</td><td rowspan="5">Yes</td><td></td><td colspan="3">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="3">Disclosure of Financial Statements</td></tr>
<tr><td></td><td colspan="3">Audit scope or steps</td></tr>
<tr><td></td><td colspan="3">Others</td></tr>
<tr><td></td><td colspan="3"></td></tr>
<tr><td>None</td><td colspan="4">✓</td></tr>
<tr><td>Other Revealed Matters</td><td colspan="5">None</td></tr>
</table>

6.2 Regarding the successor CPA

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

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

7. The Company's Chairman, President and Managers Responsible for Finance or Accounting Who Have Held a Post 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	2018		From Jan 1 2018 to Apr 27 2019	
		Shares Increased (Decreased)	Pledged Shares Increased (Decreased)	Shares Increased (Decreased)	Pledged Shares Increased (Decreased)
Chairman	Douglas Tong Hsu	0	0	0	0
Director	Representative of Ding & Ding Management Consultants Co.	0	0	0	0
	Nancy Hsu	0	0	0	0
	Representative of Far Eastern New Century Corporation	0	0	0	0
	Nicole Hsu &	0	0	0	0
	Chee Ching	0	0	0	0
	Representative of Asia Cement Corporation	0	0	0	0
	Jin Lin Liang	0	0	0	0
	Representative of Yue Li Investment Corporation	0	0	0	0
	Philby Lee	0	0	0	0
Independent Director	Edward Way	0	0	0	0
	Eugene You-Hsin Chien	0	0	0	0
	Raymond R.M. Tai	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
	Lily L. Y. Liu	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
Major shareholder with more than 10% shareholding	Far Eastern New Century Corporation	0	0	0	0

8.2 Shareholding Transferred: None

8.3 Shareholding Pledged: None

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

April.27, 2019

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, Tranguil Enterprise Ltd. Yuan Ding Investment Co., Ltd Yuan Tong Investment Co., Ltd Far Eastern Memorial Foundation	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 Chairman is the Director of the Foundation	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 Tranguil Enterprise Ltd. Yuan Ding Investment Co., Ltd. Yu Yuan Investment Co., Ltd. Far Eastern Memorial Foundation	The same Chairman The same Chairman The same Chairman The same Chairman Invested by evaluated by Asia Cement Corporation and evaluated by equity method Chairman is the Director of the Foundation	N/A
Yuan Ze UniversityRepresentative: Douglas Tong Hsu	67,373,794	4.75	0	0	0	0	Far Eastern New Century Corporation Asia Cement Corporation Yuan Ding Investment Co., Ltd. Tranguil Enterprise Ltd. Far Eastern Memorial Foundation	The same Chairman The same Chairman The same Chairman The same Chairman Chairman is the Director of the Foundation	N/A
Yuan Tong Investment Co., Ltd Representative: Jian Cheng Wang	39,618,530	2.80	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

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: Chen Chun Ming	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
Norges Bank account in custody of Citibank (Taiwan)	28,331,657	2.00	0	0	0	0	N/A	N/A	N/A
Tranguil Enterprise Ltd. Representative: Douglas Tong Hsu	26,584,590	1.88	0	0	0	0	Far Eastern New Century Corporation Asia Cement Corporation Yuan Ze University Yuan Ding Investment Co., Ltd. Far Eastern Memorial Foundation	The same Chairman The same Chairman The same Chairman The same Chairman Chairman is the Director of the Foundation	N/A
Far Eastern Memorial Foundation Representative: Shu-Hsun Chu	24,241,000	1.71	0	0	0	0	Far Eastern New Century Corporation Asia Cement Corporation Yuan Ze University Tranguil Enterprise Ltd. Yuan Ding Investment Co., Ltd.	Chairman is the Director of the Foundation Chairman is the Director of the Foundation Chairman is the Director of the Foundation Chairman is the Director of the Foundation Chairman is the Director of the Foundation	N/A
Yuan Ding Investment Co., Ltd. Representative: Douglas Tong Hsu	23,473,985	1.66	0	0	0	0	Far Eastern New Century Corporation Asia Cement Corporation Yuan Ze University Tranguil Enterprise Ltd. Yuan Tong Investment Co., Ltd. Far Eastern Memorial Foundation	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 Chairman is the Director of the Foundation	N/A

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

12/31/2018 Unit: ’000 share; %

Affiliated Company (Note 1)	Investment of the Company		Directors, Supervisors,Managements and Direct or Indirect Investment of the Affiliated company		Consolidated Investment	
	Shares	%	Shares	%	Shares	%
Far Eastern Ai Mai Co., Ltd.	87,744	100	0	0	87,744	100
Bai Ding Investment Co., Ltd.	119,981	67	60,019	33	180,000	100
Bai Yang Investment Co.	924,991	100	0	0	924,991	100
Yu Ming Adventsing agency Co.,Ltd	3,500	100	0	0	3,500	100
Ya Tung Department Store Ltd.	21,000	100	0	0	21,000	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
Orinetal Securites Coporation	140,297	20	373,137	52	513,434	72
Ding Ding Integrated Marketing Services. Ltd.	3,399	10	3,399	10	6,798	20
Yuan Hsin Digital Payment Co., Ltd.	15,313	15	15,313	15	30,626	30

Note 1: Investment accounted for using equity-method.

IV. Capital Overview

1. Capital and Shares

1.1 Issued Shares

Book closure date:April 27,2019 Unit: NT$shares

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

Note : 2015.12.3 MOEA Ruling Ref.No. 10401255720

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

1.2 Composition of Shareholders

Book closure date: 27 April 2019

Shareholder Structure / Amount	Government Institutions	Financial Institutions	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Individual Shareholders	Total
Number	12	22	173	78,460	243	78,910
Number of shares owned	6,204,679	28,509,616	707,920,151	433,746,628	240,559,515	1,416,940,589
% holdings	0.44	2.01	49.96	30.62	16.97	100

1.3 Distribution Profile of Share Ownership

Book closure date: 27 April 2019

Shareholder Ownership	Number of Shareholders	Number of shares owned	%
1 - 999	33,256	7,486,868	0.53
1,000 - 5,000	30,748	67,692,222	4.78
5,001 - 10,000	7,042	50,944,586	3.60
10,001 - 15,000	2,735	32,913,067	2.32
15,001 - 20,000	1,401	25,131,825	1.77
20,001 - 30,000	1,347	33,076,255	2.33
30,001 - 40,000	619	21,659,270	1.53
40,001 - 50,000	339	15,531,204	1.10
50,001 - 100,000	711	49,358,788	3.48
100,001 - 200,000	341	46,561,731	3.29
200,001 - 400,000	182	51,271,709	3.62
400,001 - 600,000	55	26,276,939	1.85
600,001 - 800,000	22	15,742,050	1.11
800,001 - 1,000,000	17	15,639,099	1.10
1,000,001 - 999,999,999	95	957,654,976	67.59
Total	78,910	1,416,940,589	100.00

1.4 Major Shareholders

Book closure date: 27 April 2019

Shares / Major Shareholders	Shares	%
Far Eastern New Century Corporation	241,769,702	17.06
Asia Cement Corporation	80,052,950	5.65
Yuan-Ze University	67,373,794	4.75
Yuan Tong Investment Co., Ltd	39,618,530	2.80
Labor Pension Fund of Far Eastern Department Stores Ltd.	29,926,799	2.11
Yu Yuan Investment Co., Ltd.	29,130,476	2.06
Norges Bank account in custody of Citibank (Taiwan)	28,331,657	2.00
Tranguil Enterprise Ltd.	26,584,590	1.88
Far Eastern Memorial Foundation	24,241,000	1.71
Yuan Ding Investment Co., Ltd.	23,473,985	1.66

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

Item \ Year			2017	2018	From Jan 1 2019 to Mar 31 2019
Market Price per Share	High		16.60	20.10	16.8
	Low		14.60	14.85	15.4
	Average		15.52	17.03	16.15
Net Value per Share	Before distribution		20.58	20.96	21.24(Note1)
	After distribution		19.58	(Note2)	(Note2)
Earnings per Share	Weighted Average Shares (thousand shares)		1,408,734	1,408,734	1,408,734
	Earnings per share	Before adjustment	1.09	0.94	0.32(Note1)
		After adjustment	1.09	(Note2)	-
Dividends per Share (Note 3)	Cash dividend		1.0	0.85	-
	Stock dividend	Distribution of surplus	-	-	-
		Additional Paid-In Capital	-	-	-
	Accumulated un-distributed dividend （NT$'000）		29,285	31,379	33,270
Return on Investment Analysis	Price/Earnings Ratio (Note 4)		14.23	18.12	50.47
	Price/Dividend Ratio (Note 5)		15.52	20.04	-
	Cash dividend yield (Note 6)		6.44	4.99	-

Note 1：The numbers is calculated based on 2019Q1 finacial report reviewed by CPA.

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

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

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

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

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

1.6 Dividend Policy and Implementation Status

1.6.1. Dividend Policies under the Articles of Incorporation

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

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

Taking the Company's pay-out dividends over past three years as example, the dividend payout ratios from 2016 to 2018 were 89%, 91% and 90% respectively. All dividend payout ratios are all in accordance with the Articles of Incorporation of FEDS that outline that the cash dividend declared by the Company shall be no less than 10% of the total dividends distributed that year. Please see the below table for details:

Year	EPS (A)	Cash Dividend (B)	Stock Dividend (C)	Dividend Per Share (D=B+C)	Payout Ratio (D/A)	Cash Payout Ratio (B/D)
2016	0.81	0.70	0.00	0.70	86%	100%
2017	1.09	1.00	0.00	1.00	91%	100%
2018	0.94	0.85	0.00	0.85	90%	100%

1.6.2. Dividend Allocation proposed to be approved at the Annual Shareholders' meeting:
Cash dividend of NT$ 0.85 per share is proposed to be distributed.

1.7 Effects on Business Performance and EPS Resulting from Stock Dividend Distribution Proposed by 2018 Annual General Shareholders' Meeting:

Unit: NT$

<table>
<tr><th colspan="3">Item / Year</th><th>2019
（Estimate）</th></tr>
<tr><td colspan="3">Paid-in Capital (beginning of the year)</td><td>14,169,405,890</td></tr>
<tr><td rowspan="3">Stock & Cash Dividend Distribution</td><td colspan="2">Cash Dividend (NT$/per share)</td><td>0.85</td></tr>
<tr><td colspan="2">Stock Dividend from Retained Earnings</td><td>0.00</td></tr>
<tr><td colspan="2">Stock Dividend from Capital Surplus</td><td>0.00</td></tr>
<tr><td rowspan="7">Variance in Business Performance</td><td colspan="2">Operating Income</td><td rowspan="13">not applicable
(note)</td></tr>
<tr><td colspan="2">% Change in Operating Income</td></tr>
<tr><td colspan="2">Net Income</td></tr>
<tr><td colspan="2">% Change in Net Income</td></tr>
<tr><td colspan="2">Earnings Per Share</td></tr>
<tr><td colspan="2">% Change in EPS</td></tr>
<tr><td colspan="2">Average Return on Investment (%)(Reciprocal of Average P/E Ratio)</td></tr>
<tr><td rowspan="6">Pro Forma EPS & P/E Ratio</td><td rowspan="2">If Retained Earnings Pro Forma Earnings Per Share Distributed in Cash Dividend</td><td>Pro Forma Earnings Per Share</td></tr>
<tr><td>Pro Forma Average Yearly Return on Investment</td></tr>
<tr><td rowspan="2">If Capital Surplus not Distributed in Stock Dividend</td><td>Pro Forma Earnings Per Share</td></tr>
<tr><td>Pro Forma Average Yearly Return on Investment</td></tr>
<tr><td rowspan="2">If Retained Earnings & Capital Surplus Distributed in Cash Dividend rather than Stock Dividend</td><td>Pro Forma Earnings Per Share</td></tr>
<tr><td>Pro Forma Average Yearly Return on Investment</td></tr>
</table>

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-thirds of the total number of Directors, to 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 a 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 108 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 20, 2019. 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 2018 employees' compensation and Directors' remuneration was resolved on 20 March 2019 by 4th Board Meeting of the 18 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 55,384,000 in 2018 and directors' compensation is 41,538,000 . These amounts are not different from the amount recognized in the 2018 accounts.

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

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

(1) The board of directors resolved to allot 2017 employees for NT$60,395,000 and actually issued NT$63,753,000.

(2) The board of directors resolved to allot 2017 directors' compensation for NT$45,296,000 and actually issued NT$45,500,000 .

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 2018 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

8.2Implementation Status：None

V. Operational Highlights

1. Business Activities

1.1 Business Scope

1.1.1. Sales Breakdown of Main Business Segments：

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

1.1.2. Current Products and Services Provided by the Company and Subsidiaries：Please refer to page 72 Sales Volume and Revenue in Recent Two Years

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

None

1.2 Business Environment

1.2.1. Current Industry Situation and Prospects

In 2018, the overall sales volume in Taiwan's department store market grew by 1.6%, with its turnover amounting to NT$340.1 billion. This market has been growing for the ninth consecutive year. However, the sales volume in department stores grew at a slower rate than convenience stores (6.3% growth rate), supermarkets (5.9% growth rate), and hypermarkets (2.5% growth rate) due to various factors, including the development of e-commerce, the diversification of retail channels, and changes in consumers' shopping habits. To enhance competitive advantage, department store operators have undergone transformation and built omni-channel shopping malls by integrating virtual and physical channels and complementing each other, so that consumers can enjoy a 24-hour shopping environment with zero time difference both online and offline channels, thereby creating a convenient omni-channel consumption model.

To provide consumers with a more convenient shopping journey, mobile payment has become a highlight of department stores. As the diversification of payment methods helps stimulate market consumption, department store operators have actively incorporated a diverse range of payment tools, and even launch their own mobile payment systems. Department stores offer customized mobile payments after linking these systems to their membership apps, and provide greater discounts through e-vouchers, bonus points, etc. The National Development Council (NDC) has also proposed to launch a mobile payment program based on three major strategies, namely "complete mobile payment infrastructure, expand the field of mobile payment application, and enhance experiential marketing for mobile payment", in hopes of achieving a mobile payment penetration rate of 90% in 2025. With the increasingly widespread application of mobile payment, opportunities for department stores also continue to expand.

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

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

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

1.2.3 Industry Development Trends and Competition

In recent years, hundreds of department stores have to compete with each other, while new competitors continue to join the industry. The choice of location has also shifted from the traditionally concentrated areas in city centers to areas outside city centers along the rail tracks. Department stores are mainly operated by large construction companies, and rely on traffic and crowd to bring in stable customer flow.

In addition to changes in location conditions, the brand and functional positioning of department stores are also moving toward diversification. Regional department stores are more localized, with less demand for branded products; while composite department stores have a high demand for counters, and set numerous requirements for shopping mall themes, brand style and market differentiation. Department store operators must clearly understand the characteristics and needs of consumers in order to gain an edge in the competition.

In 2018, three major department store chains, including FEDS, Far Eastern Sogo, and Shin Kong Mitsukoshi jointly created NT$168.2 billion worth of sales, and occupied a market share of approximately 50%, indicating a relatively obvious trend of the development of large department store operators. As channel is a key factor king, resource-rich chain groups have a major advantage in terms of attracting investments, and operation. The competition situation, in which department stores move toward the large-scale and chain store model, is set to continue for a while, and will not change easily.

1.3 Technology and Research & Development Overview

The Company sets a complete training program for employees' on-the-job training, while we also often set research themes and send employees abroad to study famous department stores and large shopping malls in various countries, with a view to broadening our coworkers' horizons. Moreover, the Company encourages our coworkers to apply the insights they gain from these trips to daily business practices. At the same time, we are the only member representing Taiwan in the Intercontinental Group of Department Stores (IGDS), and actively participate in various events organized by IGDS, in order to acquire new management knowledge and improve business performance.

In addition to international retail organizations, the Company, as a leading company in the domestic department store industry, has joined over 40 department store industry trade associations and other related trade associations and societies, including the Retailers Association of Chinese Taipei, the Taiwan Council of Shopping Centers, the Chinese National Association of Industry and Commerce, and the Center for Corporate Sustainability, in hopes of promoting the vigorous development of the domestic department store retailing industry and enhancing our self-management and business management capabilities, so as to contribute to the prosperity and development of the industry, and to lay a good foundation for becoming a sustainable enterprise.

1.4 Long-term and Short-term Business Development Plans

1.4.1 Short-term:

(1) Increase growth momentum, where each branch continues to adjust brand lineup and business segments in response of market trends and the characteristics of business districts, in order to enhance the product strength and features of shopping malls.

(2) Manage social medial platforms, enhance social marketing, and get close to customer's consumption needs and preferences by integrating big data analysis, in order to provide more refined and smart personal services.

(3) Organize featured events, and conduct international exhibitions and various types of activities according to festive seasons and trendy topics, in order to increase interaction with customers, and enhance the ability of shopping malls to gather customers and their management capabilities.

(4) Embrace digital technology, develop smart retail, construct an omni-channel consumption model, and offer a smart shopping experience, so that customers can enjoy the convenient and fun shopping journey, thereby moving toward innovative retail.

1.4.2 Long-term:

(1) Build a strong presence domestically, continue to create new forms of shopping malls, and expand the scale of operations and growth niches

(2) Expand market in China, adjust the business directions of stores in China, and develop new store locations

(3) Establish technology-based and eco-friendly smart shopping malls, create trends exclusively for customers, become a leading retail brand which incorporates sustainable management, and fulfill CSR

2. Market, Production and Sales Overview

2.1 Market Analysis

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

Taiwan and Mainland China.

2.1.2 Domestic market share (KPI) for main products:

The Company's market share in the Taiwanese market (including Far Eastern Sogo and Ya Tung Department Store) is 26%.

2.1.3 Future market supply and demand conditions and growth:

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

2.1.4 Major competitors:

Shin Kong Mitsukoshi Department Store Co., Ltd.

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

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

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

C. Unfavorable factors for development prospects
(1) Strong growth of online shopping and TV shopping
(2) Heavy spending on promotion due to a large number of competitors, thereby significantly increasing operating costs
(3) Continuous opening of large shopping malls and outlet stores, thereby increasing market competition

D. Response measures
(1) Adjust product structure, and screen target customer based on the conditions of business district in which each store is located, in order to carry out differentiated marketing.
(2) Enhance experiential marketing by creating more interactive and experiential shopping services
(3) Develop mobile shopping by innovating mobile marketing with the Group, in order to provide a more convenient consumer experience.
(4) Expand online-to-offline (O2O) integration, and move toward O2O operations, thereby developing a high-quality O2O model.
(5) Create management efficiency, expand income sources and economize on expenditures, as well as reduce costs

2.2 Main Features and Prodution Process of Major Products: Not applicable。

2.3 Supply of Raw Material: Not applicable。

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

1.Suppliers：None。

2.Customers：None。

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

2.6 Sales Volumes for Recent 2 Years

Unit: NT$ thousands

Item \ Year	2017		2018	
	Revenue	Weighting（%）	Revenue	Weighting（%）
Sales revenue	24,257,581	59	23,704,953	61
Commission revenue	12,794,159	31	12,250,426	31
Advertising revenue	1,845,277	5	890,598	2
Rent revenue	1,420,631	3	1,584,523	4
Others	849,334	2	812,051	2
Total	41,166,982	100	39,242,551	100

Note: The figures disclosed above are on consolidated basis

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

Year		2017		2018		2019/03/31	
		The company	Companies in the Consolidated Financial Report	The company	Companies in the Consolidated Financial Report	The company	Companies in the Consolidated Financial Report
Number of Employees	Managers	421	1,461	419	1,431	414	1,412
	Others	982	4,715	915	4,372	918	4,321
	Total	1,403	6,176	1,334	5,803	1,332	5,733
Average Age		38.0	38.4	38.0	38.8	37.9	38.9
Average Years of Service		12.4	10.5	12.3	10.8	12.2	10.9
Breakdown of Educational Level (%)	Ph.D.	0	0	0	0	0	0
	Master	3.9%	2.9%	4.7%	3.0%	4.7%	3.0%
	College	76.6%	64.9%	77.3%	66.0%	76.1%	65.8%
	Senior High School	18.9%	30.1%	17.5%	29.0%	18.7%	29.2%
	Below High School	0.6%	2.1%	0.5%	2.0%	0.5%	2.0%

4. Environmental Protection Expenditure

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

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

5. Employee Relations

5.1 Existing Employee Welfare Measures and System:

5.1.1. Employee Welfare Measures

(1) The Company:

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

- The Company purchases group insurance for employees to protect employees' lives and safety.

(2) Affiliated companies:

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

5.1.2 Employee Training:

(1) The Company:

- In order to meet the work requirements of various positions and at all levels, the Company plans internal professional training courses related to operations management, marketing services and product information, in order to satisfy the needs of or coworkers at work. In 2018, a total of 43,975 people attended 146,287 hours of training in these courses.
- The Company selects and sends suitable coworkers to attend various types of workshops organized by the FEG Human Resources Development Center every year, in line with personal development potential according to coworkers' duties and work requirements. In 2018, a total of 126 people attended 842 hours of training in these workshops.
- To enhance our coworkers' professional competencies, the Company acquires the latest information to increase work efficiency, and sends our coworkers to attend various professional courses organized by professional institutions. In 2018, a total of 223 people attended 1,695 hours of training in these courses.

In 2018, each coworker attended 15.1 hours of training on average, with a total of NT$988 thousand spent on training.

(2) Affiliated companies:

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

5.1.3. Retirement system:

(1) The Company:

The Company has formulated the Regulations Governing Employee Retirement, and has set up the Supervisory Committee of Employee Pension Reserve Fund in accordance with the Labor Standards Act. According to the old system, the Company contributes 2% of each employee's monthly salary into the pension reserve fund, and deposits this amount into the employee pension reserve fund account at Bank of Taiwan. After the implementation of the new Labor Pension Act, the Company contributes 6% of each employee's monthly salary into the pension reserve fund, and deposits this amount into the Bureau of Labor Insurance account. Every year, the Company appoints a consulting firm to carry out actuarial calculation of retirement pension reserve so as to protect the pension rights of all employees.

(2) Affiliated companies:

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

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

5.3 Losses suffered due to labor disputes in the most recent fiscal year up to the publication date of this annual report: None

6. Important Contracts And Agreements

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
Commercial Real Estate Lease Contract	The Company and Taoyuan City Farmers Association	2018.05~2033.05	To expand our business locations, and increase our market share, the Company invested in the Taoyuan County Farmers' Association to construct and operate a commercial building in front of the Taoyuan County Farmers' Association Station, where the address of the exact construction location is B3-12F, No. 20, Zhongzheng Road, Taoyuan City. This commercial building opened on October 26, 1999. As the original contract expired in May 2018, the Company and Taoyuan City Farmers' Association (where the previous Taoyuan County Farmers' Association was renamed Taoyuan City Farmers' Association as Taoyuan County was upgraded to a municipality on December 25, 2014) signed a new lease contract, with a lease period of 15 years.	None
	Far Eastern Ai Mai Co., Ltd. and Hsin Chu Chemical Industrial Co., Ltd.	2001.11 Signed	In November 2001, Far Eastern Ai Mai Co., Ltd. signed a real property lease contract with Hsinchu Chemical Co., Ltd. According to the contract, Hsinchu Chemical Co., Ltd. shall provide the land for the construction of a hypermarket. Funds for the construction of the building was contributed by Hsinchu Chemical Co., Ltd. and FEDS in the ratio of 1 to 2, where the contribution made by Far Eastern Ai Mai Co., Ltd. (including pre-development expenses) shall be regarded as prepaid lease payment, which is amortized on average based on the remaining contractual years (19 years and 3 months) from the opening of the hypermarket.	None
	The Company and Ministry of Education	2006.04~2027.4	To expand our business locations, and increase our market share, the Company successfully obtained the right to lease pieces of state-owned school land located in Parcel No. 89 and 91, Huiguo Section, Xitun District, Taichung City from the Ministry of Education via tender on November 28, 2005. In the second quarter of 2006, the Company signed an official lease contract with the Ministry of Education. According to the contract, the lease period was 20 years. However, the Company was given a one-year rent-free planning period; thus, the rent was calculated beginning April 6, 2007. After the expiration of the lease period, the Company may apply for contract renewal once for a lease period of 20 years. The rent for the first year was NT$140,288 thousand, and the rent shall be adjusted once every three years from the start of the lease contract. The Company has completed the construction of the building and officially put the building into operation at the end of 2011. Besides, the Company entrusted the building on the ground to Land Bank of Taiwan.	None
	Pacific SOGO Department Store. Co., Ltd. and Department	2007.01 Signed	Pacific Sogo Department Stores Co., Ltd. signed a public real property lease contract with the Department of Rapid Transit Systems of Taipei City Government, the Department of Finance of Taipei City Government, and Hung Ton Development Corporation for the joint	None

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
	of Rapid Transit Systems Taipei City Government, Taipei City Deparment of Finance, and Hung Ton Development Corporation		development building at Zhongxiao Fuxing Station (BR4) along the Taipei Metro Muzha Line. According to the contract, Pacific Sogo shall pay a fixed monthly rent of NT$12,701 thousand to the Department of Rapid Transit Systems of Taipei City Government and the Department of Finance of Taipei City Government for a period of 9 years and 6 months from the official opening of Fuxing Store. Beginning 2014, the fixed monthly shall be increased to NT$13,125 thousand. On the other hand, the rent shall be calculated based on the annual turnover of Fuxing Store (BR4). Before the expiration of the lease period, Pacific Sogo renewed the lease contract in June 2016, with a lease period of 9 years and 6 months, in which the monthly rent in the first year is NT$20,263 thousand, and shall be adjusted beginning the second year in accordance with the lease contract. To obtain the right to lease the joint development building at Fuxing Store (BR4), Pacific Sogo made an advance payment to the holder of the development rights for Fuxing Store (BR4) - Hung Ton Development Corporation, and signed a lease contract with Hung Ton Development Corporation in December 2006 to lease the land and the building for Fuxing Store (BR4) owned by Hung Ton Development Corporation. This contract stipulated that when Pacific Sogo has paid an amount exceeding the rent payable, the overpaid amount shall be regarded as prepaid rent paid by Pacific Sogo Department Stores Co., Ltd., which shall be deducted from future monthly rent payable.	
	The Company and Far Eastern Ai Mai Co., Ltd.	2009.10~2029.10	The Company rented the storage areas on the first floor underground and third floor of the building located at No 581, Heping Road, Guofeng Village, Hualien City, to Far Eastern Ai Mai Co., Ltd. for the purpose of running a hypermarket and retail business. The building was officially opened on October 28, 2009.	None
	The Company and FEDS Asia Pacific Development Co., Ltd.	2016.10~2036.10	The 5th floor underground to the 18th floor of the building located at No. 21, Sanduo 4th Road, Kaohsiung City, was leased to run a department store, a supermarket and other businesses.	None

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
Establishment of Superficies for Land	FEDS Asia Pacific Development Ltd.and Asia Cement Corporation	1998.01 Signed	FEDS Asia Pacific Development Co.,Ltd. signed a contract with Asia Cement Corporation to invest in the construction and operation of the Asia Plaza Tri-Tower Complex in Kaohsiung (Far Eastern Asia Pacific Shopping Mall). According to the contract, Asia Cement Corporation shall provide the land for construction, whereas FEDS Asia Pacific Development Ltd. shall construct the commercial building. FEDS Asia Pacific Development Ltd. may use the land for 50 years from the date of signing the contract, and shall pay NT$1,073,000 thousand as surface rights fee, which shall be amortized on average according to the period of use. In addition, the company shall pay 5% of the announced land value as land rent every November from the date of signing the contract. This building was completed in October 2001. The cost of investing in the construction of the commercial building shall be calculated based on the total contract price of the construction project, and shall be amortized on average during the period of use (From October 2001 to December 2047).	None
	The Company and Taipei City Government	2003.10 Signed	The Company obtained surface rights of city-owned land in Taipei Xinyi Special District No. A13 of Taipei City Government in September 2003, where the total surface rights fee is NT$3,196,888 thousand. The setting of surface rights was completed in October 2003. According to the contract, the duration of the surface rights is 50 years from the date on which the registration of surface rights is completed. In addition, the monthly rent is NT$3,771 thousand from the date of signing the contract, and shall be adjusted together with the announced land value.	None
	Chubei New Century Shopping Mall Co., Ltd and Hsinchu County Government	2015.7 Signed	On July 8, 2015, Chubei New Century Shopping Mall Co., Ltd signed the "Investment Contract for the Commissioning of the Private Sector to Participate in the Construction of Parking Lot No. 8 in Zhubei City, Hsinchu County" with Hsinchu County Government, where the total surface rights fee is NT$10,000 thousand. The setting of surface rights was completed in September 2015. According to the contract, the surface rights shall take effect from the date of signing the investment contract for a period of 50 years, including the construction and operation period. On the other hand, from the date of signing the contract, the land rent shall be 1% of the total declared land value during the construction period, and 3% of the total declared land value during the operation period. The land rent shall be adjusted together with the announced land value.	None
Joint Venture Contract	The Company And Malaysia City Super	2004.07 Signed	To develop the integrity of the retail system for food and daily life products.	None

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
	Limited			
Covenant to Manage Buildings held in indivision	The company and Far Eastern Construction Co.,Ltd	2011.06.14~ 2026.12.31	The Company and Far Eastern Construction., Co., Ltd. jointly own the 13th floor and the 4th floor underground of the building located on Parcel No. 8, 9, 10, 14, and 14-1 in Subsection 2, Xinban Section, Banqiao District, New Taipei City, as well as the 3rd floor and the 1st floor underground of the newly constructed building on Parcel No. 8 in Subsection 2, Xinban Section, Banqiao District, New Taipei City. Both parties agree to hand over all the subject matters of the contract to the Company for use and management, where these subject matters will be used by the Company as department stores or rented out to third parties for commercial use. The Company shall pay rent to Far Eastern Construction., Co., Ltd. according to the contract, with the lease period ending on December 31, 2026. If the Company wishes to renew the contract upon expiration of the contract, the Company shall submit a written notice 6 months before the expiration of the contract. Both parties shall launch negotiations to formulate a new contract before the expiration of the contract, where the renewal period shall be 15 years.	None

Contract Type	Counter Party	Contract Period	Description	Restricted Clauses
Far Eastern Department Stores Ltd. Long-Term Borrowing Contract	Mega International Commercial Bank	2018.09~2020.09	Bank Loans	None
	Bank Of Taiwan	2018.01~2021.01		
	Taiwan Cooperative Bank	2018.09~2023.09		
	Hua Nan Commercial Bank	2015.03~2020.03		
		2018.08~2020.08		
	CTBC	2018.11~2020.10		
	Bank of China	2018.07~2020.07		
	KGI Bank	2018.06~2020.06	Bank Loans	None
Bai Yang Investment Co.,Ltd Long-Term Borrowing Contract	Taishin International Bank	2018.05~2020.05	Bank Loans	None
Chubei New Century	Management Bank: Hua	2018.02~2023.02	Bank Loans	None

Shopping Mall Co.,Ltd Long-Term Borrowing Contract	Nan Commercial Bank			
Pacific Sogo Department Stores Co., Ltd. Long-Term Borrowing Contract	Mizuho Bank	2018.09~2020.09	Bank Loans	None
	Bank of China	2018.08~2020.08		
	Bank SinoPac	2018.05~2020.05		
	First Commercial Bank	2018.12~2020.12		
	Chang Hwa Commercial Bank	2018.05~2021.05		
	Sumitomo Mitsui Banking Corporation	2018.08~2020.08		
	Mega International Commercial Bank	2017.07~2020.07		
	Yuanta Commercial Bank	2017.12~2020.12		
	KGI Bank	2018.09~2020.09		
	Bank of Kaohsiung	2018.09~2020.09		
	Hua Nan Commercial Bank	2018.12~2020.12		
	Taiwan Cooperative Bank	2018.11~2020.11		
	CTBC	2018.10~2020.10		

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 2014	2015	2016	2017	2018	Mar 31, 2019
Current Assets		19,315,267	18,077,296	21,741,067	25,311,692	25,052,856	14,035,373
Property, plant and equipment		47,426,385	45,612,886	43,626,582	43,699,225	43,532,941	33,791,136
Intangible assets		7,226,592	7,240,992	6,244,854	5,059,516	3,449,258	3,474,516
Other assets		37,651,444	35,406,312	34,583,107	31,638,018	31,711,286	71,806,532
Total assets		111,619,688	106,337,486	106,195,610	105,708,451	103,746,341	123,107,557
Current liabilities	Before distribution	44,419,447	44,141,119	48,187,858	51,115,648	46,630,770	44,393,298
	After distribution	45,858,643	45,558,059	49,179,716	52,532,588	—	—
Non-current liabilities		27,754,027	25,344,496	21,564,950	17,734,625	19,425,181	40,701,315
Total liabilities	Before distribution	72,173,474	69,485,615	69,752,808	68,850,273	66,055,951	85,094,613
	After distribution	73,612,670	70,902,555	70,744,666	70,267,213	—	—
Equity attributed to owners of parent		31,655,800	29,246,999	28,630,571	28,998,718	29,523,906	29,923,221
Common stock		14,391,956	14,169,406	14,169,406	14,169,406	14,169,406	14,169,406
Capital surplus		3,498,252	3,315,420	3,319,868	3,315,931	3,315,420	3,315,420
Retained earnings	Before distribution	7,961,851	7,863,493	7,443,007	7,931,970	7,904,938	7,777,392
	After distribution	6,522,655	6,446,553	6,451,149	6,515,030	—	—
Other equity		5,900,851	3,995,790	3,795,400	3,678,521	4,231,252	4,758,113
Treasury stocks		(97,110)	(97,110)	(97,110)	(97,110)	(97,110)	(97,110)
Non-controlling interests		7,790,414	7,604,872	7,812,231	7,859,460	8,166,484	8,089,723
Total equity	Before distribution	39,446,214	36,851,871	36,442,802	36,858,178	37,690,390	38,012,944
	After distribution	38,007,018	35,434,931	35,450,944	35,441,238	—	—

1.1.2. Condensed Consolidated Statements of Comprehensive Income

Unit: NT$ thousands, except earnings per share

Item \ Year	Five-Year Financial Summary（Note 1）					2019/01/01~03/01
	2014	2015	2016	2017	2018	
Operating Revenues	45,928,793	44,998,319	43,496,489	41,166,982	39,242,551	9,226,599
Gross Profit	23,209,366	22,740,386	21,901,122	20,493,375	20,150,967	4,806,198
Operating Profit	3,328,515	2,928,831	3,161,116	3,086,724	4,187,329	1,041,409
Total Non-Operating Income And Expenses	(238,715)	485,842	(1,039,835)	(387,882)	(1,638,214)	(226,171)
Profit Before Income Tax	3,089,800	3,414,673	2,121,281	2,698,842	2,549,115	815,238
Net Profit For The Year	2,164,489	2,153,301	1,495,558	1,845,022	1,650,495	578,450
Other Comprehensive (Loss) Income For The Year, Net Of Income Tax	2,191,937	(2,264,467)	(289,010)	(159,208)	907,277	489,049
Total Comprehensive Income For The Year	4,356,426	(111,166)	1,206,548	1,685,814	2,557,772	1,067,499
Owners Of The Company	1,529,065	1,714,770	1,134,252	1,535,986	1,318,150	457,648
Non-Controlling Interests	635,424	438,531	361,306	309,036	332,345	120,802
Owners Of The Company	3,722,459	(530,347)	797,192	1,363,957	2,029,426	984,509
Non-Controlling Interests	633,967	419,181	409,356	321,857	528,346	82,990
EPS (NT$/Share)	1.07	1.20	0.81	1.09	0.94	0.32

1.1.3. Condensed Balance Sheets (Stand-alone)

Unit: NT$ thousands

Item \ Year		**2014**	**2015**	**2016**	**2017**	**2018**
Current assets		1,919,167	1,814,999	1,892,513	1,886,095	2,519,024
Property, plant and equipment		27,090,806	26,098,891	25,385,789	25,020,048	25,314,067
Intangible assets		21,897	12,553	24,189	50,001	50,207
Other assets		33,900,739	31,982,528	31,059,094	33,934,933	33,674,667
Total assets		62,932,609	59,908,971	58,361,585	60,891,077	61,557,965
Current liabilities	**Before distribution**	14,690,239	14,924,730	17,806,328	20,999,068	18,588,427
	After distribution	16,129,435	16,341,670	18,798,186	22,416,008	—
Non-current liabilities		16,586,570	15,737,242	11,924,686	10,893,291	13,445,632
Total liabilities	**Before distribution**	31,276,809	30,661,972	29,731,014	31,892,359	32,034,059
	After distribution	32,716,005	32,078,912	30,722,872	33,309,299	—
Common stock		14,391,956	14,169,406	14,169,406	14,169,406	14,169,406
Capital surplus		3,498,252	3,315,420	3,319,868	3,315,931	3,315,420
Retained earnings	**Before distribution**	7,961,851	7,863,493	7,443,007	7,931,970	7,904,938
	After distribution	6,522,655	6,446,553	6,451,149	6,515,030	—
Other equity		5,900,851	3,995,790	3,795,400	3,678,521	4,231,252
Treasury stocks		(97,110)	(97,110)	(97,110)	(97,110)	(97,110)
Total equity attributable to owners of the Company	**Before distribution**	31,655,800	29,246,999	28,630,571	28,998,718	29,523,906
	After distribution	30,216,604	27,830,059	27,638,713	27,581,778	—

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

Unit: NT$ thousands, except earnings per share

Item \ Year	2014	2015	2016	2017	2018
Operating Revenues	10,193,869	10,348,566	10,524,713	10,581,149	10,781,588
Gross Profit	6,633,912	6,637,882	6,680,975	6,483,723	6,496,456
Operating Profit	1,587,730	1,531,132	1,844,302	1,882,157	2,089,339
Total Non-Operating Income And Expenses	205,919	568,193	(457,339)	(100,506)	(455,490)
Profit Before Income Tax	1,793,649	2,099,325	1,386,963	1,781,651	1,633,849
Net Profit For The Year	1,529,065	1,714,770	1,134,252	1,535,986	1,318,150
Other Comprehensive (Loss) Income For The Year, Net Of Income Tax	2,193,394	(2,245,117)	(337,060)	(172,029)	711,276
Total Comprehensive Income For The Year	3,722,459	(530,347)	797,192	1,363,957	2,029,426
EPS (NT$/Share)	1.07	1.20	0.81	1.09	0.94

1.2 Names and Opinions of Independent Auditors in Recent Five Years

Auditor \ Year	2014	2015	2016	2017	2018
Deloitte & Touche	Gary Cho Hung Bin Yu	Gary Cho Hung Bin Yu	Vivian Yeh Kenny Hong	Vivian Yeh Kenny Hong	Vivian Yeh Gary Cho
Opinions	Modified Unqualified Opinion	Modified Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion

2. Financial Ratio Analysis for Recent Five Years

2.1 Financial Ratio Analysis (Consolidated)

Item（Note2） / Year（Note 1）		Five-Year Financial Summary					2019/01/01~ 2019/03/01
		2014	2015	2016	2017	2018	
Financial structure	Ratio of liabilities to assets (%)	64.66	65.34	65.68	65.13	63.67	69.12
	Ratio of long-term capital to property, plant and equipment (%)	141.69	136.35	132.96	124.92	131.20	232.94
Liquidity analysis	Current ratio (%)	43.48	40.95	45.11	49.51	53.72	31.61
	Quick ratio (%)	34.59	31.98	37.17	42.62	45.59	23.60
	Interest coverage ratio (times)	7.64	8.4	5.95	7.05	6.82	4.70
Operating ability	Receivables turnover(times)	58.36	63.21	52.79	37.63	26.32	23.30
	Average collection period (days)	6.25	5.77	6.91	9.69	13.86	15.66
	Inventory turnover (times)	7.68	7.47	7.37	7.6	7.03	6.21
	Payables turnover (times)	1.25	1.26	1.28	1.16	1.03	1.16
	Average sales days (days)	47.52	48.86	49.52	48.02	51.92	58.77
	Property, plant and equipment turnover (times)	0.92	0.96	0.97	0.94	0.89	0.95
	Total assets turnover (times)	0.41	0.41	0.40	0.38	0.37	0.32
Profitability analysis	Return on total assets (%)	2.28	2.32	1.74	2.09	1.91	2.66
	Return on equity	5.69	5.64	4.08	5.03	4.42	6.11
	Pre-tax income to paidin capital (%)(Note 6)	21.46	24.09	14.97	19.04	17.99	5.75
	Ratio of net income to sales (%)	4.71	4.78	3.43	4.48	4.20	6.26
	EPS (NT$/share)	1.07	1.20	0.81	1.09	0.94	0.32
Cash flow	Cash flow ratio (%)	14.52	9.38	11.41	14.02	9.62	-
	Cash flow adequacy ratio (%)	106.89	105.47	115.74	148.24	148.96	143.30
	Cash reinvestment ratio (%)	6.11	3.35	6.70	10.82	4.92	-
Leverage	Operating leverage	1.99	2.17	2.05	1.98	1.65	2.36
	Financial leverage	1.16	1.19	1.16	1.17	1.11	1.26

Analysis of variations exceeding 20% of the numbers in previous year for 2017 and 2018:

1. Receivables turnover decreased, and average collection period increased: mainly due to the increase in account receivable.
2. Cash flow ratio increased, and Cash reinvestment ratio increased: mainly due to the decrease in Cash Flow from Operating Activites

2.2 Financial Ratio Analysis (Stand-alone)

Item（Note 2） / Year		2014	2015	2016	2017	2018
Financial structure	Ratio of liabilities to assets (%)	49.69	51.18	50.94	52.37	52.03
	Ratio of long-term capital to property, plant and equipment (%)	178.07	172.36	159.75	159.44	169.74
Liquidity analysis	Current ratio (%)	13.06	12.16	10.62	8.98	13.55
	Quick ratio (%)	8.45	7.67	6.98	6.29	10.16
	Interest coverage ratio (times)	9.36	10.19	7.85	9.94	10.66
Operating ability	Receivables turnover(times)	37.60	38.63	30.29	23.00	16.79
	Average collection period (days)	9.70	9.44	12.05	15.86	21.73
	Inventory turnover (times)	8.61	8.79	9.45	10.97	11.54
	Payables turnover (times)	1.01	1.03	1.09	0.93	0.81
	Average sales days (days)	42.39	41.52	38.62	33.27	31.62
	Property, plant and equipment turnover (times)	0.34	0.38	0.40	0.41	0.42
	Total assets turnover (times)	0.16	0.16	0.17	0.17	0.17
Profitability analysis	Return on total assets (%)	2.77	3.10	2.20	2.85	2.37
	Return on equity	5.03	5.63	3.91	5.33	4.50
	Pre-tax income to paidin capital (%)(Note 6)	12.46	14.81	9.78	12.57	11.53
	Ratio of net income to sales (%)	14.99	16.57	10.77	14.51	12.22
	EPS (NT$/share)	1.07	1.20	0.81	1.09	0.94
Cash flow	Cash flow ratio (%)	27.21	22.25	15.84	22.23	14.93
	Cash flow adequacy ratio (%)	106.11	112.10	114.26	142.52	146.46
	Cash reinvestment ratio (%)	4.92	4.18	3.46	9.21	3.16
Leverage	Operating leverage	1.79	1.85	1.70	1.63	1.49
	Financial leverage	1.15	1.17	1.12	1.11	1.08
Analysis of variations exceeding 20% of the numbers in previous year for 2017 and 2018: 1. Receivables turnover decreased, and average collection period increased: mainly due to the increase in account receivable. 2. Increase in both current ratio and quick ratio are mainly due to the increase in current asset. 3. Cash flow ratio increased, and Cash reinvestment ratio increased: mainly due to the decrease in Cash Flow from Operating Activites						

Note 1：The numbers is calculated based on 2019Q1 finacial report reniewed by CPA.。

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

1. Financial structure

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

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

2. Liquidity analysis

(1) Current ratio = Current assets / Current liabilities

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

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

3. Operating ability

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

4. Profitability analysis

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

5. Cash flow

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

6. Leverage

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

3. The Audit Committee's Review Report

The Audit Committee's Review Report

To the 2018 General Shareholders' Meeting of Far Eastern Department Stores Ltd,

In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we have examined the Business Report, Financial Statements, and the Resolution for Allocation of Surplus Profit submitted by the Board of Directors for the year ending 2018 which had been audited by Deloitte & Touche, and found them in order.

The Convener of the Audit Committee: Edward Wei

3 May 2019

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

5. 2018 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

Evaluation of Impairment Loss of Goodwill

As of December 31, 2018, the goodwill of the Group was NT$3,302,782 thousand, accounted for 3% of total consolidated assets, which is material to the consolidated financial statements. Under IAS 36, management must test impairment annually.

The goodwill of the Group mainly derived from the merger and acquisition of operating segments in mainland China. When testing goodwill for impairment, management should evaluate whether the recoverable amount is higher than the carrying amount. In determining the recoverable amount, management should estimate the future cash flows from operating segments in mainland China and determine the optimal discount rate. Significant assumptions involve both judgments made by management and material estimation uncertainty. Thus, the evaluation of impairment loss of goodwill is considered a key audit matter. For the accounting policy related to impairment loss of the goodwill, refer to Notes 4, 5 and 19 of the accompanying consolidated financial statements.

Our key audit procedures for the aforementioned key audit matter are as follows:

1. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure their objectivity and assignment were not influenced or restricted, and the methodology conducted was under regulation.

2. We understood the process of management's estimation of the future sales growth rate and profit margin predicted by the operating segments in mainland China.

3. As a consideration for the assessment reliability in the year of 2019 and for succeeding years, we compared 2018 budget and actual operating results of the operating segments in mainland China, estimating the accuracy of management's historical forecast.

4. We confirmed whether management used the appropriate discount rate to assess impairments by using the same evaluation model to calculate the weighted average cost of capital ratio and whether the weighted average cost of capital used by management was significantly different.

Fair Value Evaluation of Investment Properties

As of December 31, 2018, the carrying amount of investment properties was NT$8,690,640 thousand, accounting for 8% of total consolidated assets, which 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 significant accounting estimation and judgment. As a result, the fair value evaluation of investment property is considered to be a key audit matter. Refer to Notes 4, 5 and 18 to the accompanying consolidated financial statements for the relevant detailed information.

Our key audit procedures for the aforementioned key audit matter are as follows:

1. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure that their objectivity and assignment were not influenced or restricted, and the methodology conducted was under regulation.

2. We reviewed significant lease contracts and compared relevant market rentals to assess the reasonableness of cash flow forecasts.

3. We assessed the reasonableness of the valuer's assumptions and methods used in the valuation.

Others Matter

We have also audited the parent company only financial statements of Far Eastern Department Stores, Ltd. as of and for the years ended December 31, 2018 and 2017 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, 2018 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 20, 2019

<u>Notice to Readers</u>

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 14,594,847	14	$ 16,116,484	15
Financial assets at fair value through profit or loss - current (Note 7)	437,747	-	496,455	1
Financial assets at fair value through other comprehensive income - current (Notes 8 and 36)	244,785	-	-	-
Available-for-sale financial assets - current (Notes 10 and 36)	-	-	233,523	-
Financial assets at amortized cost - current (Notes 9 and 36)	2,077,919	2	-	-
Debt investments with no active market - current (Notes 12 and 36)	-	-	1,914,388	2
Notes receivable (Note 13)	2,287	-	1,131	-
Trade receivables (Note 13)	1,582,273	2	1,113,758	1
Trade receivables from related parties (Notes 13 and 35)	155,942	-	126,364	-
Other receivables (Notes 13 and 35)	2,159,355	2	1,784,033	2
Current tax assets (Note 30)	5,655	-	3,079	-
Inventories (Note 14)	2,729,234	3	2,583,275	2
Prepayments (Notes 20 and 35)	977,014	1	870,134	1
Other current assets (Notes 21 and 35)	85,798	-	69,068	-
Total current assets	25,052,856	24	25,311,692	24
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 36)	3,960,014	4	-	-
Available-for-sale financial assets - non-current (Notes 10 and 36)	-	-	2,944,887	3
Financial assets at amortized cost- non-current (Notes 9 and 36)	227,400	-	-	-
Financial assets measured at cost - non-current (Note 11)	-	-	608,037	-
Debt investments with no active market - non-current (Notes 12 and 36)	-	-	227,000	-
Investments accounted for using the equity method (Notes 16 and 36)	8,678,647	8	8,444,059	8
Property, plant and equipment (Notes 17, 35 and 36)	43,532,941	42	43,699,225	41
Investment properties (Notes 18 and 36)	8,690,640	8	8,738,216	8
Intangible assets (Note 19)	3,449,258	3	5,059,516	5
Deferred tax assets (Note 30)	772,100	1	719,578	1
Long-term prepayments for lease (Notes 20 and 35)	7,704,464	8	8,176,674	8
Other non-current assets (Notes 21 and 35)	1,678,021	2	1,779,567	2
Total non-current assets	78,693,485	76	80,396,759	76
TOTAL	$ 103,746,341	100	$ 105,708,451	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 22, 35 and 36)	$ 12,957,612	13	$ 13,084,956	12
Short-term bills payable (Notes 22 and 36)	3,480,365	3	2,514,700	3
Contract liabilities - current (Note 28)	7,525,468	7	-	-
Notes payable	3,683	-	3,071	-
Trade payables	17,579,453	17	18,285,105	17
Trade payables to related parties (Note 35)	104,999	-	127,880	-
Other payables (Notes 24, 27 and 35)	3,687,578	4	4,250,840	4
Current tax liabilities (Note 30)	609,796	1	539,394	1
Provisions - current (Note 25)	6,592	-	6,828	-
Advance receipts (Note 35)	354,277	-	7,456,419	7
Deferred revenue - current (Note 24)	-	-	83,761	-
Current portion of bonds payable (Note 23)	-	-	998,149	1
Current portion of long-term borrowings (Notes 22 and 36)	-	-	3,500,000	3
Other current liabilities (Notes 24 and 35)	320,947	-	264,545	-
Total current liabilities	46,630,770	45	51,115,648	48
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 22 and 36)	15,090,000	15	13,258,102	13
Provisions - non-current (Note 25)	24,909	-	26,465	-
Deferred tax liabilities (Note 30)	2,114,362	2	1,915,480	2
Net defined benefit liabilities (Note 26)	808,480	1	945,908	1
Other non-current liabilities (Notes 24 and 35)	1,387,430	1	1,588,670	1
Total non-current liabilities	19,425,181	19	17,734,625	17
Total liabilities	66,055,951	64	68,850,273	65
EQUITY ATTRIBUTABLE TO OWNERS OF THE GROUP				
Share capital				
Ordinary shares	14,169,406	14	14,169,406	13
Capital surplus	3,315,420	3	3,315,931	3
Retained earnings				
Legal reserve	3,166,880	3	3,013,281	3
Special reserve	2,656,286	2	2,643,743	3
Unappropriated earnings	2,081,772	2	2,274,946	2
Total retained earnings	7,904,938	7	7,931,970	8
Other equity	4,231,252	4	3,678,521	3
Treasury shares	(97,110)	-	(97,110)	-
Total equity attributable to owners of the Company	29,523,906	28	28,998,718	27
NON-CONTROLLING INTERESTS	8,166,484	8	7,859,460	8
Total equity	37,690,390	36	36,858,178	35
TOTAL	$ 103,746,341	100	$ 105,708,451	100

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 28 and 35)	$ 39,242,551	100	$ 41,166,982	100
OPERATING COSTS (Notes 14, 29 and 35)	19,091,584	49	20,673,607	50
GROSS PROFIT	20,150,967	51	20,493,375	50
OPERATING EXPENSES (Notes 26, 29 and 35)				
Selling and marketing expenses	923,663	2	1,036,753	3
General and administrative expenses	15,056,030	39	16,369,898	40
Expected credit loss	(16,055)	-	-	-
Total operating expenses	15,963,638	41	17,406,651	43
OPERATING PROFIT	4,187,329	10	3,086,724	7
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 29)	530,849	1	213,248	-
Other gains and losses (Notes 17, 19, 29 and 35)	(1,743,179)	(4)	(116,574)	-
Finance costs (Notes 29 and 35)	(437,280)	(1)	(445,376)	(1)
Share of profit for loss of associates accounted for using the equity method	11,396	-	(39,180)	-
Total non-operating income and expenses	(1,638,214)	(4)	(387,882)	(1)
PROFIT BEFORE INCOME TAX	2,549,115	6	2,698,842	6
INCOME TAX EXPENSE (Note 30)	898,620	2	853,820	2
NET PROFIT FOR THE YEAR	1,650,495	4	1,845,022	4
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 26, 27 and 30)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	534,199	2	-	-
Remeasurement of defined benefit plans	(50,328)	-	(78,408)	-
Share of other comprehensive income (loss) of associates accounted for using the equity method	409,335	1	(3,666)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	23,366	-	13,325	-
	916,572	3	(68,749)	-

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (14,562)	-	$ 53,290	-
Unrealized loss on available-for-sale financial assets	-	-	(140,221)	-
Share of other comprehensive income (loss) of associates accounted for using the equity method	5,267	-	(3,528)	-
	(9,295)	-	(90,459)	-
Other comprehensive (loss) income for the year, net of income tax	907,277	3	(159,208)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,557,772	7	$ 1,685,814	4
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 1,318,150	3	$ 1,535,986	3
Non-controlling interests	332,345	1	309,036	1
	$ 1,650,495	4	$ 1,845,022	4
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 2,029,426	5	$ 1,363,957	3
Non-controlling interests	528,346	2	321,857	1
	$ 2,557,772	7	$ 1,685,814	4
EARNINGS PER SHARE (Note 31)				
Basic	$ 0.94		$ 1.09	
Diluted	$ 0.93		$ 1.09	

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company												
			Retained Earnings (Note 27)			Other Equity (Note 27)							
	Share Capital (Note 27)	Capital Surplus (Note 27)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain on Property Revaluation	Treasury Shares (Note 27)	Total	Non-controlling Interests (Note 27)	Total Equity
BALANCE AT JANUARY 1, 2017	$ 14,169,406	$ 3,319,868	$ 2,899,856	$ 2,529,594	$ 2,013,557	$ 58,273	$ 1,566,157	$ -	$ 2,170,970	$ (97,110)	$ 28,630,571	$ 7,812,231	$ 36,442,802
Appropriation of 2016 earnings													
Legal reserve	-	-	113,425	-	(113,425)	-	-	-	-	-	-	-	-
Special reverse	-	-	-	114,149	(114,149)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(991,858)	-	-	-	-	-	(991,858)	-	(991,858)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(273,138)	(273,138)
	-	-	113,425	114,149	(1,219,432)	-	-	-	-	-	(991,858)	(273,138)	(1,264,996)
Net profit for the year ended December 31, 2017	-	-	-	-	1,535,986	-	-	-	-	-	1,535,986	309,036	1,845,022
Other comprehensive (loss) income for the year ended December 31, 2017, net of income tax	-	-	-	-	(55,150)	27,775	(144,654)	-	-	-	(172,029)	12,821	(159,208)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,480,836	27,775	(144,654)	-	-	-	1,363,957	321,857	1,685,814
Adjustments resulting from investments in associates accounted for using the equity method	-	(3,937)	-	-	(15)	-	-	-	-	-	(3,952)	(1,490)	(5,442)
BALANCE AT DECEMBER 31, 2017	14,169,406	3,315,931	3,013,281	2,643,743	2,274,946	86,048	1,421,503	-	2,170,970	(97,110)	28,998,718	7,859,460	36,858,178
Effect of retrospective application and retrospective restatement	-	-	-	-	92,444	-	(1,421,503)	1,242,300	-	-	(86,759)	-	(86,759)
BALANCE AT JANUARY 1, 2018 AS RESTATEMENT	14,169,406	3,315,931	3,013,281	2,643,743	2,367,390	86,048	-	1,242,300	2,170,970	(97,110)	28,911,959	7,859,460	36,771,419
Appropriation of 2017 earnings													
Legal reserve	-	-	153,599	-	(153,599)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	12,543	(12,543)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,416,940)	-	-	-	-	-	(1,416,940)	-	(1,416,940)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(220,697)	(220,697)
	-	-	153,599	12,543	(1,583,082)	-	-	-	-	-	(1,416,940)	(220,697)	(1,637,637)
Net profit for the year ended December 31, 2018	-	-	-	-	1,318,150	-	-	-	-	-	1,318,150	332,345	1,650,495
Other comprehensive (loss) income for the year ended December 31, 2018, net of income tax	-	-	-	-	(24,850)	4,606	-	731,520	-	-	711,276	196,001	907,277
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,293,300	4,606	-	731,520	-	-	2,029,426	528,346	2,557,772
Difference between equity purchase price and carrying amount arising from actual acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments resulting from investments in associates accounted for using the equity method	-	(511)	-	-	(28)	-	-	-	-	-	(539)	(625)	(1,164)
Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	4,192	-	-	(4,192)	-	-	-	-	-
BALANCE AT DECEMBER 31, 2018	$ 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

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 2,549,115	$ 2,698,842
Adjustments for:		
Depreciation expenses	2,355,319	2,650,811
Amortization expenses	51,903	44,687
Expected credit loss reversed on trade receivables	(16,055)	-
Impairment loss reversal on receivables	-	(7,062
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(10,443)	2,851
Finance costs	437,280	445,376
Interest income	(128,124)	(74,855
Dividend income	(152,720)	(138,393
Share of (profit) loss of associates accounted for using the equity method	(11,396)	39,180
Loss on disposal of property, plant and equipment	26,487	223,336
Loss on disposal of investment properties	90,621	-
Loss on disposal of intangible assets	-	3,261
Gain on disposal of non-current assets held for sale	-	(6,628
Gain on disposal of investments	-	(428,971
Impairment loss recognized on financial assets	-	2,055
Impairment loss recognized on intangible assets	1,630,000	1,205,840
Impairment loss recognized on property, plant and equipment	38,047	2,040
Unrealized gain on physical inventory and slow-moving inventories	(18,415)	(1,734
(Gain) loss on changes in fair value of investment properties	(43,045)	9,061
Amortization of prepayments	5,582	25,903
Amortization of prepayments for lease	337,503	325,824
Reversal of deferred revenue	-	(92,267
Reversal of unrealized purchase discounts	433	(1,506
Net changes in operating assets and liabilities		
Financial assets held for trading	-	5,009
Decrease in financial assets mandatorily classified as at fair value through profit or loss	69,151	-
Notes receivable	(1,156)	14,763
Trade receivables	(465,119)	(355,141
Trade receivables from related parties	(26,163)	36,721
Other receivables	(319,715)	52,691
Inventories	(127,977)	181,071
Prepayments	36,461	148,600
Other current assets	(16,730)	10,249
Contract liabilities - current	361,734	-
Notes payable	612	(34,821
Trade payables	(705,652)	2,034,431
Trade payables to related parties	(22,881)	14,063
Other payables	(718,428)	(979,615
Reversal of provisions	(2,045)	(13,548

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FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Deferred revenue	$ -	$ 83,761
Advance receipts	120,205	71,379
Other current liabilities	56,402	(14,111)
Net defined benefit liabilities	(191,239)	(92,161)
Cash generated from operations	5,189,552	8,090,992
Dividends received	290,342	238,940
Interest paid	(436,417)	(431,023)
Interest received	115,480	67,559
Income tax returned	194	3,125
Income tax paid	(672,202)	(799,617)
Net cash generated from operating activities	4,486,949	7,169,976
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at cost	(163,931)	-
Proceeds from sale of debt investments with no active market	-	(1,324,877)
Acquisition of investments accounted for using the equity method	-	(286,655)
Acquisition of available-for-sale assets	-	(92,331)
Proceeds from sale of available-for-sale financial assets	-	1,171,836
Decrease in prepaid long-term investments	49,288	84,174
Proceeds from disposal of non-current assets held for sale	-	13,500
Payments for property, plant and equipment	(2,257,557)	(1,825,793)
Proceeds from disposal of property, plant and equipment	606	1,940
Payments for intangible assets	(63,726)	(53,748)
Payments for investment properties	-	(1,481)
Decrease in other non-current assets	(82,785)	77,909
Net cash used in investing activities	(2,518,105)	(2,235,526)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	174,720,516	137,230,416
Repayments of short-term borrowings	(174,820,679)	(133,883,006)
Proceeds from short-term bills payable	26,313,358	29,826,307
Repayments of short-term bills payable	(25,347,693)	(30,002,553)
Repayments of bond payables	(1,000,000)	-
Proceeds from long-term borrowings	75,821,898	67,111,036
Repayments of long-term borrowings	(77,490,000)	(71,280,600)
Decrease in other non-current liabilities	(26,346)	(35,184)
Dividends paid to owners of the Company	(1,414,847)	(992,035)
Dividends paid to non-controlling interests	(256,698)	(267,424)
Net cash used in financing activities	(3,500,491)	(2,293,043)
EFFECTS OF EXCHANGE RATE CHANGES	10,010	(34,864)

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	**2017**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	$ (1,521,637)	$ 2,606,543
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	16,116,484	13,509,941
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 14,594,847	$ 16,116,484

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 30, 2019.

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), Interpretations of IFRS (IFRIC), and Interpretations of IAS (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 would not have any material impact on the Group's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      Classification, measurement and impairment of financial assets

      On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 16,116,484	$ 16,116,484	d)
Equity securities	Held-for-trading	Mandatorily at FVTPL	86,191	86,191	
	Available-for-sale	Mandatorily at FVTPL	-	-	a)
	Available-for-sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	3,786,477	3,670,630	a)
Mutual funds	Held-for-trading	Mandatorily at FVTPL	410,264	410,264	
Debt investments with no active market	Loans and receivables	Amortized cost	2,141,388	2,141,388	b)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	3,015,999	3,019,075	c)
Refundable deposits	Loans and receivables	Amortized cost	1,655,510	1,655,510	d)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Re-measurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	$ 496,455	$ -	$ -	$ 496,455	$ -	$ -	
Add: Reclassification from available-for-sale (IAS 39)							
Required reclassification	-	-	-	-	-	-	a)
Fair value option elected at January 1, 2018	496,455	-	-	496,455	-	-	
FVTOCI							
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	3,786,447	(115,847)	3,670,600	90,897	(206,744)	a)
Amortized cost							
Add: Reclassification from loans and receivables (IAS 39)	-	22,929,381	3,076	22,932,457	3,076	-	b)
Investments accounted for using the equity method	8,444,059	-	26,012	8,470,071	(1,529)	27,541	e)
	$ 8,940,514	$26,715,828	$ (86,759)	$ 35,569,583	$ 92,444	$ (179,203)	

a) The Group elected to classify all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL and FVTOCI under IFRS 9. And the Group recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as available-for-sale and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required. As a result, the related other equity - unrealized gain on available-for-sale financial assets was reclassified to retained earnings in the amount of $90,897 thousand and to other equity - unrealized loss on financial assets at FVTOCI in the amount of $90,897 thousand on January 1, 2018.

   Investments in unlisted shares previously measured at cost under IAS 39 have been classified at FVTPL and designated as at FVTOCI under IFRS 9 and were remeasured at fair value. The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as FVTPL and the loss was accumulated in retained earnings. Consequently, a decrease of $115,847 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized loss on financial assets at FVTOCI on January 1, 2018.

b) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

c) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, the adjustments comprised an decrease in the loss allowance of $3,076 thousand and a increase in retained earnings of $3,076 thousand on January 1, 2018.

d) Cash and cash equivalents and refundable deposits that were previously classified as loans and receivables under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

e) For investments in associates accounted for using the equity method, the adjustments comprised an increase in impact on IFRS of $26,012 thousand impacting the IFRS and a decrease of $1,529 thousand in retained earnings and an increase of $27,541 thousand in unrealized gain on other equity- FVTOCI.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

Under IFRS 15, the Group does not obtain control of the specified goods or services before they are transferred to the customers and, therefore, is acting as an agent in the transaction. Prior to the application of IFRS 15, the Group determined whether it was a principal or an agent based on its exposure to the significant risks and rewards of ownership of the goods or services and considered itself as a principal in the transaction.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Currently, the receivable and the deferred revenue are recognized when revenue is recognized for contracts under IAS 18.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and didn’t to restate the comparative information in 2017.

The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	**Adjustments Arising from Initial Application**	**Restated**
Provisions	$ 7,456,419	$ (7,079,973)	$ 376,446
Deferred revenue - current	83,761	(83,761)	-
Contract liabilities - current	-	7,163,734	7,163,734
Total effect on liabilities	$ 7,540,180	$ -	$ 7,540,180

Had the Group applied IAS 18 in the current year, the following adjustments should be made to reflect the line items and balances under IAS 18.

Impact on assets, liabilities and equity for current year

	December 31, 2018
Decrease in contract liabilities - current	$ (7,525,468)
Increase in provisions	7,440,666
Increase in deferred revenue	84,802
Increase (decrease) in liabilities	$ -

Impact on total comprehensive income for current year

	For the Year Ended December 31, 2018
Increase in operating revenue	$ 1,621,857
Increase in operating costs	1,621,857
Increase in net profit for the year	$ -

3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

4) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed by the FSC for application starting from 2019

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendment to IFRS 9 "Advance Repayment Characteristics with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

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

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.
Except for the leases of investment properties mentioned below, lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

Part of the lease which is currently accounted for as an operating lease under IAS 17, qualifies as an investment property. A lease liability for that leasehold building will be recognized and measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Related right-of-use assets will be measured at fair value and presented as investment properties and any difference will be recognized under retained earnings. There will not be any adjustments made for lease which is currently accounted for as an investment property.

The Group expects to apply the following practical expedients:

a) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

b) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

c) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

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

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Group subleased its leasehold part of land and building to a third party. Such sublease is classified as an operating lease under IAS 17. The Group will assess the sublease classification on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments	$ 977,014	$ (367,914)	$ 609,100
Investments accounted for using the equity method	8,678,647	(46)	8,678,601
Property, plant and equipment	43,532,941	(9,643,083)	33,889,858
Right-of-use assets	-	39,904,197	39,904,197
Investment properties	8,690,640	537,429	9,228,069
Long-term prepayments for lease	7,704,464	(1,659,632)	6,044,832
Other non-current assets	1,678,021	120,557	1,798,578
Total effect on assets	$ 71,261,727	$ 28,891,508	$ 100,153,235
Lease liabilities - current	$ -	$ 2,720,757	$ 2,720,757
Other payables	3,687,578	(78,571)	3,609,007
Lease liabilities - non-current	-	27,636,174	27,636,174
Other liabilities - non-current	1,387,430	(893,861)	493,569
Total effect on liabilities	$ 5,075,008	$ 29,384,499	$ 34,459,507
Retained earnings	$ 7,904,938	$ (333,240)	$ 7,571,698
Non-controlling interests	8,166,484	(159,751)	8,006,733
Total effect on equity	$ 16,071,422	$ (492,991)	$ 15,578,431

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

As of the date the consolidated financial statements were authorized for issue, the Group 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

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

The consolidated 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:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. 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

c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within 12 months after the reporting period; and

c. 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:

a. Liabilities held primarily for the purpose of trading;

b. 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

c. Liabilities for which the Group 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.

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

Refer to Table 1 for the diagram of intercompany relationships of the consolidated financial statements for the year ended December 31, 2018.

Foreign Currencies

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

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

Non-monetary items 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.

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.

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.

The 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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent 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.

Depreciation on 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Assets are depreciated over the shorter of their lease terms and their useful lives using the straight-line method.

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.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost (including transaction costs), and are subsequently measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are recognized 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 stated at cost less accumulated impairment loss until either such time as the fair value becomes reliably measureable or construction is completed (whichever comes earlier).

Investment properties are recorded as property, plant and equipment on or after the beginning of owner-occupation.

For a transfer 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.

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

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.

Intangible Assets

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 life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When the Group has a right to charge for 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.

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.

Impairment of Tangible and Intangible Assets Other than Goodwill

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

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

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

Financial Instruments

Financial assets and financial liabilities are recognized when the Group entity 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.

<u>Financial assets</u>

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

a. Measurement categories

   <u>2018</u>

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

   1) 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, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 34.

2) Financial assets at amortized cost

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

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) 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, repurchase bonds and commercial paper 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.

3) 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.

<u>2017</u>

Financial assets are classified into the following categories: financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

1) Financial assets at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 34.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investments are disposed of or are determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

3) Loans and receivables

Loans and receivables (including notes receivable, trade receivables, other receivables, cash and cash equivalents, debt investments with no active market and refundable deposits) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits and commercial paper 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.

b. Impairment of financial assets and contract assets

2018

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

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of such financial assets, the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as trade receivables and other receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments as well as observable changes in national or local economic conditions that correlate with defaults on receivables, and other situations.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For a financial asset at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of such an investment can be objectively related to an event occurring after the recognition of the impairment loss.

For a financial asset measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the 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.

2018

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.

2017

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities

a. Subsequent measurement

   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.

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.

Revenue Recognition

2018

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

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

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

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

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale provided the seller can reliably estimate future returns based on previous experience and other relevant factors.

a. Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

1) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

2) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

3) The amount of revenue can be measured reliably;

4) It is probable that the economic benefits associated with the transaction will flow to the Group; and

5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers, under the Group’s award scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value, the amount for which the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the award credits are redeemed and the Group’s obligations have been fulfilled.

b. Commissions from concessionaires’ sales

Commissions from concessionaires’ sales are recognized as goods are sold.

c. Maintenance and promotion fee income

According to contract agreements, maintenance and promotion fee income are recognized on the right to receive the income signed or as services are provided.

d. Dividend and interest income

Dividend income from investments is recognized when the shareholder’s right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leasing

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

a. The Group as a lessor

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

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

   Contingent rents arising under operating leases are recognized as income in the period in which they are incurred.

b. The Group as lessee

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

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

   In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis. When lease incentives are received to enter into finance leases, such incentives are recognized as a reduction of minimum lease payments.

   Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

c. Leasehold land and buildings

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

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

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

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 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.

Taxation

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

a. Current tax

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

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

b. Deferred tax

   Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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 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. 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 temporary differences and are expected to reverse in deferred tax assets 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.

c. Current and deferred tax for the year

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of goodwill

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

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

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

c. Fair value measurements and valuation processes

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 18.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand and revolving funds	$ 343,068	$ 279,775
Checking accounts and demand deposits	5,816,392	11,299,067
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	6,608,013	3,688,023
Commercial papers	1,827,374	849,619
	$ 14,594,847	$ 16,116,484

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

	December 31	
	2018	2017
Cash in bank	0.010%-3.201%	0.001%-2.025%
Commercial papers	0.550%-0.630%	0.380%-0.560%

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

	December 31	
	2018	2017
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Beneficiary certificates	$ 344,481	$ -
Listed and over-the-counter (OTC) shares	93,266	-
	$ 437,747	$ -
Financial assets held for trading		
Non-derivative financial assets		
Beneficiary certificates	$ -	$ 410,264
Listed and over-the-counter (OTC) shares	-	86,191
	$ -	$ 496,455

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Investments in equity instruments at FVTOCI	
Domestic investments	
Listed and OTC shares	$ 3,631,653
Unlisted shares	564,243
	4,195,896
Foreign investments	
Unlisted shares	8,903
	$ 4,204,799
Current	$ 244,785
Non-current	3,960,014
	$ 4,204,799

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. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 10 for information relating to their reclassification and comparative information for 2017.

b. Refer to Note 36 for information relating to investments in equity instruments at FVTOCI pledged as security.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Time deposits with original maturities of more than 3 months	$ 2,024,919
Pledged deposits	280,000
Money Lodged at Courts	400
	$ 2,305,319
Current	$ 2,077,919
Non-current	227,400
	$ 2,305,319

December 31, 2018

	At Amortized Cost
Gross carrying amount	$ 2,305,319
Less: Allowance for impairment loss	-
Amortized cost	$ 2,305,319

The credit risk of financial instruments such as bank deposits is measured and monitored by the accounting department. The Group chooses the transaction object and the other party performs good credit with the bank.

a. The interest rates for financial assets at amortized cost were from 0.30% to 2.10% as at the end of the reporting period. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Note 3 and Note 12 for information relating to their reclassification and comparative information for 2017.

b. Refer to Note 36 for information relating to investments in financial assets at amortized cost pledged as security.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Listed and OTC shares	$ 3,178,410
Current	$ 233,523
Non-current	2,944,887
	$ 3,178,410

a. On August 18, 2017, the Group sold its shareholdings of Far Eastern International Bank amounting to 25,771 thousand shares using the block trading - paired trade method to the subsidiary of Far Eastern New Century Corporation - Yuan Tong Investment Co., Ltd. and recognized a gain of $74,341 thousand on the disposal of the investment.

b. In December 2017, the Group sold its shareholdings of Asia Cement Corporation amounting to 18,000 thousand shares to its related party - Tranquil Enterprise Ltd., and recognized a gain of $198,471 thousand on the disposal of the investment.

c. In December 2017, the Group sold its shareholdings of Far Eastern New Century amounting to 9,217 thousand shares to its related party - Far Eastern Medical Foundation, and recognized a gain of $107,918 thousand on the disposal of the investment.

d. Refer to Note 36 for information relating to available-for-sale financial assets pledged as security.

11. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-current	
Domestic unlisted ordinary shares	$ 599,134
Overseas unlisted ordinary shares	8,903
	$ 608,037

Management believed that the above unlisted equity investments held by the Group had fair values which cannot be reliably measured, because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Time deposits with original maturities of more than 3 months	$ 1,857,698
Pledged deposits	283,690
	$ 2,141,388
Current	$ 1,914,388
Non-current	227,000
	$ 2,141,388

a. As of December 31, 2017, the annual market rate intervals of debt investments with no active market were 0.30%-2.10%, respectively.

b. Refer to Note 36 for information relating to debt investments with no active market pledged as security.

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

a. Notes receivables

	December 31	
	2018	2017
Operating	$ 776	$ 638
Non-operating	3,305	2,287
Less: Allowance for impairment loss	(1,794)	(1,794)
	$ 2,287	$ 1,131

The Group considers any change of the credit quality of notes receivable from the original credit date to the balance sheet date. If notes receivable was not redeemed at the expiration date while determining the recoverability of the notes receivable, a 100% allowance for losses will be included.

b. Trade receivables

	December 31	
	2018	**2017**
Trade receivables	$ 1,867,787	$ 1,376,505
Less: Allowance for impairment loss	(129,572)	(136,383)
	$ 1,738,215	$ 1,240,122

The Group's trade receivables pertained to revenue on credit cards and goods coupons. The average credit period for revenue from credit cards was 2 to 3 days, and for goods coupons, 15 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowances for impairment loss were recognized against trade receivables based on estimated irrecoverable amounts determined with reference to past default experience of the counterparties and an analysis of their current financial position.

The Group's revenue is derived from cash transactions. The revenue generated from the sales of debiting trade receivables is only recognized when authorization is given.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there were no significant changes in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. 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 forecast 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, 2018

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

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

	2018
Balance at January 1, 2018 per IAS 39	$ 136,383
Adjustment on initial application of IFRS 9	(3,445)
Balance at January 1, 2018 per IFRS 9	132,938
Less: Impairment losses reversed	(3,366)
Balance at December 31, 2018	$ 129,572

The Group's trade receivables pertained to revenue on credit cards and goods coupons. The average credit period for revenue from credit cards was 2 to 3 days, and for goods coupons, 15 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowances for impairment loss were recognized against trade receivables based on estimated irrecoverable amounts determined with reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there were no significant changes in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

December 31, 2017

The aging of trade receivables is as follows:

	December 31, 2017
Not overdue	$ 1,175,444
Days overdue	
Up to 30 days	50,661
31 to 60 days	12,776
More than 60 days	137,624
	$ 1,376,505

The above aging schedule was based on the past due date.

The aging of trade receivables that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 50,661
31 to 60 days	12,776
More than 60 days	1,241
	$ 64,678

The above aging schedule presented is based on the past due days from the end of the credit term.

The movements of the allowance for impairment loss for trade receivables is as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 11,307	$ 132,573	$ 143,880
Add: Impairment losses recognized on receivables	30	-	30
Less: Impairment losses reversed	-	(7,527)	(7,527)
Balance at December 31, 2017	$ 11,337	$ 125,046	$ 136,383

c. Other receivables

	December 31	
	2018	2017
Receivables	$ 1,225,948	$ 1,247,645
Others	1,228,049	931,672
Less: Allowance for impairment loss	(294,642)	(395,284)
	$ 2,159,355	$ 1,784,033

FEDS Development Ltd. (FEDS Development), Far Eastern Polytex (Holding) Corporation Ltd. (FEPC (Holding)) and Asia Cement (China) Holdings Corporation (ACHC (China)) intend to jointly invest in Yuan Ding Enterprise (Shanghai) Corporation (YDEC (Shanghai)) in order to hold and undertake the real estate development and construction of a commercial building in the Shanghai World Expo district.

FEPC (Holding) funded YDEC (Shanghai) through its 100% held subsidiary, Far Eastern New Century (China) Investment Corporation Ltd. (FENC (China)). The initial registered capital of YDEC (Shanghai) was RMB5 billion. FEDS Development plans to increase the investment after the completion rate of the construction of the commercial building reaches 25%. The ultimate percentage of ownership that FEDS Development held is expected to be 20%.

As of December 31, 2018 and 2017, FEDS Development agrees to offer a one-year loan to FENC (China) with a credit of RMB216,700 thousand, and also provides an unsecured and interest-free loan to YDEC (Shanghai) with a credit of RMB81,377 thousand and 59,000 thousand, respectively. Revolving lines of credit are allowed. As of December 31, 2018 and 2017, FENC (China) made a drawdown of RMB216,560 thousand, and YDEC (Shanghai) made a drawdown of RMB57,377 thousand. The actual borrowing amounts of these loans were recognized as other receivables within the Group.

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

For the other receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was no significant change in the credit quality of the respective counterparties and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

On 18 February, 2019, YDEC (Shanghai) issued ordinary shares and registered a capital of RMB12.5 billion. FEDS Development invested an amount of RMB2.5 billion and the percentage of ownership was 20%.

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

December 31, 2018

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

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

	2018
Balance at January 1, 2018 per IAS 39	$ 395,284
Adjustment on initial application of IFRS 9	369
Balance at January 1, 2018 per IFRS 9	395,653
Less: Impairment losses reversed	(12,689)
Less: Amounts written off	(83,966)
Foreign exchange gains and losses	(4,356)
Balance at December 31, 2018	$ 294,642

2017

For the other receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was no significant change in the credit quality of the respective counterparties and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of other receivables that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 287
31 to 60 days	201
More than 60 days	1,101
	$ 1,589

The above aging schedule presented is based on the past due days from the end of the credit term.

The movements of the allowance for impairment loss for other receivables are as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 133,731	$ 266,322	$ 400,053
Add: Impairment losses recognized on receivables	435	-	435
Less: Amounts written off as uncollectibles	(6)	-	(6)
Effect of exchange rate changes	-	(5,198)	(5,198)
Balance at December 31, 2017	$ 134,160	$ 261,124	$ 395,284

14. INVENTORIES

	December 31	
	2018	2017
Merchandise	$ 2,729,234	$ 2,583,275
Allowance for inventory devaluation	$ 80,831	$ 99,738
Allowance for losses on physical inventory	$ 22,787	$ 22,295
Allowance for unrealized purchase discounts	$ 3,437	$ 3,004

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 were $18,697,764 thousand and $20,333,921 thousand, respectively.

The cost of goods sold includes:

	For the Year Ended December 31	
	2018	2017
Reversed unrealized loss on physical inventory and slow-moving inventory	$ 18,415	$ 1,734
Reversed unrealized purchase discounts	$ (433)	$ 1,506

15. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

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

			Proportion of Ownership (%) December 31		
Investor	Investee	Main Businesses	2018	2017	Remark
Far Eastern Department Stores, Ltd.	Far Eastern Ai Mai Co., Ltd.	Hypermarket	100	100	
	Bai Yang Investment Co., Ltd.	Investment	100	100	
	Bai Ding Investment Co., Ltd.	Investment	67	67	
	Yu Ming Advertising Agency Co., Ltd.	Advertising and importation of certain merchandise	100	100	
	Far Eastern Hon Li Do Co., Ltd.	Building rental	56	56	
	FEDS Development Ltd.	Investment	54	54	
	Ya Tung Department Stores, Ltd.	Department store	100	100	
	Far Eastern CitySuper Co., Ltd.	Hypermarket	96	96	
	Pacific Liu Tong Investment Co., Ltd.	Investment	35	35	
	Asians Merchandise Company	Trading	100	100	

(Continued)

Investor	Investee	Main Businesses	Proportion of Ownership (%) December 31 2018	2017	Remark
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	
Bai Ding Investment Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	13	13	
	Pacific Sogo Department Stores Co., Ltd.	Department store	1	1	
	Far Eastern Hon Li Do Co., Ltd.	Building rental	44	44	
	Far Eastern CitySuper Co., Ltd.	Hypermarket	-	-	
Yu Ming Advertising Agency Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	-	-	
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	-	-	
FEDS Development Ltd.	Shanghai Bai Ding Consultant & Management Co., Ltd.	Consulting service	100	100	
	Chongqing FEDS Co., Ltd.	Department store	100	100	
Ya Tung Department Stores, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	1	1	
FEDS Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	2	2	
FEDS New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	2	2	
	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 Quanxing Mansion Pacific Department Store Co., Ltd.	Department store	100	100	
	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Department store	100	100	
	Chongqing Pacific Consultant & Management Co., Ltd.	Consulting service	100	100	
	Bai Fa China Holdings (HK) Ltd.	Investment	100	100	2
	Pacific (China) Investment Co., Ltd.	Investment	100	100	
Pacific (China) Investment Co., Ltd.	Chengdu FEDS Co., Ltd.	Department store	100	100	4
	Chengdu Beicheng FEDS Co., Ltd.	Department store	-	100	3
	Dalian Pacific Department Store Co., Ltd.	Department store	100	100	

(Concluded)

1) As of December 31, 2017, they were still in the startup period.

2) Bai Fa China Holdings (HK) Ltd. applied to discontinue operations in June 2017 due to non-operating plans in the short-term.

3) The board of directors approved to end operations in April 2017, and went into liquidation on October 27, 2017.

4) Considering market demand and supply, Chengdu FEDS Co., Ltd. (Chengdu FEDS) decided to reconstruct and transform the business operating scheme to improve effectiveness. Therefore, Chengdu FEDS has ended their operations since December 23, 2017.

b. Subsidiaries excluded from the consolidated financial statements

Investor	Investee	Main Businesses	Proportion of Ownership (%) December 31 2018	2017	Remark
Pacific Sogo Department Stores Co., Ltd.	Pacific Sogo Investment Co., Ltd.	Investment	-	100	2
	Lian Ching Investment Co., Ltd.	Investment	50	50	1

1) 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.

2) In November 2008, Pacific Sogo Department Stores Co., Ltd. (SOGO) applied to the Taiwan Taipei District Court (TTDC) for PSIC to be declared bankrupt, and the TTDC ruled PSIC bankrupt on December 30, 2010. On April 8, 2011, PSIC convened the first creditors' meeting. Assets of PSIC had been sold successively since August 22, 2012, and the bankruptcy manager had consecutively completed the allocation of assets of PSIC. The TTDC also ruled that the bankruptcy proceedings be terminated and announced to the public on November 11, 2015. Three years from the date of the announcement, Pacific Sogo Investment Co., Ltd. is regarded as the legal personality eradication on November 11, 2017.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2018	**2017**
Associates that are not individually material	$ 8,678,647	$ 8,444,059

Aggregate information of associates that are not individually material:

	For the Year Ended December 31	
	2018	**2017**
The Group's share of:		
Loss from continuing operations	$ 11,396	$ (39,180)
Other comprehensive loss	414,602	(7,194)
Total comprehensive loss for the year	$ 425,998	$ (46,374)

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

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

In July 2017, Yuan Hsin Digital Payment Co., Ltd. (YHDP) undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease in the Group's equity in YHDP of 10,226 thousand shares. The Group acquired 15,000 thousand shares based on the percentage of ownership at $10 per share, and the investment amount totaled $150,000 thousand.

In June 2017, Far Eastern Electronic Commerce Co., Ltd. (FEEC) undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease in the Group's equity in FEEC of 20,398 thousand shares.

In April 2017, the Group subscribed for 13,665 thousand shares of FEEC, and the investment amount totaled $136,655 thousand. As the subscription was not based on the original percentage of ownership, the new percentage of ownership increased to 22.72% and the capital surplus was adjusted downwards in the amount of $5,427 thousand.

In order to integrate the e-commerce business and resources to enhance competitiveness, the board of directors of FEEC approved the merger with Hiiir Inc. (Hiiir) on June 27, 2017. The merger record date was on August 1, 2017, with Hiiir as the surviving company and FEEC dissolved. Upon the completion of the aforesaid merger, the surviving company was renamed Yuanshi Digital Technology Co., Ltd. (YSDT). The Group acquired 2,082 thousand shares of YSDT in exchange for 3,238 thousand shares of FEEC. The percentage of ownership decreased from 22.72% to 2%. The management evaluated that the Group no longer had significant influence over YSDT, therefore, this investee had not been recognized using the equity method since August 2017. The aforementioned merger was applied and approved by the authorities on August 30, 2017.

Chongqing Pacific Consultant & Management Co., Ltd. (CPCM) invested RMB75,000 thousand in Chengdu Baiyang Industry Co., Ltd. (CDBI) and acquired 33% of the voting rights of CDBI. CPCM signed a contract to ensure long-term cooperation with its Joint Venture Partner, Chengdu Department Emporium Group Co., Ltd. (CDEG), and they agreed that CPCM would pay CDBI a security deposit of RMB425,000 thousand. Under the cooperation contract, the allocation of retained earnings of CDBI to CPCM will be at certain percentages stated in the contract and not at their respective percentages of ownership. The contract further states that CDBI should not be liquidated and CPCM should not transfer its equity (including voting rights) in CDBI to any party. The security deposit of RMB425,000 thousand can be transferred in stages as capital of CDBI and recognized as a long-term investment prepayment. When the percentage of the allocation of retained earnings, which had been requested by CDEG, exceeds a certain percentage of the allocation of retained earnings as stated in the contract, CPCM may simultaneously request to get back 50% of the allocated retained earnings and the security deposit. As of December 31, 2018, CDBI had returned RMB110,208 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 for the years ended December 31, 2018 and 2017 were based on the associates' financial statements audited for the same years by other auditors.

Refer to Note 36 for the information on the carrying amounts of investments in associates accounted for using the equity method that were pledged as security.

17. 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
Cost								
Balance at January 1, 2017	$ 12,600,554	$ 21,523,208	$ 9,516,346	$ 13,088,922	$ 10,494,571	$ 3,286,782	$ 2,531,322	$ 73,041,705
Additions (deductions)	-	-	206,227	484,944	3,059	142,248	748,036	1,584,514
Disposals	-	-	(130,306)	(1,101,880)	(36,464)	(191,383)	-	(1,460,033)
Transfer from investment properties	1,119,585	290,193	6,789	4,433	-	-	-	1,421,000
Reclassification	-	-	25,481	137,840	-	22,872	(11,528)	174,665
Effect of exchange differences	-	(29,681)	-	(70,741)	-	(2,540)	(39)	(103,001)
Balance at December 31, 2017	$ 13,720,139	$ 21,783,720	$ 9,624,537	$ 12,543,518	$ 10,461,166	$ 3,257,979	$ 3,267,791	$ 74,658,850
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ -	$ (6,891,514)	$ (5,938,447)	$ (9,710,758)	$ (4,654,469)	$ (2,219,935)		$ (29,415,123)
Disposals	-	-	126,865	892,715	36,464	174,525		1,230,569
Impairment losses	-	-	-	-	-	(2,040)		(2,040)
Depreciation expense	-	(465,631)	(679,089)	(1,113,750)	(327,324)	(270,408)		(2,856,202)
Effect of exchange differences	-	27,388	-	53,808	-	1,975		83,171
Balance at December 31, 2017	$ -	$ (7,329,757)	$ (6,490,671)	$ (9,877,985)	$ (4,945,329)	$ (2,315,883)		$ (30,959,625)
Carrying amount at December 31, 2017	$ 13,720,139	$ 14,453,963	$ 3,133,866	$ 2,665,533	$ 5,515,837	$ 942,096	$ 3,267,791	$ 43,699,225
Cost								
Balance at January 1, 2018	$ 13,720,139	$ 21,783,720	$ 9,624,537	$ 12,543,518	$ 10,461,166	$ 3,257,979	$ 3,267,791	$ 74,658,850
Additions (deductions)	-	-	245,549	342,640	-	179,365	1,506,880	2,274,434
Disposals	-	-	(54,828)	(208,224)	(3,268,803)	(109,054)	-	(3,640,909)
Reclassification	-	-	101,027	28,026	450,373	28,418	(471,573)	136,271
Effect of exchange differences	-	(24,875)	-	(36,967)	-	(1,664)	(31)	(63,537)
Balance at December 31, 2018	$ 13,720,139	$ 21,758,845	$ 9,916,285	$ 12,668,993	$ 7,642,736	$ 3,355,044	$ 4,303,067	$ 73,365,109
Accumulated depreciation and impairment								
Balance at January 1, 2018	$ -	$ (7,329,757)	$ (6,490,671)	$ (9,877,985)	$ (4,945,329)	$ (2,315,883)		$ (30,959,625)
Disposals	-	-	48,386	188,937	3,268,803	107,203		3,613,329
Impairment losses	-	(20,203)	(12,049)	(4,104)	-	(1,691)		(38,047)
Reclassification	-	(465,749)	(656,425)	(847,195)	(284,787)	(243,050)		(2,497,206)
Depreciation expense	-	-	(38)	38	-	(8,631)		(8,631)
Effect of exchange differences	-	23,396	-	33,306	-	1,310		58,012
Balance at December 31, 2018	$ -	$ (7,792,313)	$ (7,110,797)	$ (10,507,003)	$ (1,961,313)	$ (2,460,742)		$ (29,832,168)
Carrying amount at December 31, 2018	$ 13,720,139	$ 13,966,532	$ 2,805,488	$ 2,161,990	$ 5,681,423	$ 894,302	$ 4,303,067	$ 43,532,941

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

Buildings	17-56 years
Buildings and facilities	5-20 years
Decorative facilities	3-20 years
Equipment held under finance leases	35-50 years
Plant, transportation, and miscellaneous equipment	3-12 years

AIMAI evaluated the prospective profits and determined to end operations of its Zhonggang branches in the first quarter of 2019. The impairment tests were applied to the property, plant and equipment of both branches based on their recoverable amounts, and $38,047 thousand was recognized as an impairment loss. Chengdu Beicheng FEDS Co., Ltd. evaluated the prospective profits and determined to end their operations in April 2017. The impairment tests were applied to property, plant and equipment based on their recoverable amounts, and $2,040 thousand was recognized as an impairment loss.

Refer to Note 36 for the information on the carrying amounts of property, plant and equipment that were pledged as security.

18. INVESTMENT PROPERTIES

	Land	Buildings and Facilities	Total
Balance at January 1, 2017	$ 6,734,252	$ 3,432,544	$ 10,166,796
Additions	-	1,481	1,481
Transferred to property, plant and equipment	(1,119,585)	(301,415)	(1,421,000)
Gain (loss) on changes in the fair value of investment properties	55,571	(64,632)	(9,061)
Balance at December 31, 2017	5,670,238	3,067,978	8,738,216
Additions	-	(90,621)	(90,621)
Gain (loss) on changes in the fair value of investment properties	84,608	(41,563)	43,045
Balance at December 31, 2018	$ 5,754,846	$ 2,935,794	$ 8,690,640

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

SOGO has leased out its investment properties to Far Eastern Big City Shopping Mall Co., Ltd. since 2017. As the property was used in operating activities from the perspective of the Group, it was reclassified as property, plant and equipment at its fair value on December 31, 2016.

Some of the Group’s investment properties had been leased out under operating leases having lease terms between 1-7.5 years. Except for the minimum lease payments, some of the Group’s lease contracts included contingent lease clauses, and the Group should adjust rentals on the basis of the Consumer Price Index per annum. The rental incomes generated for the years ended December 31, 2018 and 2017 were $172,054 thousand and $138,880 thousand, respectively.

The commitments on future minimum lease payments under non-cancellable operating leases are as follows:

	December 31	
	2018	2017
Not later than 1 year	$ 183,065	$ 125,930
1 year to 5 years	244,950	245,061
Later than 5 years	4,310	-
	$ 432,325	$ 370,991

The fair values of the investment properties as of December 31, 2018 and 2017 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.

	December 31	
	2018	2017
Expected future cash inflows	$ 21,577,513	$ 22,218,353
Expected future cash outflows	2,895,472	3,088,061
Expected future cash inflows, net	$ 18,682,041	$ 19,130,292

	December 31	
	2018	2017
Discount rate	3.845%-4.345%	4.345%

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

The expected future cash inflows generated by investment properties referred to rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the existing lease contracts of the Group and comparative market rentals covering 5-14 years, taking into account the annual rental growth rate. The interest income on rental deposits was extrapolated by the one-year average deposit interest rate, and the disposal value was determined by the direct capitalization method under the income approach. The expected future cash outflows on investment properties included expenditures such as property taxes, insurance premiums, management fees, maintenance costs and replacement allowances. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustments to the government-announced land value, the tax rate promulgated under the Construction Cost Index and the House Tax Act and construction costs.

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

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

	December 31	
	2018	**2017**
Estimated total sales price	$ 1,965,503	$ 801,791
Rate of return	16%-20%	16%-18%
Overall capital interest rate	1.49%-3.90%	2.20%-3.29%

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 36 for the information on the carrying amounts of invested properties pledged as security.

19. INTANGIBLE ASSETS

	Goodwill	Computer Software	Franchise	Total
Cost				
Balance at January 1, 2017	$ 7,631,973	$ 314,002	$ -	$ 7,945,975
Additions	-	53,748	-	53,748
Disposals	-	(8,349)	-	(8,349)
Reclassification	-	15,159	-	15,159
Effect of exchange differences	-	(1,231)	-	(1,231)
Balance at December 31, 2017	$ 7,631,973	$ 373,329	$ -	$ 8,005,302
Accumulated amortization and impairment				
Balance at January 1, 2017	$ (1,493,351)	$ (207,770)	$ -	$ (1,701,121)
Impairment losses recognized	(1,205,840)	-	-	(1,205,840)
Amortization expense	-	(44,687)	-	(44,687)
Disposals	-	5,088	-	5,088
Effect of exchange differences	-	774	-	774
Balance at December 31, 2017	$ (2,699,191)	$ (246,595)	$ -	$ (2,945,786)
Carrying amounts at December 31, 2017	$ 4,932,782	$ 126,734	$ -	$ 5,059,516

(Continued)

	Goodwill	Computer Software	Franchise	Total
Cost				
Balance at January 1, 2018	$ 7,631,973	$ 373,329	$ -	$ 8,005,302
Additions	-	34,784	28,942	63,726
Disposals	-	(210)	-	(210)
Reclassification	-	8,105	-	8,105
Effect of exchange differences	-	(1,130)	-	(1,130)
Balance at December 31, 2018	$ 7,631,973	$ 414,878	$ 28,942	$ 8,075,793
Accumulated amortization and impairment				
Balance at January 1, 2018	$ (2,699,191)	$ (246,595)	$ -	$ (2,945,786)
Impairment losses recognized	(1,630,000)	-	-	(1,630,000)
Amortization expense	-	(51,903)	-	(51,903)
Disposals	-	210	-	210
Effect of exchange differences	-	944	-	944
Balance at December 31, 2018	$ (4,329,191)	$ (297,344)	$ -	$ (4,626,535)
Carrying amounts at December 31, 2018	$ 3,302,782	$ 117,534	$ 28,942	$ 3,449,258

(Concluded)

Goodwill arising on mergers or the acquisition of majority interests in companies is the acquisition cost in excess of the fair value of the identifiable net assets acquired. Goodwill is mainly derived from the mainland China operating segment.

At the end of each reporting period, the Group reviews the carrying amounts of goodwill by comparing its recoverable amount with its carrying amount to determine whether there is any indication that those assets have suffered an impairment loss, amounting to $1,630,000 thousand in 2018 and $1,205,840 thousand in 2017. That is because, the actual profits from mainland China in 2017 did not achieve their target profits from mainland China.

The recoverable amount of this cash-generating unit was determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management, and a discount rate of 9.3% and 11.00% per annum for the years ended December 31, 2018 and 2017, respectively.

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

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

Computer software	1-10 years
Franchise	45 years

20. PREPAYMENTS FOR LEASES

	December 31	
	2018	2017
SOGO - BR4 (a)	$ 4,922,241	$ 5,305,965
FEDS - Xinyi Division A13 - land use right (b)	2,173,763	2,236,168
FEDS Asia Pacific Development - Kaohsiung (c)	622,971	644,452
Dalian Pacific Department Store Co., Ltd. (d)	157,076	171,333
Far Eastern Ai Mai Co., Ltd. - Hsinchu (e)	92,934	116,167
Shanghai Pacific Department Stores - land use right (f)	76,842	93,874
Chubei New Century Shopping Mall Co., Ltd. - land use right (g)	14,335	14,643
	$ 8,060,162	$ 8,582,602
Current (recognized in prepayments)	$ 355,698	$ 405,928
Non-current	7,704,464	8,176,674
	$ 8,060,612	$ 8,582,602

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

   SOGO paid deposits of $23,637 thousand to the DRTS under the TCG and $38,278 thousand to the Department of Finance under the TCG. SOGO also paid operating deposits of $182,324 thousand to the DRTS under the TCG. SOGO’s total refundable deposits were $244,239 thousand as of December 31, 2018.

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

b. In September 2003, FEDS acquired the land use rights for No. A13 in Xinyi District of Taipei City, which is owned by the TCG. The total amount of the land use rights was $3,196,888 thousand, and FEDS completed the registration of its acquisition of the land use rights in October 2003. Under the contract, FEDS has the right to use the land for 50 years starting from the completion of the land use rights’ registration. The initial monthly rental is $3,771 thousand, to be adjusted annually in accordance with the assessed and publicly announced land value on the contract date.

c. On January 1, 1998, FEDS Asia Pacific Development signed a contract with Asia Cement Corporation (ACC) for the construction of the Kaohsiung Asian Business and Finance Building on the land provided by ACC. Under this contract, FEDS Asia Pacific Development will own the leasehold rights for 50 years starting from the date of the contract and should pay ACC $1,073,000 thousand as the premium for the land use rights. The land use rights are amortized during the land use period. Annual land rental is payable in November of each year for 50 years at 5% of the assessed and publicly announced land value.

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

d. Owing to the change of business operations of Dalian Pacific Department Store Co., Ltd. (DPDS), DPDS entered into a lease agreement with Dalian Parkland Co., Ltd. and prepaid RMB60,000 thousand to Dalian Parkland Co., Ltd. as rental. The amount of the rental is amortized over the lease term period.

e. In November 2001, under an agreement, AIMAI will lease a hypermarket from Hsinchu Chemical Industrial Co., Ltd. (HCCI). HCCI will provide the land and build the hypermarket. The related construction expenses will be paid by HCCI and AIMAI at the respective ratio of 1:2. The payment (including the previous development expenses) by AIMAI will be regarded as prepaid rental and amortized over the rental period upon the remaining lease term beginning from the opening day (19 years and 3 months). The Hsinchu branch of AIMAI opened in October 2003.

f. Shanghai Pacific Department Store obtained land use rights which are amortized over 30 years on the basis of the straight-line method.

g. On July 8, 2015, Chubei New Century Shopping Mall Co., Ltd. (CBNC) signed a build-operate-transfer (BOT) investment contract with the Hsinchu County Government. The total royalty of this investment contract was $10,000 thousand, and the registration of the acquisition of the land use rights was completed in September 2015. Under the contract, CBNC has the right to use the land for 50 years (including the construction and operation period) from the date that this agreement was signed by both parties. The respective period’s rental amount for the land is based on 1% of the land owners’ reported value in the construction period and 3% of the land owners’ reported value in the operation period. The rental amount will be adjusted in accordance with the assessed and publicly announced land value.

21. OTHER ASSETS

	December 31	
	2018	**2017**
Refundable deposits (Note 32)	$ 1,422,924	$ 1,655,510
Lease incentives	186,409	38,616
Others	154,486	154,509
	$ 1,763,819	$ 1,848,635
Current	$ 85,798	$ 69,068
Non-current	1,678,021	1,779,567
	$ 1,763,819	$ 1,848,635

22. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	**2017**
Credit loans	$ 12,047,612	$ 12,260,667
Secured loans (Note 36)	910,000	824,289
	$ 12,957,612	$ 13,084,956
Interest rate intervals are as follows:		
Credit loans	0.890%-6.491%	0.900%-5.550%
Secured loans	0.920%-1.230%	0.920%-4.850%

b. Short-term bills payable

	December 31	
	2018	2017
Commercial papers	$ 3,482,000	$ 2,516,000
Less: Unamortized discount on bills payable	1,635	1,300
	$ 3,480,365	$ 2,514,700

Outstanding short-term bills payable are as follows:

December 31, 2018

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial papers						
Mega Bills Finance	$ 1,083,000	$ 374	$ 1,082,626	0.770%-1.078%	Shares	$ 662,952
China Bills Finance	925,000	522	924,478	0.490%-1.288%	Shares	84,875
Shanghai Bank	500,000	391	499,609	0.600%	-	-
International Bills Finance	274,000	64	273,936	0.680%-1.078%	Shares	91,665
Grand Finance	200,000	17	199,983	0.880%	-	-
Taiwan Cooperative Bills Finance	200,000	94	199,906	0.860%	-	-
Taiwan Bills Finance	150,000	68	149,932	0.750%	-	-
Ta Ching Bill Finance	150,000	105	149,895	0.910%	-	-
	$ 3,482,000	$ 1,635	$ 3,480,365			$ 839,492

December 31, 2017

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial papers						
Mega Bills Finance	$ 825,000	$ 494	$ 824,506	0.742%-0.760%	Shares	$ 659,025
China Bills Finance	701,000	349	700,651	0.430%-0.450%	Shares	70,500
International Bills Finance	340,000	100	339,900	0.570%-0.650%	Shares	76,140
Taiwan Bills Finance	200,000	50	199,950	0.750%	-	-
Grand Finance	200,000	78	199,922	0.750%-0.832%	-	-
Taiwan Cooperative Bills Finance	200,000	207	199,793	0.690%	-	-
Ta Ching Bill Finance	50,000	22	49,978	0.600%	-	-
	$ 2,516,000	$ 1,300	$ 2,514,700			$ 805,665

c. Long-term borrowings

	December 31	
	2018	2017
Secured loans	$ 10,200,000	$ 10,500,000
Credit loans	4,890,000	5,610,000
Revolving commercial papers	-	648,102
	15,090,000	16,758,102
Less: Current portion	-	3,500,000
	$ 15,090,000	$ 13,258,102

Interest rate intervals are as follows:

	December 31	
	2018	2017
Secured loans	0.900%-1.720%	0.090%-1.801%
Credit loans	0.900%-1.660%	0.080%-1.600%
Revolving commercial papers	-	1.210%-1.260%

23. BONDS PAYABLE

	December 31, 2017
Secured domestic bonds payable	$ 1,000,000
Less: Unamortized discount on bonds payable	1,851
	998,149
Less: Current portions	998,149
	$ -

The he face value of the secured domestic bonds issued by SOGO on December 30, 2013 was $1,000,000 thousand. These bonds, which were guaranteed for issuance by Taiwan Cooperative Bank, will mature on December 30, 2018 and are repayable in one lump sum upon maturity. Interest on these bonds is 1.75%, payable annually. The bonds was repaid in December 2018.

24. OTHER LIABILITIES

	December 31	
	2018	2017
Other payables		
Lease incentives	$ 970,529	$ 1,134,423
Payables for salaries and bonuses	780,040	769,592
Payables for purchases of equipment	363,938	314,015
Others	2,466,932	3,103,941
	$ 4,581,439	$ 5,321,971
Deferred revenue		
Arising from customer loyalty program	$ -	$ 83,761
Other liabilities		
Deposits received	$ 466,168	$ 490,811
Others	348,348	291,273
	$ 814,516	$ 782,084
Current		
Other payables	$ 3,687,578	$ 4,250,840
Deferred revenue	$ -	$ 83,761
Other liabilities	$ 320,947	$ 264,545
Non-current		
Other liabilities	$ 1,387,430	$ 1,588,670

25. PROVISIONS

	December 31	
	2018	2017
Dismantling obligation	$ 31,501	$ 33,293
Current	$ 6,592	$ 6,828
Non-current	24,909	26,465
	$ 31,501	$ 33,293

	Dismantling Obligation
Balance at January 1, 2017	$ 46,591
Usage	(13,548)
Unwinding of discount	250
Balance at December 31, 2017	33,293
Usage	(2,045)
Unwinding of discount	253
Balance at December 31, 2018	$ 31,501

26. 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 both amounted to $13 thousand in 2018 and 2017, and the accrued pension liabilities on December 31, 2018 and 2017 were $486 thousand and $611 thousand, respectively.

FEHLD terminated sales on July 1, 2000. Thus, the employees of FEHLD became the employees of AIMAI. The length of services of the employees at FEHLD is carried forward to accumulate and calculate the defined benefit plans at AIMAI. If the employees retire, the calculation of pension costs would be based on the length of service at FEHLD. The accrued pension liabilities on December 31, 2018 and 2017 both amounted to $778 thousand. 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:

	FEDS	AIMAI	YTDS	SOGO
December 31, 2018				
Present value of defined benefit obligation	$ 667,816	$ 267,663	$ 11,337	$ 636,263
Fair value of the plan assets	(578,815)	(29,627)	(9,517)	(157,904)
Net defined benefit liabilities	$ 89,001	$ 238,036	$ 1,820	$ 478,359
December 31, 2017				
Present value of defined benefit obligation	$ 742,897	$ 258,508	$ 11,176	$ 641,256
Fair value of the plan assets	(505,389)	(22,105)	(9,005)	(172,819)
Net defined benefit liabilities	$ 237,508	$ 236,403	$ 2,171	$ 468,437

Movements in net defined benefit liabilities are as follows:

	FEDS			AIMAI		
	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	$ 805,974	$ (491,413)	$ 314,561	$ 240,346	$ (23,329)	$ 217,017
Service cost						
Current service cost	8,329	-	8,329	1,803	-	1,803
Net interest expense (income)	9,963	(6,031)	3,932	3,004	(326)	2,678
Recognized in profit or loss	18,292	(6,031)	12,261	4,807	(326)	4,481
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	-	15,485	15,485	-	56	56
Actuarial loss - changes in demographic assumptions	6,394	-	6,394	14,285	-	14,285
Actuarial loss - changes in financial assumptions	-	-	-	3,179	-	3,179
Actuarial loss - experience adjustments	866	-	866	8,188	-	8,188
Recognized in other comprehensive income	7,260	15,485	22,745	25,652	56	25,708
Contributions from the employer	-	(112,059)	(112,059)	-	(10,803)	(10,803)
Benefits paid	(88,629)	88,629	-	(12,297)	12,297	-
Balance at December 31, 2017	742,897	(505,389)	237,508	258,508	(22,105)	236,403
Service cost						
Current service cost	7,088	-	7,088	1,740	-	1,740
Net interest expense (income)	9,286	(6,356)	2,930	2,908	(276)	2,632
Recognized in profit or loss	16,374	(6,356)	10,018	4,648	(276)	4,372

(Continued)

	FEDS			AIMAI		
	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
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	$ -	$ (43,357)	$ (43,357)	$ -	$ (768)	$ (768)
Actuarial loss - changes in demographic assumptions	6,684	-	6,684	16,205	-	16,205
Actuarial loss - changes in financial assumptions	8,750	-	8,750	-	-	-
Actuarial loss - experience adjustments	33,482	-	33,482	9,176	-	9,176
Recognized in other comprehensive income	48,916	(43,357)	5,559	25,381	(768)	24,613
Contributions from the employer	-	(164,084)	(164,084)	-	(27,352)	(27,352)
Benefits paid	(140,371)	140,371	-	(20,875)	20,875	-
Balance at December 31, 2018	$ 667,816	$ (578,815)	$ 89,001	$ 267,662	$ (29,626)	$ 238,036

(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, 2017	$ 11,353	$ (9,173)	$ 2,180	$ 735,353	$ (288,002)	$ 447,351
Service cost						
Current service cost	91	-	91	8,255	-	8,255
Prior service cost	-	-	-	699	-	699
Net interest expense (income)	142	(116)	26	9,192	(3,756)	5,436
Recognized in profit or loss	233	(116)	117	18,146	(3,756)	14,390
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	-	27	27	-	1,221	1,221
Actuarial loss - changes in demographic assumptions	15	-	15	22,702	-	22,702
Actuarial loss - changes in financial assumptions	145	-	145	-	-	-
Actuarial gain - experience adjustments	(165)	-	(165)	6,010	-	6,010
Recognized in other comprehensive income	(5)	27	22	28,712	1,221	29,933
Contributions from the employer	-	(148)	(148)	-	(23,237)	(23,237)
Benefits paid	(405)	405	-	(140,955)	140,955	-
Balance at December 31, 2017	11,176	(9,005)	2,171	641,256	(172,819)	468,437
Service cost						
Current service cost	90	-	90	4,498	-	4,498
Net interest expense (income)	126	(102)	24	8,015	(2,298)	5,717
Recognized in profit or loss	216	(102)	114	12,513	(2,298)	10,215
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	-	(264)	(264)	-	(6,846)	(6,846)
Actuarial loss - changes in demographic assumptions	-	-	-	16,185	-	16,185
Actuarial loss - changes in financial assumptions	135	-	135	9,084	-	9,084
Actuarial gain - experience adjustments	(107)	-	(107)	1,969	-	1,969
Recognized in other comprehensive income	28	(264)	(236)	27,238	(6,846)	20,392
Contributions from the employer	-	(146)	(146)	-	(20,685)	(20,685)
Benefits paid	(83)	-	(83)	(44,744)	44,744	-
Balance at December 31, 2018	$ 11,337	$ (9,517)	$ 1,820	$ 636,263	$ (157,904)	$ 478,359

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:

	FEDS	AIMAI	YTDS	SOGO
December 31, 2018				
Discount rates	1.125%	1.125%	1.000%	1.125%
Expected rates of salary increase	2.000%	1.000%	2.000%	2.250%
December 31, 2017				
Discount rates	1.250%	1.125%	1.125%	1.250%
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:

	FEDS	AIMAI	YTDS	SOGO
December 31, 2018				
Discount rate(s)				
0.25% increase	$ (17,528)	$ (7,501)	$ (267)	$ (18,730)
0.25% decrease	$ 18,207	$ 7,812	$ 277	$ 19,512
Expected rate(s) of salary increase				
0.25% increase	$ 17,728	$ 7,675	$ 270	$ 18,956
0.25% decrease	$ (17,156)	$ (7,406)	$ (261)	$ (18,294)
December 31, 2017				
Discount rate(s)				
0.25% increase	$ (19,490)	$ (7,013)	$ (288)	$ (18,918)
0.25% decrease	$ 20,244	$ 7,299	$ 299	$ 19,713
Expected rate(s) of salary increase				
0.25% increase	$ 19,729	$ 7,160	$ 292	$ 19,154
0.25% decrease	$ (19,093)	$ (6,914)	$ (282)	$ (18,479)

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
December 31, 2018				
The expected contributions to the plan for the next year	$ 5,680	$ 4,648	$ 144	$ 20,746
The average duration of the defined benefit obligation	10.7 years	11.3 years	9.4 years	12 years
December 31, 2017				
The expected contributions to the plan for the next year	$ 6,200	$ 4,922	$ 144	$ 22,092
The average duration of the defined benefit obligation	10.8 years	10.9 years	10.3 years	12.0 years

27. EQUITY

a. Share capital

Ordinary shares

	December 31 2018	December 31 2017
Number of shares authorized (in thousands)	1,750,000	1,750,000
Shares authorized	$ 17,500,000	$ 17,500,000
Number of shares issued and fully paid (in thousands)	1,416,941	1,416,941
Shares issued	$ 14,169,406	$ 14,169,406

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

	December 31 2018	December 31 2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance in excess of ordinary shares	$ 2,142,074	$ 2,142,074
Treasury share transactions	1,173,346	1,173,346
May only be used to offset a deficit		
Changes in percentage of ownership interest in associates	-	511
	$ 3,315,420	$ 3,315,931

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).

	Issuance in Excess of Ordinary Shares	Treasury Share Transactions	Changes in Percentage of Ownership Interest in Associates	Total
Balance at January 1, 2017	$ 2,142,074	$ 1,173,346	$ 4,448	$ 3,319,868
Changes in percentage of ownership interest in associates	-	-	(3,937)	(3,937)
Balance at December 31, 2017	2,142,074	1,173,346	511	3,315,931
Changes in percentage of ownership interest in associates	-	-	(511)	(511)
Balance at December 31, 2018	$ 2,142,074	$ 1,173,346	$ -	$ 3,315,420

c. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, net income should be used to pay its business income tax and offset deficits. From any remaining net income, 10% will be appropriated as a legal reserve, and a special reserve as required by government regulations. After adding prior years' unappropriated earnings, the Company could retain a certain amount for expansion plans and then make the appropriation equally to each shareholder. However, if there is an increase in capital during the year, bonuses appropriated to new shareholders should be allocated based on the resolution passed in the shareholders' meeting. For information about the policies of employees' compensation and remuneration of directors prior to and after the amendments to the Company's Articles of Incorporation, refer to Note 29.

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 2017 and 2016, which were approved in the shareholders' meetings on June 21, 2018 and June 20, 2017, respectively, are as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 153,599	$ 113,425		
Special reserve	12,543	114,149		
Cash dividends	1,416,940	991,858	$ 1.0	$ 0.7

The appropriation of the earnings for 2018 was proposed by the board of directors on March 20, 2019. The appropriations and dividends per share are as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 131,815	
Special reserve	73,330	
Cash dividends	1,204,400	$ 0.85

The appropriation of earnings for 2018 was resolved in the shareholders' meeting held on June 25, 2019.

d. Special reserve

	For the Year Ended December 31	
	2018	**2017**
Balance, beginning of year	$ 2,643,743	$ 2,529,594
Appropriation in respect of net increases in the fair value of investment properties	12,543	114,149
Balance, end of year	$ 2,656,286	$ 2,643,743

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

e. Other equity items

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

	For the Year Ended December 31	
	2018	**2017**
Balance, beginning of year	$ 86,048	$ 58,273
Exchange differences on translating the financial statements of foreign operations	3,779	29,974
Share of exchange difference of associates accounted for using the equity method	827	(2,199)
Balance, end of year	$ 90,654	$ 86,048

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

2) Unrealized (loss) gain on available-for-sale financial assets

	For the Year Ended December 31, 2017
Balance, beginning of year	$ 1,566,157
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	284,894
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(429,542)
Share of unrealized loss on available-for-sale financial assets of associates accounted for using the equity method	(6)
Balance, end of year	$ 1,421,503
Balance at January 1, 2018 per IAS 39	$ 1,421,503
Adjustment on initial application of IFRS 9	(1,421,503)
Balance at January 1, 2018 per IFRS 9	$ -

On unrealized (losses) gains on available-for-sale financial assets, the cumulative gains or losses under generated from the fair value measurement of available-for-sale financial assets that are recognized under other comprehensive income and deducted from the disposal proceeds or the amount of impairment are reclassified to profit or loss.

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

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	1,242,300
Balance at January 1 per IFRS 9	1,242,300
Recognized for the year	
Unrealized gain/(loss) - equity instruments	536,660
Share from associates accounted for using the equity method	194,860
Reclassification adjustment	
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal from associates accounted for using the equity method	(4,192)
Balance at December 31	$ 1,969,628

f. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance, beginning of year	$ 7,859,460	$ 7,812,231
Attributable to non-controlling interests:		
Share of profit for the year	332,345	309,036
Cash dividends distributed by subsidiaries	(220,697)	(273,138)
Exchange differences on translating the financial statements of foreign operations	(18,341)	23,316
Unrealized gain on available-for-sale financial assets	-	4,427
Unrealized loss on financial assets at FVTOCI	(2,461)	-
Remeasurement of defined benefit plans	(11,161)	(16,384)
Related income tax	5,566	2,785
Adjustments relating to changes of associates accounted for using the equity method	(625)	(1,490)
Share of other comprehensive income of associates accounted for using the equity method	222,398	(1,323)
Balance, end of year	$ 8,166,484	$ 7,859,460

g. Treasury shares

(In Thousands of Shares)

Purpose of Buy-Back	Shares Held by the Company's Subsidiaries
Number of shares at December 31, 2018 and 2017	8,207

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

(In Thousands of Shares)

December 31, 2018

Name of Subsidiary	Number of Shares Held	Carrying Amount	Market Price
Bai Ding Investment	8,207	$ 97,110	$ 128,837

December 31, 2017

Name of Subsidiary	Number of Shares Held	Carrying Amount	Market Price
Bai Ding Investment	8,207	$ 97,110	$ 123,093

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.

28. REVENUE

	For the Year Ended December 31	
	2018	2017
Sales of goods (Note)	$ 23,704,953	$ 24,257,581
Commissions from concessionaires' sales (Note)	12,250,426	12,794,159
Maintenance and promotion fee income	890,598	1,845,277
Rental income from property	1,584,523	1,420,631
Others	812,051	849,334
	$ 39,242,551	$ 41,166,982

Note: Gross revenues is presented as follows:

	For the Year Ended December 31	
	2018	2017
Concessionaires' sales	$ 88,049,625	$ 89,128,993
Sale of goods	24,198,695	24,696,213
	$ 112,248,320	$ 113,825,206

Contact Balances

	For the Year Ended December 31, 2018
Contract liabilities - non current	
Sale of goods	$ 7,435,814
Customer loyalty programs	84,802
Others	4,852
	$ 7,525,468

Refer to Note 13 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:

	For the Year Ended December 31, 2018
From the beginning contract liabilities	
Sale of goods	$ 5,612,648
Customer loyalty programs	59,426
	$ 5,672,074

29. NET PROFIT FOR THE YEAR

Net profit for the year includes the following items:

a. Operating costs

	For the Year Ended December 31	
	2018	2017
Operating costs		
Cost of sales	$ 18,697,764	$ 20,333,921
Rental costs	355,092	299,497
Others	38,728	40,189
	$ 19,091,584	$ 20,673,607

b. Other income

	For the Year Ended December 31	
	2018	2017
Interest income		
Bank deposits	$ 120,525	$ 66,993
Others	7,599	7,862
	128,124	74,855
Dividend income	152,720	138,393
Insurance claim income	250,005	-
	$ 530,849	$ 213,248

c. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Loss arising on financial assets classified as held for trading, net (Note)	$ -	$ (2,851)
Financial assets mandatorily classified as at FVTPL (Note)	10,443	-
Gain (loss) arising on changes in fair value of investment properties, net	43,045	(9,061)
Foreign exchange (loss) gain, net	(169,753)	74,681
Loss on disposal of property, plant and equipment, net	(26,487)	(223,336)
Loss on disposal of investment properties	(90,621)	-
Gain on disposal of property, plant and equipment	-	6,628
Gain on disposal of investment	-	428,971
Impairment loss on intangible assets	(1,630,000)	(1,205,840)
Impairment loss on property, plant and equipment	(38,047)	(2,040)
Other gains	207,019	1,251,964
Other losses	(48,778)	(435,690)
	$ (1,743,179)	$ (116,574)

Note: Loss arising on financial assets classified as held for trading, net includes:

a) Gain/loss arising on changes in fair value in 2018 and 2017 were $4,647 thousand and $2,996 thousand, respectively and;

b) Gains on disposal of financial assets classified as held for trading in 2018 and 2017 were $5,796 thousand and $145 thousand, respectively.

d. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 442,384	$ 454,249
Interest on bonds	19,351	19,367
Other interest expense	33,994	29,107
Total interest expenses for financial liabilities measured at amortized cost	495,729	502,723
Add: Reversal of unwinding of discounts on provisions	253	250
Less: Amounts included in the cost of qualifying assets	(58,702)	(57,597)
	$ 437,280	$ 445,376

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest	$ 58,702	$ 57,597
Capitalization rate interval	0.9800%-1.0500 %	1.0500%-1.8417 %

e. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 2,497,206	$ 2,856,202
Less: Adjustments to receipts in advance and depreciation	(141,887)	(205,391)
	2,355,319	2,650,811
Intangible assets (including amortization expense)	51,903	44,687
	$ 2,407,222	$ 2,695,498
An analysis of deprecation by function		
Operating costs	$ 94,443	$ 75,951
Operating expenses	2,260,876	2,574,860
	$ 2,355,319	$ 2,650,811
An analysis of amortization by function		
Operating expenses	$ 51,903	$ 44,687

f. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2018	2017
Direct operating expenses from investment properties that generated rental income	$ 82,239	$ 71,407
Direct operating expenses from investment properties that did not generate rental income	56,286	70,585
	$ 138,525	$ 141,992

g. Employee benefits expenses

	For the Year Ended December 31	
	2018	2017
Post-employment benefits		
Defined contribution plan	$ 187,241	$ 206,574
Defined benefit plan (Note 26)	24,732	31,262
	211,973	237,836
Other employee benefits	4,187,287	4,564,671
Total employee benefits expenses	$ 4,399,260	$ 4,802,507
An analysis of employee benefits expenses by function		
Operating expenses	$ 4,399,260	$ 4,802,507

h. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at a rate of 2% to 3.5% of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017, which have been approved by the Company's board of directors on March 20, 2019 and March 21, 2018, respectively, are as follows:

	For the Year Ended December 31	
	2018	2017
Employees' compensation	3.2%	3.2%
Remuneration of directors	2.4%	2.4%

Amount

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation	$ 55,384	$ 60,395
Remuneration of directors	41,538	45,296

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2017 and 2016.

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

30. INCOME TAX

a. Major components of income tax expense recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2018	2017
Current income tax		
In respect of the current year	$ 728,346	$ 547,106
Income tax on unappropriated earnings	-	55
Adjustments for the prior years	(241)	422
	728,105	547,583
Deferred tax		
In respect of the current year	35,200	211,032
Effect of tax rate changes	85,957	-
Adjustments to deferred tax attributable to changes in tax rates and laws	48,101	91,717
Adjustments for the prior years	1,257	3,488
	170,515	306,237
Income tax expense recognized in profit or loss	$ 898,620	$ 853,820

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

	For the Year Ended December 31	
	2018	2017
Profit before income tax from continuing operations	$ 2,549,115	$ 2,698,842
Income tax expense calculated at the statutory rate	$ 690,816	$ 622,672
Nondeductible expenses in determining taxable income	21,312	14,538
Deferred tax effect of earnings of subsidiaries	(230,173)	(667,039)
Tax-exempt income	(53,307)	(91,479)
Unrecognized investment credits	-	1,155
Income tax on unappropriated earnings	-	55
Land value increment tax	(23,303)	(35,107)
Unrecognized loss carryforwards	383,187	926,052
Unrecognized deductible temporary differences	7,595	53,631
Effect of tax rate changes	85,957	-
Adjustments for prior years' income tax	1,016	3,910
Others	15,520	25,432
Income tax expense recognized in profit or loss	$ 898,620	$ 853,820

In 2017, the applicable corporate income tax rate used by the Group in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other groups operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
In respect of the current year		
Effect of tax rate changes	$ 13,253	$ -
Remeasurement on defined benefit plans	10,113	13,325
	$ 23,366	$ 13,325

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Benefits of tax losses to be carried back to recover taxes paid in prior periods	$ 2,630	$ 2,656
Tax refund receivable	3,025	423
	$ 5,655	$ 3,079
Current tax liabilities		
Income tax payable	$ 609,796	$ 539,394

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

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

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

For the year ended December 31, 2017

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
Deferred tax assets					
Temporary differences					
Lease incentives	$ 233,476	$ (22,373)	$ -	$ (1,389)	$ 209,714
Differences of pension in determining taxable income	160,195	(19,544)	13,325	-	153,976
Investment properties	37,290	-	-	-	37,290
Other payables	41,691	(226)	-	-	41,465
Others	302,701	(180,540)	-	(236)	121,925
	775,353	(222,683)	13,325	(1,625)	564,370
Loss carryforwards	248,154	(91,315)	-	(1,631)	155,208
	$ 1,023,507	$ (313,998)	$ 13,325	$ (3,256)	$ 719,578

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Exchange Differences	Others	Balance, End of Year
Deferred tax liabilities						
Temporary differences						
Depreciation	$ 820,283	$ 3,005	$ -	$ -	$ -	$ 823,288
Reserve for land revaluation increment tax	508,719	-	-	-	-	508,719
Investment properties	419,880	(35,107)	-	-	-	384,773
Investments in subsidiaries	270,519	33,143	-	(4,072)	(126,615)	172,975
Others	34,502	(8,802)	-	25	-	25,725
	$ 2,053,903	$ (7,761)	$ -	$ (4,047)	$ (126,615)	$ 1,915,480

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

	December 31	
	2018	2017
Loss carryforwards		
Expiry in 2028	$ 1,451,589	$ -
Expiry in 2027	3,184,627	3,458,509
Expiry in 2026	957,341	1,172,477
Expiry in 2025	812,468	974,952
Expiry in 2024	675,800	827,861
Expiry in 2023	123,329	592,523
Expiry in 2022	189,304	113,858
Expiry in 2021	171,239	84,200
Expiry in 2020	183,485	84,736
Expiry in 2019	373,159	212,874
Expiry in 2018	-	430,513
	$ 8,122,341	$ 7,952,503
Deductible temporary differences	$ 806,834	$ 1,202,591

f. Information about unused loss carryforwards

As of December 31, 2018, information about loss carryforwards are as follows:

Remaining Creditable Amount	Expiry Year
$ 1,676,954	2028
3,195,012	2027
1,493,269	2026
821,443	2025
696,075	2024
129,329	2023
195,449	2022
171,355	2021
183,485	2020
374,259	2019
$ 8,936,630	

h. Income tax assessments

Income tax returns for the Group's entities in ROC have been assessed by the tax authorities through 2016, except for YTDS has been assessed by the tax authorities through 2016.

31. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share	$ 0.94	$ 1.09
Diluted earnings per share	$ 0.93	$ 1.09

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

	For the Year Ended December 31	
	2018	**2017**
Net profit for the year	$ 1,318,150	$ 1,535,986
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 1,318,150	$ 1,535,986

Shares

(In Thousands of Shares)

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares outstanding used in the computation of basic earnings per share	1,408,734	1,408,734
Effect of potentially dilutive ordinary shares:		
Employees' compensation	4,931	5,237
Weighted average number of ordinary shares outstanding used in the computation of dilutive earnings per share	1,413,665	1,413,971

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.

32. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

In addition to the transaction described in Note 20 to the consolidated financial statements, the Group signed operating lease arrangements with related parties and unrelated parties in line with its business operations.

As of December 31, 2018 and 2017, the deposit paid for operating lease arrangements were $1,020,277 thousand and $1,063,690 thousand, respectively.

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

	December 31	
	2018	2017
Not later than 1 year	$ 3,975,449	$ 3,752,994
Later than 1 year but not later than 5 years	13,515,692	10,185,176
Later than 5 years	20,264,110	16,633,122
	$ 37,755,251	$ 30,571,292

Under non-cancelable sublease commitments, the Group expected to receive minimum sublease payments of $113,287 thousand and $165,918 thousand as of December 31, 2018 and 2017, respectively.

The lease payments recognized in profit or loss and the rental payments on sub-lease are as follows:

	For the Year Ended December 31	
	2018	2017
Minimum lease payments	$ 3,934,059	$ 3,742,002
Contingent rentals	170,442	233,269
Sub-lease payments received	(61,751)	(54,111)
	$ 4,042,750	$ 3,921,160

b. The Group as lessor

For investment properties that are leased out under operating lease agreements, refer to Note 18.

As of December 31, 2018 and 2017, the deposits received by the Group through operating lease contract were $183,724 thousand and $162,255 thousand, respectively.

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

	December 31	
	2018	2017
Not later than 1 year	$ 825,529	$ 633,272
Later than 1 year but not later than 5 years	2,269,991	1,498,733
Later than 5 years	3,468,739	617,923
	$ 6,564,259	$ 2,749,928

Except for receivables for minimum lease payments, the lease commitments of the Group also included contingent rental agreements which require the lessee to make contingent rental payments based on a specific percentage of its annual sales profit.

33. 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.

34. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

Fair value hierarchy as at December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Beneficiary certificates	$ 344,481	$ -	$ -	$ 344,481
Domestic listed ordinary shares	93,266	-	-	93,266
	$ 437,747	$ -	$	$ 437,747
Financial assets at FVTOCI				
Domestic listed ordinary shares	$ 3,631,653	$ -	$ -	$ 3,631,653
Unlisted shares	-	-	573,146	573,146
	$ 3,631,653	$ -	$ 573,146	$ 4,204,799

Fair value hierarchy as at December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	$ 496,455	$ -	$ -	$ 496,455
Available-for-sale financial assets				
Listed ordinary shares Equity investments	$ 3,178,410	$ -	$ -	$ 3,178,410

There were no transfers between Level 1 and 2 in both 2018 and 2017.

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

Financial Instruments	Valuation Techniques and Inputs
Unlisted shares	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. b) Transaction method of market approach. The approach is a valuation strategy that looks at market ratios of companies with similar profitability at the end of the reporting period, while taking the liquidity premium into consideration.

c. Categories of financial instruments

	December 31 2018	December 31 2017
Financial assets		
FVTPL		
Held for trading	$ -	$ 496,455
Mandatorily classified as at FVTPL	437,747	-
Loans and receivables (1)	-	22,929,381
Available-for-sale financial assets (2)	-	3,786,447
Financial assets at amortized cost (3)	22,215,229	-
FVTOCI		
Equity instruments	4,204,799	-
Financial liabilities		
Measured at amortized cost (4)	53,293,190	56,313,688

1) The balances included the carrying amount of cash and cash equivalents, debt investments with no active market, 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 available-for-sale financial assets measured at cost.

3) 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.

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

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

1) Market risk

a) Exchange rate risk

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

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

In Thousands of US Dollars

	December 31	
	2018	**2017**
Assets		
USD	$ 29,879	$ 91,315
Liabilities		
USD	$ 3,968	$ 139,874

Sensitivity analysis

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

If exchange rates had been 1% higher or lower and all other variables were held constant, the profit before income tax or equity of the Group for 2018 and 2017 would increase/decrease by $7,958 thousand and $14,451 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:

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 10,740,306	$ 6,679,030
Financial liabilities	9,476,066	13,352,308
Cash flow interest rate risk		
Financial assets	2,026,821	7,303,752
Financial liabilities	22,051,911	20,003,599

Sensitivity analysis

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

If interest rates had been 100 basis points higher or lower and all other variables had been held constant, the income before income taxes for the years ended December 31, 2018 and 2017 would have decreased/increased by $200,251 thousand and $126,998 thousand, respectively.

c) Other price risks

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

Sensitivity analysis

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

If equity prices had been 5% higher or lower, the income before income tax for the years ended December 31, 2018 and 2017 would increase/decrease by $21,887 thousand and $24,823 thousand, respectively, as a result of the changes in fair value of held-for-trading investments. The pre-tax other comprehensive income for the years ended December 31, 2018 and 2017 would have increased/decreased by $210,240 thousand and $158,921 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

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

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

3) Liquidity risk

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.

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, 2018

Non-derivative financial liabilities	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
Short-term borrowings	$ 12,957,612	$ -	$ -	$ -	$ -	$ -	$ 12,957,612
Short-term bills payable	3,480,365	-	-	-	-	-	3,480,365
Notes payable	3,683	-	-	-	-	-	3,683
Trade payables	17,579,453	-	-	-	-	-	17,579,453
Trade payables to related parties	104,999	-	-	-	-	-	104,999
Other payables	3,610,910	-	-	-	-	-	3,610,910
Long-term borrowings (including current portion)	-	12,460,000	2,630,000	-	-	-	15,090,000
Deposits received	50,344	227,618	125,821	3,584	7,596	51,205	466,168

December 31, 2017

Non-derivative financial liabilities	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
Short-term borrowings	$ 13,084,956	$ -	$ -	$ -	$ -	$ -	$ 13,084,956
Short-term bills payable	2,514,700	-	-	-	-	-	2,514,700
Notes payable	3,071	-	-	-	-	-	3,071
Trade payables	18,285,105	-	-	-	-	-	18,285,105
Trade payables to related parties	127,880	-	-	-	-	-	127,880
Other payables	4,050,914	-	-	-	-	-	4,050,914
Bond payables (including current portion)	998,149	-	-	-	-	-	998,149
Long-term borrowings (including current portion)	3,500,000	10,238,102	3,020,000	-	-	-	16,758,102
Deposits received	87,541	249,261	45,142	82,094	6,872	19,901	490,811

35. TRANSACTIONS WITH RELATED PARTIES

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

a. The Group's related parties and their relationships

Related Party	Relationship with the Group
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Associate
Chengdu Baiyang Industry Co., Ltd. (CDBI)	Associate
Yuan Hsin Digital Payment Co., Ltd. (YHDP)	Associate
Oriental Securities Corporation (OSC)	Associate
Pacific Department Store	Associate
Sogo Industrial Co., Ltd.	Associate
Far Eastern International Leasing Corp. (FEIL)	Associate
Far Eastern Electronic Commerce Co., Ltd. (FEEC) (Note)	Associate
Yuan Shi Digital Technology Co., Ltd. (YSDT) (Note)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far EasTone Telecommunications Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Asia Cement Corporation	The associate of the investor that has significant influence over the Company (the associate of FENC)
Yuan Tong Investment Co., Ltd. (YTIC)	The associate of the investor that has significant influence over the Company (the associate of FENC)
Far Eastern Electronic Toll Collection Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
New Century Info Comm Tech Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuan Ding Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Ding Ding Hotel Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far East Resources Development Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Technical Consultants Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Yuan Ding Integrated Information Service (Shanghai) Inc.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern General Contractor Inc.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Apparel Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
YDT Technology International Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)

(Continued)

Related Party	Relationship with the Group
Far Eastern New Century (China) Investment Co., Ltd. (FENCI (China))	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern General Contractor Inc.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuan Ding Enterprise (Shanghai) Co., Ltd. (YDEC (Shanghai))	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yadong Ready Mixed Concrete Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Everest Textile Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Far Eastern New Century Corporation (FENC)	The investor that has significant influence over the Company (investor of FEDS accounted for using the equity method)
Yuan-Ze University	Other related party (the same chairman)
Mr. Xuyuan Zhi Memorial Foundation	Other related party (the same chairman)
Far Eastern Medical Foundation (FEMF)	Other related party (the same chairman)
Oriental Union Chemical Corp.	Other related party (the same chairman)
U-Ming Marine Transport Corp.	Other related party (the same chairman)
Tranquil Enterprise Ltd. (TEL)	Other related party (the same chairman)
Hong-Tong Developing Co., Ltd.	Other related party
Sogo New Life Foundation	Other related party
Pacific Sogo Social Welfare Foundation	Other related party
Far Eastern International Bank (FEIB)	Other related party (the president of the Company is its vice president)
Ding&Ding Management Consultants Co., Ltd.	Other related party
CitySuper (Hong Kong)	Other related party (other related party of Subsidiary Far Eastern CitySuper)
CitySuper (Labuan) Ltd.	Other related party (investor of Far Eastern CitySuper accounted for using the equity method)
CitySuper Ltd.	Other related party (the parent company of CitySuper (Labuan) Ltd.)
Oriental Securities Investment Advisory Co., Ltd.	Other related party (the subsidiary of OSC)
Yuanbo Asset Management Company	Other related party (subsidiary of FEIL)
Chengdu Zhongtie Ruicheng Building Co., Ltd.	Other related party (mainland cooperative enterprise)
Chengdu Tai Bai Consultant and Management Co., Ltd.	Other related party (mainland cooperative enterprise)
Shanghai Xujiahui Commercial Co., Ltd.	Other related party (mainland cooperative enterprise)

(Concluded)

Note: The board of directors of both FEEC and Hiiir approved the merger on June 27, 2017, with Hiiir as the surviving company and FEEC dissolved. Upon the completion of the aforesaid merger, the surviving company was renamed YSDT.

b. Operating revenue

	For the Year Ended December 31	
	2018	2017
Sales of goods (Note)		
The associates of investor that has significant influence over the Group	$ 63,322	$ 61,433
Other related parties	4,958	3,710
Investor that has significant influence over the Group	1,719	1,428
Associates	1,155	4,627
	$ 71,154	$ 71,198

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

	For the Year Ended December 31	
	2018	2017
Other operating revenue		
Other related parties	$ 83,160	$ 31,466
The associates of investor that has significant influence over the Group	45,788	40,690
Associates	3,265	12,790
	$ 132,213	$ 84,946

c. Operating costs and expenses

	For the Year Ended December 31	
	2018	2017
Operating costs (Note)		
The associates of investor that has significant influence over the Group	$ 128,884	$ 132,792
Other related parties	15,819	20,687
Investor that has significant influence over the Group	137	143
	$ 144,840	$ 153,622

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

	For the Year Ended December 31	
	2018	2017
Operating expenses (Note)		
The associates of investor that has significant influence over the Group	$ 762,604	$ 770,262
Other related parties	497,811	479,796
Associates	144,407	557,939
Investor that has significant influence over the Group	115,260	119,543
	$ 1,520,082	$ 1,927,540

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

d. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Other gains		
Other related parties	$ 18,300	$ 17,544
The associates of investor that has significant influence over the Group	16,683	18,149
Associates	1,272	1,140
Investor that has significant influence over the Group	263	3,220
	$ 36,518	$ 40,053
Other losses		
Associates	$ 7,176	$ 7,217
Investor that has significant influence over the Group	1	1
	$ 7,177	$ 7,218

e. Receivables from related parties

	December 31	
	2018	2017
Trade receivables, net		
The associates of investor that has significant influence over the Group	$ 61,195	$ 51,658
Other related parties	53,923	22,403
Associates (Note)	40,066	48,637
Investor that has significant influence over the Group	758	3,666
	$ 155,942	$ 126,364

Note: As of December 31, 2018 and 2017, the amounts of allowance for impairment loss on receivables were $125,035 thousand and $128,450 thousand, respectively.

	December 31	
	2018	2017
Other receivables		
The associates of investor that has significant influence over the Group (1)		
FENCI (China)	$ 969,171	$ 986,323
YDEC (Shanghai)	256,777	261,322
Others	11,968	10,453
	1,237,916	1,258,098
Associates	136,978	15,388
Other related parties (2)	58,496	4,947
Investor that has significant influence over the Group	289	296
	$ 1,433,679	$ 1,278,729

1) As of December 31, 2018 and 2017, the amounts of finance to related parties were $1,225,948 thousand and $1,247,645 thousand, respectively.

2) As of December 31, 2018 and 2017, the amounts of allowances for impairment loss were $16,181 thousand for both of these dates.

f. Other assets

	December 31	
	2018	**2017**
Prepayments		
Other related parties	$ 2,889	$ 2,889
The associates of investor that has significant influence over the Group	86	96
Associates	-	166
	$ 2,975	$ 3,151
Prepayments for lease		
Other related parties	$ 259,065	$ 265,298
Other current assets		
Associates	$ 570	$ 570
Other non-current asset		
Leasing incentives		
The associates of investor that has significant influence over the Group	$ 9,141	$ 7,924
Other related parties	1,314	1,494
	$ 10,455	$ 9,418
Refundable deposits		
Associates	$ 130,848	$ 136,363
The associates of investor that has significant influence over the Group	44,816	44,818
	$ 175,664	$ 181,181
Long-term prepayments for lease		
Other related parties		
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	$ 4,663,176	$ 5,040,667

g. Payables to related parties

	December 31	
	2018	2017
Trade payables		
The associates of investor that has significant influence over the Group	$ 102,277	$ 125,810
Other related parties	2,711	2,059
Investor that has significant influence over the Group	11	11
	$ 104,999	$ 127,880
Other payables		
Associates	$ 294,205	$ 282,478
The associates of investor that has significant influence over the Group	273,720	272,117
Investor that has significant influence over the Group	43,320	44,902
Other related parties	25,332	104,123
	$ 636,577	$ 703,620

h. Contract liabilities

	December 31, 2018
The associates of investor that has significant influence over the Group	$ 5,277
Other related parties	2,959
Associates	308
	$ 8,544

i. Other liabilities

	December 31	
	2018	2017
Advance receipts		
The associates of investor that has significant influence over the Group	$ -	$ 3,018
Other related parties	-	3,012
Associates	-	1,425
	$ -	$ 7,455
Other current liabilities		
Associates	$ 6,146	$ 5,907
Other related parties	238	15
The associates of investor that has significant influence over the Group	27	196
	$ 6,411	$ 6,118

	December 31	
	2018	2017
Other non-current liabilities		
Leasing incentive		
The associates of investor that has significant influence over the Group	$ 91,142	$ 92,791
Deposits received		
The associates of investor that has significant influence over the Group	$ 36,846	$ 28,860
Other related parties	1,032	1,032
	$ 37,878	$ 29,892
Others		
Other related parties	$ 29,505	$ 29,759

j. Construction projects

	December 31	
	2018	2017
The associates of investor that has significant influence over the Group	$ 805,482	$ 417,500
Other related parties	764	1,939
Associates	540	-
	$ 806,786	$ 419,439

k. Disposals of financial assets

For the year ended December 31, 2017

Related Party	Item	Number of Shares	Underlying Assets	Proceeds	Gain on Disposal
YTIC	Available-for-sale financial assets - current	25,771	Ordinary shares	$ 254,111	$ 74,341
TEL	Available-for-sale financial assets - non-current	18,000	Ordinary shares	$ 479,574	$ 198,471
FEMF	Available-for-sale financial assets - non-current	9,217	Ordinary shares	$ 234,540	$ 107,918

l. Loans to related parties

The associates of investors which the Group provided financing to and that have significant influence over the Group are as follows:

	December 31, 2018			
Related Party	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Income
FENCI (China)	$ 1,926,169	$ 969,171	-	$ -
YDEC (Shanghai)	$ 520,820	$ 256,777	-	$ -

Related Party	December 31, 2017 Maximum Balance	Ending Balance	Interest Rate (%)	Interest Income
FENCI (China)	$ 2,972,097	$ 986,323	-	$ -
YDEC (Shanghai)	$ 524,843	$ 261,322	-	$ -

m. Loans from related parties

The Group's financing from other related parties are as follows:

Related Party	December 31, 2018 Maximum Balance	Ending Balance	Interest Rate (%)	Finance Cost
FEIB	$ 400,000	$ -	1.15	$ 192

Related Party	December 31, 2017 Maximum Balance	Ending Balance	Interest Rate (%)	Finance Cost
FEIB	$ 1,200,000	$ -	0.90-1.25	$ 3,583

n. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 129,097	$ 112,697
Post-employment benefits	494	5,143
	$ 129,591	$ 117,840

The compensation to directors and other key management personnel were determined by the Compensation Committee of the Group in accordance with the individual performance and the market trends.

36. 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	
	2018	2017
Debt investments with no active market	$ -	$ 283,690
Financial assets at amortized cost	280,400	-
Investments accounted for using the equity method	3,504,587	3,492,833
Available-for-sale financial assets	-	1,535,640
Financial assets at FVTOCI	1,783,290	-
Property, plant and equipment	17,400,626	17,587,339
Investment properties	682,999	755,294
	$ 23,651,902	$ 23,654,796

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2018 and 2017 are as follows:

a. Significant commitments

The amount of unrecognized commitments are as follows:

	December 31	
	2018	**2017**
Acquisition of property, plant and equipment	$ 3,592,586	$ 2,180,109
Unused letters of credit for purchases	500,000	-
	$ 4,092,586	$ 2,180,109

b. A letter from the Ministry of Economic Affairs (MOEA) on July 28, 2011 stated that the term of the board of directors and supervisors (the "Board") of SOGO was terminated, and the election of the Board should be held by October 28, 2011. On August 26, 2011, in the shareholders' meeting, Douglas Hsu, Ching-Wen Huang, Mao-De Huang, Hsiao-Yi Wang and Satoshi Inoue were elected to be the representatives of the Board and Jing-Yi Wang was elected as a supervisor. On September 2, 2011, the registration of the Board was submitted to the MOEA, and on August 30, 2013, the registration of the Board was approved and completed by the MOEA.

For the resolution passed in the shareholders' meeting, SOGO's shareholders filed an appeal for an invalid resolution and for the withdrawal of the resolution of the shareholders' meeting. As of March 17, 2017, many verdicts, including the Year 100 Letter Su No. 3965 verdict made by the TTDC, the Year 104 Letter Tsai Shang No. 90 verdict made by the Supreme Administrative Court (SAC), the Year 101 Letter Kun No. 1589 and No. 1681 verdicts made by the THC, and the Year 106 Letter Tsai Shang No. 86 verdict made by the SAC, confirmed that the shareholders' meeting was legal and rejected the appeal of the SOGO shareholders.

Also, Heng-Long Li filed an appeal against SOGO and PLTI, alleging that the decisions made in the SOGO shareholders' meeting on August 26, 2011 were invalid. After the TTDC rejected the appeal in the Year 103 Letter Shang No. 1014 verdict, the THC rejected the appeal once more.

Moreover, the former chairman of PLTI, Heng-Long Li, stated that he appointed Chun-Chih Weng, Chao-Chuan Chu, Shen-Yi Li, Jui-Tsun Liu and Yu-Ying Chin as members of the Board of SOGO to replace Ching-Wen Huang, Satoshi Inoue, Douglas Hsu, Hsiao-Yi Wang and Mao-De Huang. Furthermore, those individuals (Chun-Chih Weng, Chao-Chuan Chu, Shen-Yi Li, Jui-Tsun Liu and Yu-Ying Chin) elected Chun-Chih Weng as the chairman of PLTI and applied to the MOEA for the registration of a change of the Board and supervisor of SOGO on August 8, 2011. However, the application of the registration was rejected by the MOEA, due to the election being held by the former chairman of PLTI, Heng-Long Li. Chun-Chih Weng, Chao-Chuan Chu, Shen-Yi Li, Jui-Tsun Liu and Yu-Ying Chin not only announced publicly that they are the five members of the Board of SOGO but also that they held the SOGO shareholders' meetings on September 5, 2011 and September 6, 2011. However, the decisions made in these two shareholders' meetings on September 5, 2011 and September 6, 2011 were not approved and not consented to by all of SOGO's shareholders. According to the Year 100 Letter Su No. 4224 verdict from the TTDC on January 22, 2014, the TTDC declared that the decisions made in the shareholders' meeting on September 5, 2011 were not approved legally; according to the Year 100 Letter Su No. 4164 verdict on November 28, 2013, the TTDC confirmed that the decisions made in the shareholders' meeting on September 6, 2011 were not approved legally. The THC passed the Year 103 Letter Shang No. 330 verdict on May 31, 2016 rejecting the appeal and confirmed that the resolutions of the shareholders' meeting on September 5, 2011 were not approved legally. Chun-Chih Weng filed an appeal against the judgments. Under Court Reference Year 107 Letter Tai Shang No. 965 verdict, issued by the Taiwan Supreme Court on December 6, 2018, the Court rejected Chun-Chih Weng's appeals and confirmed that the resolutions of the shareholders' meeting on September 5, 2011 were not approved legally. In the Year 103 Letter Shang No. 87 verdict from the THC on August 17, 2016, the THC rejected the appeal and confirmed that the decisions made in the shareholders' meeting on September 6, 2011 were not approved legally. Chun-Chih Weng filed an appeal against the judgments. Under Court Reference Year 107 Letter Tai Shang No. 1591 verdict, issued by the Taiwan Supreme Court on December 13, 2018, the Court rejected Chun-Chih Weng's appeals and confirmed that the resolutions of the shareholders' meeting on September 5, 2011 were not approved legally.

c. Pacific Department Store asserted that SOGO injured the trademark, and raised an appeal to the president Qing-Wen Huang and the general manager Ding-Song WanGuo of SOGO for violation of the trademark law. After being sued by the TTDC (Year 106 Annual detective No. 2264) on November 27, 2017. Under Court Reference Year 106 Zhi Yi Zi Note 70 verdict, issued by the TTDC on December 28, 2018, the Court made the judgment that Qing-Wen Huang and Ding-Song WanGuo were innocent of the filed criminal charges. Taiwan Taipei District Prosecutor's Office appealed to Intellectual Property Court on January 23, 2019. SOGO received a complaint proposed by the Pacific Department Store in January. In the complaint, the president Qing-Wen Huang and the general manager Ding-Song WanGuo were asked to compensate an amount of $72,226,923 thousand, and also to post the judgment on the front pages of several newspapers for 30 days. Pacific Department Store withdrew the criminal case and the criminal case supplementary civil action in April 2019.

38. 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, 2018

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 3,759	30.7150 (USD:NTD)	$ 115,452
USD	26,210	6.8632 (USD:RMB)	802,283
RMB	525,092	4.4753 (RMB:NTD)	2,349,944
			$ 3,267,679
Non-monetary items			
Associates accounted for using the equity method			
RMB	399,450	4.4753 (RMB:NTD)	$ 1,787,660
Financial assets measured at cost			
USD	294	30.2750 (USD:NTD)	8,903
			$ 1,796,563

(Continued)

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 150	30.7150 (USD:NTD)	$ 4,618
USD	3,818	6.8632 (USD:RMB)	117,272
RMB	247,992	4.4753 (RMB:NTD)	1,109,837
			$ 1,231,727

(Concluded)

December 31, 2017

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 10,438	29.7600 (USD:NTD)	$ 310,622
USD	80,877	6.5342 (USD:RMB)	2,406,900
RMB	527,652	4.5545 (RMB:NTD)	2,403,190
			$ 5,120,712
Non-monetary items			
Associates accounted for using the equity method			
RMB	423,405	4.5545 (RMB:NTD)	$ 1,928,400
Financial assets measured at cost			
USD	294	30.2750 (USD:NTD)	8,903
			$ 1,937,303
Financial liabilities			
Monetary items			
USD	29,944	29.7600 (USD:NTD)	$ 891,136
USD	109,930	6.5342 (USD:RMB)	3,271,523
RMB	36,113	4.5545 (RMB:NTD)	164,479
			$ 4,327,138

The Group is mainly exposed to RMB. The following information was aggregated by the functional currencies of the Group, and the exchange rates between respective functional currencies and the presentation currency are disclosed. The significant realized and unrealized foreign exchange gains (losses) are as follows:

	For the Year Ended December 31			
	2018		2017	
Functional Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1.0000 (NTD:NTD)	$ (47,489)	1.0000 (NTD:NTD)	$ 11,389
RMB	4.5599 (RMB:NTD)	(122,264)	4.5053 (RMB:NTD)	63,292
		$ (169,753)		$ 74,681

39. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. investees are as follow:

1) Financing provided to others: Table 2.

2) Endorsements/guarantees provided: Table 3.

3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Table 4.

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Table 5.

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 6.

9) Trading in derivative instruments: None.

10) Others: Intercompany relationships and significant intercompany transactions: Table 7.

11) Information on investees: Table 8.

c. Information on investments in mainland China:

1) Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on the inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, repatriations of investment income, and the limit of investments in mainland China: Table 9.

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the 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 3.

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 2.

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.

40. OPERATING SEGMENT FINANCIAL INFORMATION

The Group belongs to a single industry of department stores and supermarkets. Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on geographical information as management structure. The Group's reportable segments under IFRS 8 "Operating Segments" includes ROC and China.

a. Segment revenues and results

	Segment Revenue		**Segment Profit**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2018	**2017**	**2018**	**2017**
ROC	$ 36,129,276	$ 37,621,304	$ 4,438,794	$ 4,020,142
China	3,113,275	3,545,678	(251,465)	(933,418)
Total for continuing operations	$ 39,242,551	$ 41,166,982	4,187,329	3,086,724
Interest income			128,124	74,855
Dividend income			152,720	138,393
Insurance claim income			250,005	-
Loss arising on financial assets classified as held for trading, net			-	(2,851)
Foreign exchange gain (loss), net			(169,753)	74,681
Gain arising on financial assets mandatorily classified as at FVTPL			10,443	-
Loss on disposal of property, plant and equipment, net			(26,487)	(223,336)
Gain on disposal of property, plant and equipment			-	6,628

(Continued)

	Segment Revenue		Segment Profit	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Gain on disposal of investment			$ -	$ 428,971
Loss on disposal of investment properties			(90,621)	-
(Loss) gain arising on changes in fair value of investment properties, net			43,045	(9,061)
Finance costs			(437,280)	(445,376)
Share of profits of associates accounted for using the equity method			11,396	(39,180)
Impairment loss on intangible assets			(1,630,000)	(1,205,840)
Impairment loss on property, plant and equipment			(38,047)	(2,040)
Other gains			207,019	1,251,964
Other losses			(48,778)	(435,690)
Profit before income tax			$ 2,549,115	$ 2,698,842

(Concluded)

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in 2018 and 2017.

b. Segment assets and liabilities

	December 31	
	2018	2017
Segment assets		
ROC	$ 93,643,355	$ 92,043,486
China	10,102,800	13,665,994
Adjustments and eliminations	186	(1,029)
Consolidated total assets	$ 103,746,341	$ 105,708,451
Segment liabilities		
ROC	$ 56,374,554	$ 55,551,721
China	9,681,397	13,298,552
Consolidated total liabilities	$ 66,055,951	$ 68,850,273

c. Revenue from major products

The Group's revenue from its major products and services are as follows:

	For the Year Ended December 31	
	2018	2017
Retail sales revenue	$ 35,955,379	$ 37,051,740
Other operating revenues	3,287,172	4,115,242
	$ 39,242,551	$ 41,166,982

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.

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2018	2017	2018	2017
ROC	$ 36,129,276	$ 37,621,304	$ 61,476,837	$ 61,875,989
China	3,113,275	3,545,678	2,182,977	3,922,858
	$ 39,242,551	$ 41,166,982	$ 63,659,814	$ 65,798,847

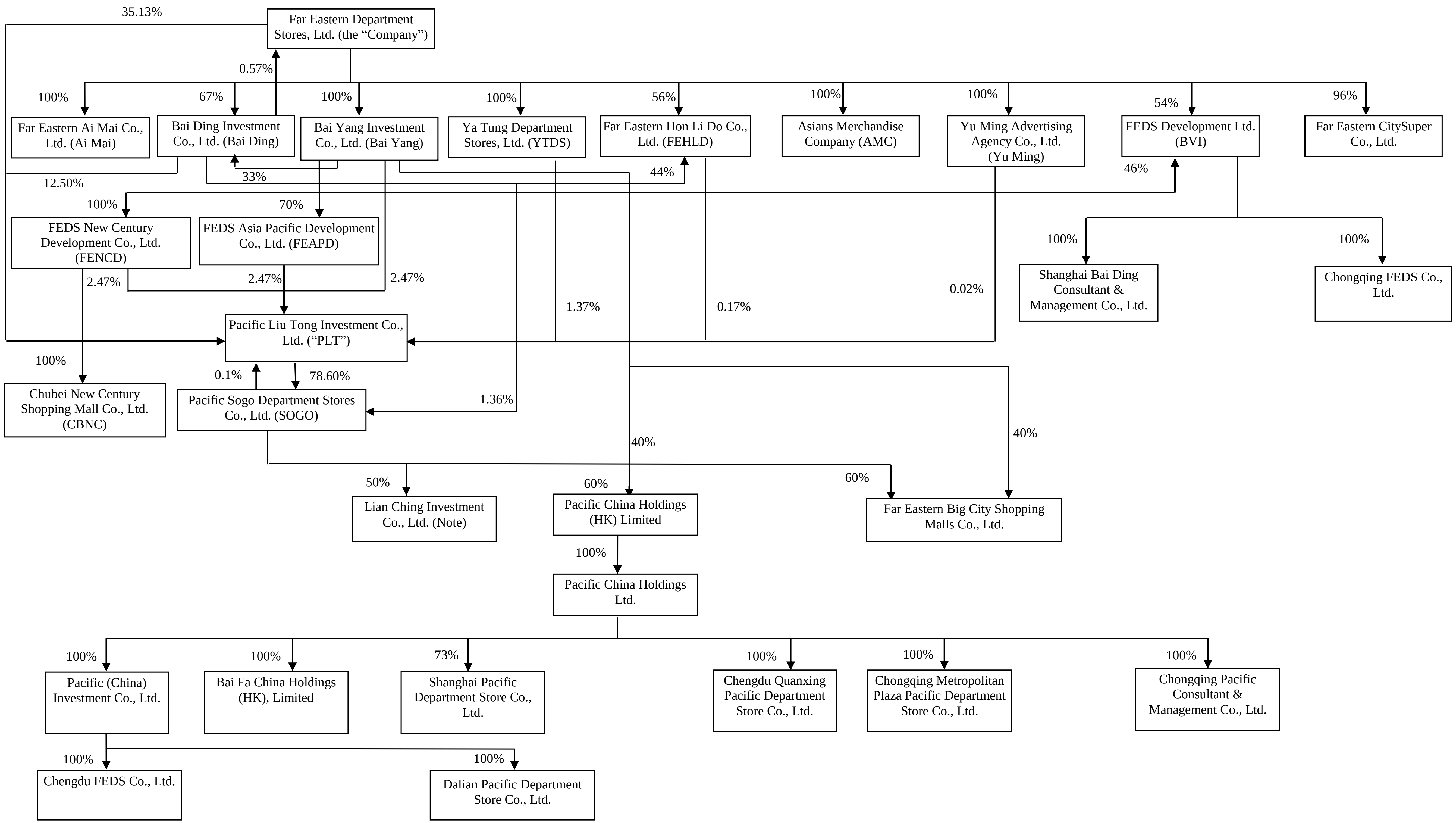
Non-current assets exclude those classified as non-current assets held for sale, financial instruments, and deferred tax assets.

e. Information about major customers

There is no revenue from any individual customer comprising over 10% or more of the Group's gross revenue for 2018 and 2017.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

DIAGRAM OF INTERCOMPANY RELATIONSHIPS
DECEMBER 31, 2018



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.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
1	Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings Ltd.	Other receivables	Y	$ 2,000,000	$ 2,000,000	$ -	-	(Note A)	$ -	Transaction	$ -	-	$ -	$ 4,433,405 (Note B)	$ 4,433,405 (Note B)
2	Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	Other receivables	Y	760,801 (RMB 170,000)	760,801 (RMB 170,000)	554,937 (RMB 124,000)	4.35%- 4.353514%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
		Dalian Pacific Department Store Co., Ltd.	Other receivables	Y	447,530 (RMB 100,000)	447,530 (RMB 100,000)	185,725 (RMB 41,500)	4.353514%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
		Chengdu FEDS Co., Ltd.	Other receivables	Y	1,342,590 (RMB 300,000)	-	-	4.353514%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
		Chengdu Quanxing Building Pacific Department Store Co., Ltd.	Other receivables	Y	223,765 (RMB 50,000)	223,765 (RMB 50,000)	67,130 (RMB 15,000)	4.353514%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
3	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	313,271 (RMB 70,000)	313,271 (RMB 70,000)	255,092 (RMB 57,000)	4.08%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
		Chongqing Pacific Consultant & Management Co., Ltd.	Other receivables	Y	313,271 (RMB 70,000)	-	-	4.35%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
4	Pacific China Holding Ltd.	Chengdu FEDS Co., Ltd.	Other receivables	Y	1,566,465 (US$ 51,000)	737,160 (US$ 24,000)	645,015 (US$ 21,000)	3.81425%- 4.59694%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
		Pacific China Holdings (HK) Limited	Other receivables	Y	307,150 (US$ 10,000)	307,150 (US$ 10,000)	-	-	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
5	Pacific China Holdings (HK) Limited	Pacific China Holding Ltd.	Other receivables	Y	307,150 (US$ 10,000)	307,150 (US$ 10,000)	106,888 (US$ 3,480)	2.52%-3.66%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
6	Pacific (China) Investment Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	44,753 (RMB 10,000)	44,753 (RMB 10,000)	-	4.08%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
7	FEDS Development Ltd.	Yuan Ding Enterprise (Shanghai) Co., Ltd.	Other receivables	Y	520,820 (RMB 116,337)	364,185 (RMB 81,377)	256,777 (RMB 57,377)	-	(Note A)	-	Transaction	-	-	-	5,904,781 (Note C)	11,809,562 (Note D)
		Far Eastern New Century (China) Investment Co., Ltd.	Other receivables	Y	1,926,169 (RMB 430,400)	969,798 (RMB 216,700)	969,171 (RMB 216,560)	-	(Note A)	-	Transaction	-	-	-	5,904,781 (Note C)	11,809,562 (Note D)

Note A: Short-term financing.

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

Note C: 20% of the financing company's net assets of ultimate parent company, Far Eastern Department Stores, Ltd.

Note D: 40% of the financing company's net assets of ultimate parent company, Far Eastern Department Stores, Ltd.

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ 17,714,344 (Note A)	$ 30,000	$ 30,000	$ -	$ -	-	$ 29,523,906 (Note B)	Y	-	-
		Bai Yang Investment Co., Ltd.	2	17,714,344 (Note A)	400,000	400,000	-	-	1	29,523,906 (Note B)	Y	-	-
		Bai Ding Investment Co., Ltd.	2	17,714,344 (Note A)	700,000	700,000	350,000	-	2	29,523,906 (Note B)	Y	-	-
		FEDS Development Ltd.	2	17,714,344 (Note A)	2,874,924 (US$ 93,600)	2,874,924 (US$ 93,600)	1,106,478 (US$ 247,241)	-	10	29,523,906 (Note B)	Y	-	-
		Chubei New Century Shopping Mall Co., Ltd.	2	17,714,344 (Note A)	3,700,000	3,700,000	-	-	13	29,523,906 (Note B)	Y	-	-
		Far Eastern CitySuper Co., Ltd.	2	17,714,344 (Note A)	160,000	160,000	-	-	1	29,523,906 (Note B)	Y	-	-
		Pacific Sogo Department Stores Co., Ltd.	2	17,714,344 (Note A)	4,798,653	4,544,806	4,544,806	-	15	29,523,906 (Note B)	Y	-	-
1	Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings Ltd.	2	17,714,344 (Note C)	8,345,266 (US$ 271,700)	8,345,266 (US$ 271,700)	3,848,774 (US$ 125,306)	-	28	29,523,906 (Note D)	-	-	-
		Dalian Pacific Department Store Co., Ltd.	2	17,714,344 (Note C)	410,503 (RMB 78,000) (US$ 2,000)	410,503 (RMB 78,000) (US$ 2,000)	-	-	1	29,523,906 (Note D)	-	-	Y
		Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	2	17,714,344 (Note C)	307,150 (US$ 10,000)	307,150 (US$ 10,000)	-	-	1	29,523,906 (Note D)	-	-	Y
		Far Eastern Department Stores, Ltd.	3	17,714,344 (Note C)	3,005,901	2,848,393	2,848,393	-	10	29,523,906 (Note D)	-	Y	-
2	Pacific China Holdings Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	2	17,714,344 (Note C)	279,706 (RMB 62,500)	134,259 (RMB 30,000)	134,259 (RMB 30,000)	-	-	29,523,906 (Note D)	-	-	Y
3	Far Eastern Big City Shopping Malls Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	362,860 (Note A)	164,396	154,325	154,325	-	1	604,766 (Note B)	-	-	-

Note A: The amount is 60% of net assets based on the latest financial statements of the endorser/guarantor.

Note B: The amount is 100% of net assets based on the latest financial statements of the endorser/guarantor.

Note C: The amount is 60% of the net assets based on the latest financial statements of the final parent company - Far Eastern Department Stores, Ltd.

Note D: The amount is 100% of the net assets based on the latest financial statements of the final parent company - Far Eastern Department Stores, Ltd.

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

(Continued)

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

1. Trading partner.
2. The Company that directly and indirectly hold more than 50% of the voting shares.
3. The companies that directly and indirectly hold more than 50% of the Company’s voting rights.
4. The Company that directly and indirectly holds more than 90% of the voting shares.
5. Guaranteed by the Company according to the construction contract.
6. An investee company. The guarantees were provided based on the Company’s proportionate share in the investee company.
7. Companies in the same industry provide among themselves joint and several securities for as performance guarantees of sales contracts for pre-construction homes pursuant to the Consumer Protection Act.

(Concluded)

TABLE 4

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2018				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far Eastern Department Stores, Ltd.	Shares							
	Asia Cement Corporation	4	Financial assets at fair value through other comprehensive income - non-current	50,000	$ 1,697,517	1	$ 1,697,517	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	557,006	-	557,006	
	Kaohsiung Rapid Transit Corporation	-	Financial assets at fair value through other comprehensive income - non-current	6,286	29,355	2	29,355	
	Yuan Ding Leasing Corp.	-	Financial assets at fair value through other comprehensive income - non-current	7,309	69,892	9	69,892	
	Yuan Ding Co., Ltd.	4	Financial assets at fair value through other comprehensive income - non-current	3	10	-	10	
	Yuan Shi Digital Technology Co., Ltd.	4	Financial assets at fair value through other comprehensive income - non-current	1,041	571	1	571	
Bai Ding Investment Co., Ltd.	Shares							
	Far Eastern Department Stores, Ltd.	2	Financial assets at fair value through other comprehensive income - current	8,207	128,850	1	128,850	
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	14,814	502,949	-	502,949	5,200 thousand shares of Asia Cement Corporation pledged for commercial papers issued of the investor company
	Far Eastern New Century Corporation	6	Financial assets at fair value through other comprehensive income - non-current	15,812	441,141	-	441,141	15,000 thousand shares of Far Eastern New Century Corporation pledged for loans of the investor company
	Chung-Nan Textile Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,984	81,531	5	81,531	
	Ding Ding Management Consultants Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	216	5,168	5	5,168	
	Yue Ding Industry Co., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	2,476	43,301	2	43,301	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10	
	Ding Sheng Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	39,600	345,312	18	345,312	
Bai Yang Investment Co., Ltd.	Shares							
	Far Eastern International Bank	8	Financial assets at fair value through other comprehensive income - current	22,102	221,023	1	221,023	
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	3,849	130,690	-	130,690	
	U-Ming Marine Transport Corp.	8	Financial assets at fair value through other comprehensive income - non-current	200	6,450	-	6,450	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10	
Far Eastern Hon Li Do Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	986	11,522	-	11,522	

(Continued)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2018 Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
Yu Ming Advertising Agency Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,730	$ 31,892	-	$ 31,892	
	Shares							
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	1,506	51,115	-	51,115	
FEDS New Century Development Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,503	99,312	-	99,312	
FEDS Development Ltd.	Shares							
	Kowloon Cement Corp., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	46	8,903	2	8,903	
Pacific Sogo Department Stores Co., Ltd.	Shares							
	CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss - current	297	1,993	-	1,993	
	Quanta computer Inc.	-	Financial assets at fair value through profit or loss - current	1	38	-	38	
	Pacific Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	7,931	91,206	2	91,206	
	DBTEL Inc.	-	Financial assets at fair value through profit or loss - current	10	29	-	29	
	Oriental Union Chemical Corp.	8	Financial assets at fair value through other comprehensive income - current	546	14,087	-	14,087	
	U-Ming Marine Transport Corp.	8	Financial assets at fair value through other comprehensive income - current	300	9,675	-	9,675	
	Pacific Liu Tong Investment Co., Ltd.	1	Financial assets at fair value through other comprehensive income - non-current	800	4,019	-	4,019	
	E-Shou Hi-tech Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	18,300	-	15	-	
	Tain Yuan Investment Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	98,000	-	20	-	
	PURETEK Corp.	-	Financial assets at fair value through profit or loss - non-current	119	-	-	-	
	Pacific 88 Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	16	-	1	-	
	Yuan Shi Digital Technology Co., Ltd.	7	Financial assets at fair value through profit or loss - non-current	1,041	-	1	-	
Pacific Liu Tong Investment Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	17,273	201,755	-	201,755	
Pacific China Holdings Ltd.	Shares							
	Overseas Development Corp.	-	Financial assets at fair value through profit or loss - non-current	2,250	-	15	-	
	Taiwan Ocean Farming Corp.	-	Financial assets at fair value through profit or loss - non-current	2,250	-	15	-	

Note A:
1. Subsidiary of FEDS.
2. Parent company.
3. Investor that has significant influence over the Company.
4. The associate of investor that has significant influence over the Company.
5. Other related party.
6. Investor that has significant influence over FEDS.
7. The associate of investor that has significant influence over FEDS.
8. Other related party of FEDS.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter party	Relationship	Beginning Balance		Acquisition		Disposal					Ending Balance	
					Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Adjusted Item (Note C)	Shares (In Thousands)	Amount
Bai Yang Investment Co., Ltd.	Shares FEDS New Century Development Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	72,000	$ 782,939	78,000	$ 780,000 (Note A)	-	$ -	$ -	$ -	$ 6,217	150,000	$ 1,569,156
FEDS New Century Development Co., Ltd.	Shares Chubei New Century Shopping Mall Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	40,000	393,353	78,000	780,000 (Note A)	-	-	-	-	(1,435)	118,000	1,171,918
Pacific (China) Investment Co., Ltd.	Shares Chengdu FEDS Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	-	(652,536)	-	637,742 (Note B)	-	-	-	-	(63,760)	-	(78,554)

Note A: There was an increase in cash capital.

Note B: There was an increase of NT$21,500 thousand in cash capital.

Note C: The share of comprehensive profit or loss using the equity method.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(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	$ 125,035	-	$ 125,035	Collection expedited	$ 532	$ 125,035
	Far Eastern Big City Shopping Malls Co., Ltd.	Subsidiary	101,231	-	-	-	-	-
FEDS Development Ltd. (BVI)	Far Eastern New Century (China) Investment Co., Ltd.	The associate of investor that has significant influence over the Group.	969,171 (Note B)	-	-	-	-	-
	Yuan Ding Enterprise (Shanghai) Co., Ltd.	The associate of investor that has significant influence over the Group.	256,777 (Note B)	-	-	-	-	-
	Chongqing FEDS Co., Ltd.	Subsidiary	1,119,720 (Note A)	-	-	-	-	-
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Same ultimate parent company	258,827 (Note B)	-	-	-	-	-
Pacific China Holdings Ltd.	Chengdu FEDS Co., Ltd.	Subsidiary	652,520 (Note B)	-	-	-	-	-
Pacific China Holdings (HK) Limited.	Pacific China Holdings Ltd.	Subsidiary	107,868 (Note B)	-	-	-	-	-
Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	Same ultimate parent company	557,018 (Note B)	-	-	-	-	-
	Dalian Pacific Department Store Co., Ltd.	Same ultimate parent company	186,186 (Note B)	-	-	-	-	-
Chengdu FEDS Co., Ltd.	Chengdu Quanxing Pacific Department Store Co., Ltd.	Same ultimate parent company	427,905	-	-	-	-	-
Chongqing Pacific Consultant & Management Co., Ltd	Chengdu Baiyang Industry Co., Ltd.	Associate	108,414 (Note A)	-	-	-	-	-

Note A: The cash dividend receivable.

Note B: This balance refers to fund lending.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	Far Eastern Department Stores, Ltd.	FEDS Asia Pacific Development Co., Ltd.	1	Operating expenses	$ 228,000	Rent was based on market rates and paid monthly	1
1	FEDS Asia Pacific Development Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Operating revenue	(228,000)	Rent was based on market rates and received monthly	1
2	Pacific Sogo Department Stores Co., Ltd.	Far Eastern Big City Shopping Malls Co., Ltd.	3	Operating revenue	(313,914)	Rent was based on market rates and received monthly	1
3	Far Eastern Big City Shopping Malls Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	Operating costs and expenses	313,914	Rent was based on market rates and paid monthly	1

Note A: Flow of transaction:

1. From the Company to the subsidiary.
2. From the subsidiary to the Company.
3. Between subsidiaries.

Note B: If the account of the intercompany transaction is shown in the balance sheet, the ratio is the percentage of the year-end account balance to the total consolidated assets; if the account of the intercompany transaction is shown in the statement of comprehensive income, the ratio is the percentage of the accumulated amount during the year to the total consolidated operating revenues.

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

TABLE 8

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Far Eastern Department Stores, Ltd.	Bai Yang Investment Co., Ltd.	Taiwan	Investment	$ 8,922,181	$ 8,922,181	924,991	100	$ 9,131,939	$ (694,448)	$ (694,417)	2
	Oriental Securities Corporation	Taiwan	Securities brokerage	143,652	143,652	140,297	20	1,949,756	46,790	9,196	1
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,764,210	1,764,210	281,734	35	3,838,530	321,223	112,843	2
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	33,357	33,357	119,981	67	2,108,498	90,435	60,945	2
								(Note B)			
	Far Eastern Ai Mai Co., Ltd.	Taiwan	Hypermarket	1,535,538	1,535,538	87,744	100	1,298,433	1,421	1,421	2
	FEDS Development Ltd.	British Virgin Island	Investment	125,058	125,058	218	54	1,411,729	38,764	30,071	2
	Yu Ming Advertising Agency Co., Ltd.	Taiwan	Advertising and importation of certain merchandise	33,000	33,000	3,500	100	95,804	7,085	7,085	2
	Ya Tung Department Stores, Ltd.	Taiwan	Department store	519,292	519,292	21,000	100	(5,018)	(94,863)	(94,863)	2
	Ding Ding Integrated Marketing Service Co.	Taiwan	Marketing	64,500	64,500	3,399	10	36,191	23,617	2,382	1
	Asians Merchandise Company	USA.	Trading	5,316	5,316	950	100	4,534	52	52	2
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building rental	40,278	40,278	1,571	56	12,480	489	390	2
	Far Eastern CitySuper Co., Ltd.	Taiwan	Hypermarket	478,269	478,269	47,827	96	60,382	(33,938)	(32,465)	2
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	15,313	15	116,511	(244,148)	(36,622)	1
Bai Ding Investment Co., Ltd.	Oriental Securities Corporation	Taiwan	Securities brokerage	163,563	163,563	97,116	14	1,349,755	46,790		1
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	658,129	658,129	100,250	13	1,379,566	321,223		2
	Far Eastern International Leasing Corp.	Taiwan	Leasing	301,125	301,125	22,203	5	321,278	57,007		1
	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	33,490	33,490	11,254	1	150,736	428,934		2
	Yu Ming Trading Co.	Taiwan	Importation of certain merchandise	21,291	21,291	4,901	47	75,181	3,324		1
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building rental	28,672	28,672	1,259	44	13,418	489		2
	Far Eastern CitySuper Co., Ltd.	Taiwan	Hypermarket	-	-	2	-	1	(33,938)		2
FEDS Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	289,681	321,223		2
FEDS New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	289,681	321,223		2
	Chubei New Century Shopping Mall Co., Ltd.	Taiwan	Department store	1,180,000	400,000	118,000	100	1,171,918	(1,435)		2
Bai Yang Investment Co., Ltd.	FEDS Asia Pacific Development Co., Ltd.	Taiwan	Shopping mall	1,522,761	1,522,761	149,100	70	1,789,737	152,406		2
	Far Eastern International Leasing Corp.	Taiwan	Leasing	1,555,590	1,555,590	132,388	30	1,651,953	57,007		1
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	577,457	577,457	60,019	33	1,070,297	90,435		2
	FEDS New Century Development Co., Ltd.	Taiwan	Shopping mall	1,425,272	645,272	150,000	100	1,569,156	4,831		2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	289,681	321,223		2
	FEDS Development Ltd.	British Virgin Island	Investment	723,946	723,946	185	46	1,202,100	38,764		2
	Pacific China Holdings (HK) Limited	Hong Kong	Investment	3,597,868	3,597,868	35,680	40	(652,143)	(2,340,062)		2
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	200,000	200,000	20,000	40	241,907	93,904		2
Ya Tung Department Stores, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	55,000	55,000	11,000	1	160,690	321,223		2
Yu Ming Advertising Agency Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,200	1,200	200	-	2,728	321,223		2
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	8,400	8,400	1,400	-	18,473	321,223		2
Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	4,469,904	4,469,904	650,817	79	10,030,616	428,934		2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	62,480	62,480	6,840	3	141,402	100,612		1
Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings (HK) Limited	Hong Kong	Investment	5,733,286	5,733,286	53,520	60	(120,287)	(2,340,062)		2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	599,000	599,000	60,296	29	1,026,265	100,612		1
	Lian Ching Investment Co., Ltd.	Taiwan	Investment	270,641	270,641	26,764	50	-	-		2
	Pacific Venture Investment Ltd.	Hong Kong	Investment	357,050	357,050	100,000	48	-	-		1
	Sogo Department Store Co., Ltd.	Taiwan	Credit card business	32,984	32,984	7,120	34	-	-		1
	Pacific Sogo Investment Co., Ltd.	Taiwan	Investment	-	999,900	-	-	-	-		2
	Ding Ding Integrated Marketing Service Co	Taiwan	Marketing	64,500	64,500	3,399	10	36,191	23,617		1
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	300,000	300,000	30,000	60	362,860	93,904		2
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	15,313	15	116,511	(244,148)		1

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2018	Original Investment Amount December 31, 2017	Balance as of December 31, 2018 Shares (In Thousands)	Balance as of December 31, 2018 Percentage of Ownership (%)	Balance as of December 31, 2018 Carrying Amount	Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A
Pacific China Holdings (HK) Limited	Pacific China Holdings Ltd.	British Virgin Island	Investment	$ 4,115,810	$ 4,115,810	109,200	100	$ (439,800)	$ (655,202)		2
Pacific China Holdings Ltd.	Bai Fa China Holdings (HK), Limited	Hong Kong	Investment	46	46	2	100	46	-		2

Note A: 1. Associate.
2. Subsidiary.

Note B: The foreign-currency investments were translated at the rate of US$1:NT$30.715 prevailing on December 31, 2018.

Note C: The amount is the investment accounted for using the equity method to $2,205,608 thousand deduct the parent company shares reclassification to treasury shares of $97,110 thousand.

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

(Concluded)

TABLE 9

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 G)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018 (Note A)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note A)	Net Income (Loss) of the Investee (Note E)	% Ownership of Direct or Indirect Investment	Share of (Loss) Profit (Note E)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outflow	Inflow						
Shanghai Pacific Department Stores Co., Ltd.	Department store	$ 543,456	2	$ 394,150 (Note B)	$ -	$ -	$ 394,150 (Note B)	$ 91,418	49	$ 19,281	$ 158,168	$ -
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Department store	30,408	2	30,408 (Note B)	-	-	30,408 (Note B)	(115,079)	67	(77,292)	(389,764)	-
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Department store	92,145	2	92,145 (Note B)	-	-	92,145 (Note B)	(162,266)	67	(108,985)	183,405	-
Chongqing Pacific Consultant & Management Co., Ltd.	Consulting service	2,242,195	2	6,143 (Note B)	-	-	6,143 (Note B)	(23,393)	67	(15,711)	805,569	-
Shanghai Pacific Consultant & Management Co., Ltd.	Consulting service	10,750	2	5,268 (Note B)	-	-	5,268 (Note B)	264	33	87	6,156	-
Shanghai Bai Ding Consultant & Management Co., Ltd.	Consulting service	3,072	2	-	-	-	-	(25,635)	100	(25,635)	11,235	-
Chongqing FEDS Co., Ltd.	Department store	86,002	2	-	-	-	-	194,767	100	194,767	1,218,719	-
Chengdu Baiyang Industry Co., Ltd.	Department store, logistics and storehouse	1,006,946	2	-	-	-	-	44,131	22	740	1,194,518	-
Dalian Pacific Department Store Co., Ltd.	Department store	71,605	2	-	-	-	-	(26,773)	67	(17,982)	23,722	-
Pacific (China) Investment Co., Ltd.	Investment	6,634,440	2	-	-	-	-	(106,838)	67	(71,096)	32,203	-
Chengdu FEDS Co., Ltd.	Department store	4,115,810	2	-	-	-	-	(57,787)	67	(38,812)	(52,761)	-
Chengdu Beicheng FEDS Co., Ltd.	Department store	-	2	-	-	-	-	(8,706)	67	(5,847)	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ - (Note C)	$243,048 (US$7,913 thousand) (Notes A and C)	$ - (Note F)

Note A: Translated at the rate of US$1:NT$30.715 prevailing on December 31, 2018.

Note B: The payment was made by Pacific Construction Co., Ltd. (the former shareholder).

(Continued)

Note C: The payment made by the Company and the investment amount approved by the Investment Commission, except for the payment made by subsidiary and the subsidiary's investment amount approved by the Investment Commission.

Note D: The financial report was audited by an international accounting firm with a cooperative working relationship.

Note E: There is no upper limit, as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China (No. 10720421530), which was issued by the Industrial Development Bureau, Ministry of Economic Affairs, ROC.

Note F: Three investment types are as follows:

1. The Company made the investment directly.
2. The Company made the investment through a company registered in a third region. The companies registered in a third region were FEDS Development Ltd. and Pacific China Holdings Ltd.
3. Others.

(Concluded)

6. 2018 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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.

Key audit matters for the Company's financial statements for the year ended December 31, 2018 are stated as follows:

Evaluation of Impairment Loss of Goodwill on Investments in Subsidiaries

Carrying amounts of investments in the Company's subsidiaries include goodwill, which was acquired through indirect investment on Pacific Liu Tong Investment Co. Ltd. for operating segments in mainland China. Under IAS 36, the management of the Company must test for impairment annually. When testing goodwill for impairment, the management should evaluate whether the recoverable amount is higher than the carrying amount. In determining the recoverable amount, management should estimate the future cash flows from operating segments in mainland China and determine the optimal discount rate. Significant assumptions involve both judgments made by management and material estimation uncertainty. Thus, the evaluation of impairment loss of goodwill in subsidiaries is considered a key audit matter. For the accounting policy related to investments in subsidiaries, please refer to Notes 4(6) and 5(1) of the accompanying financial statements, in which goodwill impairment of investments in subsidiaries is included.

Our key audit procedures for the aforementioned key audit matter are as follows:

1. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure their objectivity and assignment were not influenced or restricted, and the methodology conducted was under regulation.

2. We understood the process of management's estimation of the future sales growth rate and profit margin predicted by the operating segments in mainland China.

3. As a consideration for the assessment reliability in the year of 2019 and for succeeding years, we compared 2018 budget and actual operating results of the operating segments in mainland China, estimating the accuracy of management's historical forecast.

4. We confirmed whether the management used the appropriate discount rate to assess impairment by using the same evaluation model used to calculate the weighted average cost of capital ratio and whether the weighted average cost of capital used by management was significantly different.

Fair Value Evaluation of Investment Properties

As of December 31, 2018, the carrying amount of investment properties was NT$9,062,640 thousand, accounting for 15% of the total assets, which is material to the financial statements. The Company's investment properties are subsequently measured using the fair value model. In the process of fair value assessment, valuation technique and inputs require consideration of the future scheme of investment properties to estimate the discounted fair value of future cash flows. Future cash flows are extrapolated using the existing lease contracts of the Company and market rentals.

Since the cash flow forecasts are subject to economic conditions, which have a high level of measurement uncertainty, we have resultantly identified the fair value evaluation of investment properties as a key audit matter. Please refer to Notes 4(9), 5(2) and 15 to the accompanying financial statements for the relevant detailed information.

Our key audit procedures for the aforementioned key audit matter are as follows:

1. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure that their objectivity and assignment were not influenced or restricted, and the methodology conducted was under regulation.

2. We reviewed the significant lease contracts to ensure the accuracy of fundamental information for cash flow forecasts.

3. We assessed the reasonableness of the valuer's assumptions and methods used in the

valuation.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 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 20, 2019

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 6)	$ 746,181	1	$ 731,111	1
Financial assets at amortized cost - current (Note 8)	25,095	-	-	-
Notes receivable (Note 11)	140	-	-	-
Trade receivables (Note 11)	710,140	1	445,110	1
Trade receivables from related parties (Notes 11 and 30)	70,052	-	58,247	-
Other receivables (Notes 11 and 30)	337,628	1	86,428	-
Inventories (Note 12)	378,188	1	331,080	1
Prepayments (Note 30)	237,820	-	222,711	-
Other current assets (Note 18)	13,780	-	11,408	-
Total current assets	2,519,024	4	1,886,095	3
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 7 and 31)	2,354,351	4	-	-
Available-for-sale financial assets - non-current (Notes 9, 30 and 31)	-	-	1,945,059	3
Financial assets measured at cost - non-current (Note 10)	-	-	103,894	-
Investments accounted for using the equity method (Notes 13, 20 and 31)	19,570,715	32	20,151,049	33
Property, plant and equipment (Notes 14, 15, 31 and 32)	25,314,067	41	25,020,048	41
Investment properties (Notes 15 and 31)	9,062,640	15	9,120,816	15
Intangible assets (Note 16)	50,207	-	50,001	-
Deferred tax assets (Note 25)	192,145	-	111,621	-
Long-term prepayments for lease (Note 17)	2,173,763	4	2,236,168	4
Other non-current assets (Notes 18 and 30)	321,053	-	266,326	1
Total non-current assets	59,038,941	96	59,004,982	97
TOTAL	$ 61,557,965	100	$ 60,891,077	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 19 and 31)	$ 6,710,000	11	$ 6,300,000	10
Short-term bills payable (Note 19)	2,299,032	4	1,699,188	3
Contract liabilities - current (Note 23)	2,847,832	5	-	-
Notes payable and trade payables	4,878,840	8	5,026,846	8
Trade payables to related parties (Note 30)	76,148	-	85,055	-
Other payables (Notes 20 and 30)	1,284,856	2	1,226,591	2
Current tax liabilities (Note 25)	148,613	-	124,398	-
Deferred revenue - current (Note 20)	-	-	37,604	-
Advance receipts (Note 30)	188,206	-	2,885,830	5
Current portion of long-term borrowings (Notes 19 and 31)	-	-	3,500,000	6
Other current liabilities (Notes 20 and 30)	154,900	-	113,556	-
Total current liabilities	18,588,427	30	20,999,068	34
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 19 and 31)	11,100,000	18	8,600,000	14
Deferred tax liabilities (Note 25)	2,064,540	4	1,884,830	3
Net defined benefit liabilities (Note 21)	89,001	-	237,508	1
Other non-current liabilities (Notes 13, 20, 27 and 30)	192,091	-	170,953	-
Total non-current liabilities	13,445,632	22	10,893,291	18
Total liabilities	32,034,059	52	31,892,359	52
EQUITY				
Share capital				
Ordinary shares	14,169,406	23	14,169,406	23
Capital surplus	3,315,420	5	3,315,931	6
Retained earnings				
Legal reserve	3,166,880	5	3,013,281	5
Special reserve	2,656,286	4	2,643,743	4
Unappropriated earnings	2,081,772	4	2,274,946	4
Total retained earnings	7,904,938	13	7,931,970	13
Other equity	4,231,252	7	3,678,521	6
Treasury shares	(97,110)	-	(97,110)	-
Total equity	29,523,906	48	28,998,718	48
TOTAL	$ 61,557,965	100	$ 60,891,077	100

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 23 and 30)	$ 10,781,588	100	$ 10,581,149	100
OPERATING COSTS (Notes 12, 24 and 30)	4,285,132	40	4,097,426	39
GROSS PROFIT	6,496,456	60	6,483,723	61
OPERATING EXPENSES (Notes 24 and 30)				
Selling and marketing expenses	375,165	4	402,891	4
General and administrative expenses	4,031,963	37	4,198,675	39
Expected credit loss reversed	(11)	-	-	-
Total operating expenses	4,407,117	41	4,601,566	43
OPERATING PROFIT	2,089,339	19	1,882,157	18
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 24)	335,487	3	72,518	1
Other gains and losses (Notes 24 and 30)	(14,332)	-	170,706	1
Finance costs (Notes 24 and 30)	(169,089)	(1)	(199,285)	(2)
Share of loss of subsidiaries and associates accounted for using the equity method	(607,556)	(6)	(144,445)	(1)
Total non-operating income and expenses	(455,490)	(4)	(100,506)	(1)
PROFIT BEFORE INCOME TAX	1,633,849	15	1,781,651	17
INCOME TAX EXPENSE (Note 25)	315,699	3	245,665	2
NET PROFIT FOR THE YEAR	1,318,150	12	1,535,986	15
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 21, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(5,559)	-	(22,745)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	311,658	3	-	-

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	$ 390,615	4	$ (36,272)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss	5,528	-	3,867	-
	702,242	7	(55,150)	(1)
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on available-for-sale financial assets	-	-	(26,854)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	9,034	-	(90,025)	(1)
	9,034	-	(116,879)	(1)
Other comprehensive (loss) income for the year, net of income tax	711,276	7	(172,029)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,029,426	19	$ 1,363,957	13
EARNINGS PER SHARE, NT$ (Note 26)				
Basic	$ 0.94		$ 1.09	
Diluted	$ 0.93		$ 1.09	

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

			Retained Earnings (Notes 21, 22 and 25)			Other Equity (Note 22)					
	Share Capital (Note 22)	Capital Surplus (Note 22)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain on Property Revaluation	Treasury Shares (Note 22)	Total Equity
BALANCE AT JANUARY 1, 2017	$ 14,169,406	$ 3,319,868	$ 2,899,856	$ 2,529,594	$ 2,013,557	$ 58,273	$ 1,566,157	$ -	$ 2,170,970	$ (97,110)	$ 28,630,571
Appropriation of 2016 earnings											
Legal reserve	-	-	113,425	-	(113,425)	-	-	-	-	-	-
Special reserve	-	-	-	114,149	(114,149)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(991,858)	-	-	-	-	-	(991,858)
	-	-	113,425	114,149	(1,219,432)	-	-	-	-	-	(991,858)
Net profit for the year ended December 31, 2017	-	-	-	-	1,535,986	-	-	-	-	-	1,535,986
Other comprehensive (loss) income for the year ended December 31, 2017, net of income tax	-	-	-	-	(55,150)	27,775	(144,654)	-	-	-	(172,029)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,480,836	27,775	(144,654)	-	-	-	1,363,957
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	(3,937)	-	-	(15)	-	-	-	-	-	(3,952)
BALANCE AT DECEMBER 31, 2017	14,169,406	3,315,931	3,013,281	2,643,743	2,274,946	86,048	1,421,503	-	2,170,970	(97,110)	28,998,718
Effect of retrospective application and retrospective restatement	-	-	-	-	92,444	-	(1,421,503)	1,242,300	-	-	(86,759)
BALANCE AT JANUARY 1, 2018 AS RESTATED	14,169,406	3,315,931	3,013,281	2,643,743	2,367,390	86,048	-	1,242,300	2,170,970	(97,110)	28,911,959
Appropriation of 2017 earnings											
Legal reserve	-	-	153,599	-	(153,599)	-	-	-	-	-	-
Special reserve	-	-	-	12,543	(12,543)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,416,940)	-	-	-	-	-	(1,416,940)
	-	-	153,599	12,543	(1,583,082)	-	-	-	-	-	(1,416,940)
Net profit for the year ended December 31, 2018	-	-	-	-	1,318,150	-	-	-	-	-	1,318,150
Other comprehensive (loss) income for the year ended December 31, 2018, net of income tax	-	-	-	-	(24,850)	4,606	-	731,520	-	-	711,276
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,293,300	4,606	-	731,520	-	-	2,029,426
Difference between equity purchase price and carrying amount arising from actual acquisition of subsidiary	-	(511)	-	-	(28)	-	-	-	-	-	(539)
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	-	-	-	4,192	-	-	(4,192)	-	-	-
BALANCE AT DECEMBER 31, 2018	$ 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

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 1,633,849	$ 1,781,651
Adjustments for:		
Depreciation expenses	1,016,063	1,187,359
Amortization expenses	18,678	12,481
Expected credit loss reversed on trade receivables	(11)	-
Amortization of prepayments	476	715
Finance costs	169,089	199,285
Reversal of deferred revenue	-	(37,161)
Share of loss of subsidiaries and associates accounted for using the equity method	607,556	144,445
Interest income	(160)	(38)
Dividend income	(85,322)	(72,480)
Loss on disposal of property, plant and equipment	6,439	7,062
Loss on disposal of investment properties	90,700	166
Gain on disposal of investments	-	(194,022)
Impairment loss recognized on financial assets	-	2,055
Loss (gain) on changes in fair value of investment properties	(32,218)	78,539
Net changes in operating assets and liabilities		
Notes receivable	(140)	14,890
Trade receivables	(261,485)	(83,591)
Trade receivables from related parties	(11,805)	(18,051)
Other receivables	(251,557)	(15,574)
Inventories	(47,108)	52,187
Prepayments	(15,109)	32,970
Other current assets	(2,372)	(1,408)
Contract liabilities	166,895	-
Notes payable and trade payables	(148,006)	1,803,137
Trade payables to related parties	(8,907)	25,621
Other payables	26,491	(74,995)
Deferred revenue	-	37,604
Advance receipts	36,068	131,025
Other current liabilities	41,344	(16,934)
Net defined benefit liabilities	(154,066)	(99,798)
Cash generated from operations	2,795,382	4,897,140
Interest paid	(210,771)	(229,773)
Interest received	160	38
Dividends received	378,552	228,650
Income tax returned	170	3,123
Income tax paid	(186,940)	(230,313)
Net cash generated from operating activities	2,776,553	4,668,865

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at cost	$ (25,095)	$ -
Proceeds from sale of available-for-sale financial assets	-	547,125
Acquisition of investments accounted for using the equity method	-	(3,843,327)
Payments for property, plant and equipment	(1,272,504)	(969,786)
Payments for investment properties	(306)	(2,193)
Increase in other non-current assets	(54,007)	(34,160)
Payments for intangible assets	(13,155)	(25,979)
Proceeds from disposal of property, plant and equipment	26	998
Net cash used in investing activities	(1,365,041)	(4,327,322)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	93,400,000	90,450,000
Repayments of short-term borrowings	(92,990,000)	(88,050,000)
Proceeds from short-term bills payable	16,610,243	13,340,889
Repayments of short-term bills payable	(16,010,399)	(12,791,179)
Proceeds from long-term borrowings	61,000,000	55,450,000
Repayments of long-term borrowings	(62,000,000)	(57,546,916)
Increase in other non-current liabilities	8,561	11,488
Dividends paid	(1,414,847)	(992,035)
Net cash used in financing activities	(1,396,442)	(127,753)
NET INCREASE IN CASH	15,070	213,790
CASH AT THE BEGINNING OF THE YEAR	731,111	517,321
CASH AT THE END OF THE YEAR	$ 746,181	$ 731,111

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on March 20, 2019.

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), Interpretations of IFRS (IFRIC), and Interpretations of IAS (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 would not have any material impact on the Company's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      <u>Classification, measurement and impairment of financial assets</u>

      On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash	Loans and receivables	Amortized cost	$ 731,111	$ 731,111	c)
Equity securities	Available-for-sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	2,048,953	2,042,693	a)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	589,785	592,962	b)
Refundable deposits	Loans and receivables	Amortized cost	211,419	211,419	c)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Re-measurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI							
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	$ -	$ 2,048,953	$ (6,260)	$ 2,042,693	$ 90,897	$ (97,157)	a)
Amortized cost							
Add: Reclassification from loans and receivables (IAS 39)	-	589,785	3,177	592,962	3,177	-	b)
Investments accounted for using the equity method	20,151,049	-	(83,676)	20,067,373	(1,630)	(82,046)	d)
	$ 20,151,049	$ 2,638,738	$ (86,759)	$ 22,703,028	$ 92,444	$ (179,203)	

a) The Company elected to classify all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL and FVTOCI under IFRS 9. And the Company recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as available-for-sale and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required. As a result, the related other equity - unrealized gain on available-for-sale financial assets was reclassified to retained earnings in the amount of $90,897 thousand and to other equity - unrealized loss on financial assets at FVTOCI in the amount of $90,897 thousand on January 1, 2018.

   Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, a decrease of $6,260 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized loss on financial assets at FVTOCI on January 1, 2018.

b) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, the adjustments comprised a decrease in the loss allowance of $3,177 thousand and an increase in retained earnings of $3,177 thousand on January 1, 2018.

c) Cash and refundable deposits that were previously classified as loans and receivables under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

d) For investments in subsidiaries and associates accounted for using the equity method, the adjustments comprised a decrease of $83,676 thousand impacting the IFRS and a decrease of $1,630 thousand in retained earnings and an decrease of $82,046 thousand in unrealized gain on other equity - FVTOCI.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Currently, the receivable and the deferred revenue are recognized when revenue is recognized for contracts under IAS 18.

The Company elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and didn’t to restate the comparative information in 2017.

The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	**Adjustments Arising from Initial Application**	**Restated**
Provisions	$ 2,885,830	$ (2,643,333)	$ 242,497
Deferred revenue - current	37,604	(37,604)	-
Contract liabilities - current	-	2,680,937	2,680,937
Total effect on liabilities	$ 2,923,434	$ -	$ 2,923,434

Had the Company applied IAS 18 in the current year, the following adjustments should be made to reflect the line items and balances under IAS 18.

Impact on assets, liabilities and equity for current year

	December 31, 2018
Decrease in contract liabilities - current	$ (2,847,832)
Increase in provisions	2,807,936
Increase in deferred revenue	39,896
Increase (decrease) in liabilities	$ -

3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Company expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Company should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Company's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Company will achieve the higher amount and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

4) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Company applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed by the FSC for application starting from 2019

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendment to IFRS 9 "Advance Repayment Characteristics with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

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

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Except for the leases of investment properties mentioned below, lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Company will apply IAS 36 to all right-of-use assets.

Part of the lease which is currently accounted for as an operating lease under IAS 17, qualifies as an investment property. A lease liability for that leasehold building will be recognized and measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Related right-of-use assets will be measured at fair value and presented as investment properties and any difference will be recognized under retained earnings. There will not be any adjustments made for lease which is currently accounted for as an investment property.

The Company expects to apply the following practical expedients:

a) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

b) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

c) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

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

The Company as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Property, plant and equipment	$ 25,314,067	$ (7,466,818)	$ 17,847,249
Right-of-use assets	-	17,705,822	17,705,822
Long-term prepayments for lease	2,173,763	3,514,819	5,688,582
Total effect on assets	$ 27,487,830	$ 13,753,823	$ 41,241,653
Lease liabilities - current	$ -	$ 847,462	$ 847,462
Other payables	1,284,856	(100,350)	1,184,506
Lease liabilities - non-current	-	13,006,711	13,006,711
Total effect on liabilities	$ 1,284,856	$ 13,753,823	$ 15,038,679

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Company continues assessing other 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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

As of the date the financial statements were authorized for issue, the Company 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

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. 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

c. 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.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within 12 months after the reporting period; and

c. 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:

a) Liabilities held primarily for the purpose of trading;

b) 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

c) 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.

Foreign Currencies

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

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

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

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

Inventories

Inventories are stated at the lower of weighted-average cost or net realizable value, using the retail method. The difference between cost and net realizable value is compared between items by the retail department. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale.

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.

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.

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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent 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.

Depreciation on 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Assets are depreciated over the shorter of their lease terms and their useful lives using the straight-line method.

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

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined use in the future.

Investment properties are initially measured at cost (including transaction costs), and are subsequently measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

For a transfer 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.

Intangible Assets

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.

To derecognize an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss for the year.

Impairment of Tangible and Intangible Assets

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

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.

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.

Financial assets

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

a. Measurement category

   2018

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

   1) Financial assets at amortized cost

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

      a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

      b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

   2) 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.

   2017

   Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

   1) Available-for-sale financial assets

      Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investments are disposed of or are determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Fair value determination is disclosed in Note 29.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

2) Loans and receivables

Loans and receivables (including notes receivable, trade receivables, other receivables, cash and cash equivalents, debt investments with no active market and refundable deposits) are measured at amortized cost using the effective interest method less any impairment, except for short-term receivables when the effect of discounting is immaterial.

b. Impairment of financial assets

2018

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

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

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets measured at amortized cost, the assets are assessed for impairment on a collective basis even if they were assessed as not impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, the objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial reorganization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivable are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss, except for uncollectible trade receivables that are written off against the 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.

2018

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.

2017

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities

a. Subsequent measurement

   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.

Revenue Recognition

2018

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 obtained in exchange for the provision of goods or services, recognized as income. The charge or commission of the Company may be the net amount of the consideration. The income retained by the Company in exchange for goods or services is the amount retained after payment to the other party.

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

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale provided the seller can reliably estimate future returns based on previous experience and other relevant factors.

a. Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

1) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

2) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

3) The amount of revenue can be measured reliably;

4) It is probable that the economic benefits associated with the transaction will flow to the Company; and

5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that resulted in awarded credits for customers, under the Company’s award scheme, are accounted for as multiple element revenue transactions, and the fair value of the consideration received or receivable is allocated between the goods supplied and the awarded credits granted. The consideration allocated to the awarded credits is measured with reference to their fair value, the amount for which the awarded credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the awarded credits are redeemed and the Company’s obligations have been fulfilled.

b. Commissions from concessionaires’ sales

Commissions from concessionaires’ sales are recognized as goods sold.

c. Maintenance and promotion fee income

According to contract agreements, maintenance and promotion fee income are recognized on the right to receive the income signed or as services are provided.

d. Dividend and interest income

Dividend income from investments is recognized when the shareholder’s right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, with reference to the principal outstanding and at the effective interest rate applicable.

Leasing

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

a. The Company as a lessor

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

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

   Contingent rents arising under operating leases are recognized as income in the period in which they are incurred.

b. The Company as a lessee

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

   In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

c. Leasehold land and buildings

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

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

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

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.

Taxation

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

a. Current tax

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

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

b. 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.

c. 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 taxes or deferred taxes arise from the initial accounting for the acquisition of subsidiaries, the tax effect is included in the accounting for investment in subsidiaries.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment assessment of tangible and intangible assets

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

Management should evaluate if any tangible and intangible asset is impaired. If any such indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount to determine the impairment loss.

b. Fair value measurement and valuation process

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 15.

6. CASH

	December 31	
	2018	**2017**
Cash on hand and revolving funds	$ 30,370	$ 35,289
Checking accounts and demand deposits	715,811	695,822
	$ 746,181	$ 731,111

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

	December 31	
	2018	**2017**
Cash in bank	0.01%-0.43%	0.001%-0.300%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
<u>Investments in equity instruments at FVTOCI</u>	
Domestic investments	
Listed shares and emerging market shares	$ 2,254,523
Unlisted shares	99,828
	$ 2,354,351
Current	$ -
Non-current	2,354,351
	$ 2,354,351

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. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 9 for information relating to their reclassification and comparative information for 2017.

b. Refer to Note 31 for information relating to investments in equity instruments at FVTOCI pledged as security.

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Time deposits with original maturities of more than 3 months	$ 25,095

December 31, 2018

	At Amortized Cost
Gross carrying amount	$ 25,095
Less: Allowance for impairment loss	-
Amortized cost	$ 25,095

a. The credit risk of financial instruments such as bank deposits is measured and monitored by the accounting department. The Company chooses the transaction object and the other party performs good credit with the bank.

b. The interest rates for financial assets at amortized cost are from 0.78% as at the end of the reporting period.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Non-current	
Domestic listed and OTC shares	$ 1,945,059

a. On August 18, 2017, the Company sold its shareholdings of Far Eastern International Bank amounting to 25,771 thousand shares using the block trading - paired trade method to the subsidiary of Far Eastern New Century Corporation - Yuan Tong Investment Co., Ltd. and recognized a gain of $74,341 thousand on the disposal of the investment.

b. In December 2017, the Company sold its shareholdings of Asia Cement Corporation amounting to 9,000 thousand shares to its related party - Tranquil Enterprise Ltd., and recognized a gain of $97,970 thousand on the disposal of the investment.

c. Refer to Note 31 for information relating to available-for-sale financial assets pledged as security.

10. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-current	
Domestic unlisted ordinary shares	$ 103,894

Management believed that the above investments of unlisted ordinary shares held by the Company had fair values which could not be reliably measured as the range of the reasonable fair value estimates was so significant; therefore, they were measured at cost less impairment at the end of the reporting period.

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

a. Notes receivables

	December 31	
	2018	**2017**
Operating	$ 140	$ -
Non-operating	1,794	1,794
Less: Allowance for impairment loss	(1,794)	(1,794)
	$ 140	$ -

The Company considers any changes of the credit quality of notes receivable from the original credit date to the balance sheet date while determining the recoverability of the notes receivable. If notes receivable is not redeemed at the expiration date, a 100% allowance will be drawn.

b. Trade receivables

	December 31	
	2018	**2017**
Trade receivables	$ 780,216	$ 506,926
Less: Allowance for impairment loss	(24)	(3,569)
	$ 780,192	$ 503,357

2018

The Company's trade receivables pertained to revenue on credit cards and goods coupons. The average credit period for revenue from credit cards was 2 to 3 days, and for goods coupons, 15 days. In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowances for impairment loss were recognized against trade receivables based on estimated irrecoverable amounts determined with reference to past default experience of the counterparties and an analysis of their current financial position.

The Company's revenue is derived from cash transactions. The revenue generated from the sales of debiting trade receivables is only recognized when authorization is given.

For the trade receivables balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss, because there were no significant changes in credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. 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 forecast 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, 2018

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.0003%	0.0076%	0.3703%	1.0321%	100%	
Gross carrying amount	$ 761,372	$ 18,289	$ 536	$ -	$ 19	$ 780,216
Loss allowance (Lifetime ECL)	(2)	(1)	(2)	-	(19)	(24)
Amortized cost	$ 761,370	$ 18,288	$ 534	$ -	$ -	$ 780,192

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

	2018
Balance at January 1, 2018 per IAS 39	$ 3,569
Adjustment on initial application of IFRS 9	(3,534)
Balance at January 1, 2018 per IFRS 9	35
Less: Impairment losses reversed	(11)
Balance at December 31, 2018	$ 24

2017

The credit policy of the Company in 2017 is as the same as 2018. 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.

For the trade receivables balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss, because there were no significant changes in credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The aging of trade receivables is as follows:

	December 31, 2017
Not overdue	$ 473,124
Days overdue	
Up to 30 days	31,557
31 to 60 days	1,713
More than 60 days	532
	$ 506,926

The above aging schedule presented is based on the past due days from the end of the credit term.

The aging of trade receivables that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 31,557
31 to 60 days	1,713
More than 60 days	513
	$ 33,783

The above aging schedule presented is based on the past due days from the end of the credit term.

The movements of the allowance for impairment loss for trade receivables are as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at December 31, 2017 and January 1, 2017	$ 19	$ 3,550	$ 3,569

c. Other receivables

	December 31	
	2018	2017
Other receivables	$ 359,035	$ 107,478
Less: Allowance for impairment loss	(21,407)	(21,050)
	$ 337,628	$ 86,428

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

December 31, 2018

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.0002%	0.0063%	0.3046%	0.8361%	100%	
Gross carrying amount	$ 337,628	$ -	$ -	$ -	$ 21,407	$ 359,035
Loss allowance (Lifetime ECL)	-	-	-	-	(21,407)	(21,407)
Amortized cost	$ 337,628	$ -	$ -	$ -	$ -	$ 337,628

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

	2018
Balance at January 1, 2018 per IAS 39	$ 21,050
Adjustment on initial application of IFRS 9	357
Balance at January 1 and December 31, 2018 per IFRS 9	$ 21,407

2017

For the balances of other receivables that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss, because there were no significant changes in credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The aging of other receivables that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ -
31 to 60 days	-
More than 60 days	357
	$ 357

The above aging schedule presented is based on the past due days from the end of the credit term.

12. INVENTORIES

	December 31	
	2018	2017
Merchandise	$ 378,188	$ 331,080

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 were $4,094,492 thousand and $3,920,283 thousand, respectively.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	**2017**
Investments in subsidiaries	$ 17,468,257	$ 18,025,927
Investments in associates	2,102,458	2,125,122
	$ 19,570,715	$ 20,151,049

a. Investments in subsidiaries

	December 31	
	2018	**2017**
Bai Yang Investment Co., Ltd. (BYIC)	$ 9,131,939	$ 9,717,789
Pacific Liu Tong Investment Co., Ltd. (PLTI)	3,838,530	3,704,783
Bai Ding Investment Co., Ltd. (BDIC)	2,205,608	2,236,472
FEDS Development Ltd. (FEDS Development)	1,411,729	1,393,499
Far Eastern Ai Mai Co., Ltd. (AIMAI)	1,298,433	1,314,056
Far Eastern CitySuper Co., Ltd. (FECS)	60,382	92,847
Ya Tung Department Stores, Ltd. (YTDS)	(5,018)	85,410
Yu Ming Advertising Agency Co., Ltd. (YMAC)	95,804	82,986
Far Eastern Hon Li Do Co., Ltd. (FEHLD)	12,480	11,801
Asians Merchandise Company (AMC)	4,534	4,342
	18,054,421	18,643,985
Add: Credit balance on the carrying amounts of investments accounted for using the equity method and reclassified to other liabilities	5,018	-
Less: Ordinary shares held by subsidiary and reclassified from long-term investments to treasury shares		
BDIC	97,110	97,110
	17,962,329	18,546,875
Less: The differences of accounting treatments from the consolidated financial statements (Note)	494,072	520,948
	$ 17,468,257	$ 18,025,927

Note: Part of the Company's investment properties leased to subsidiaries was 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.

	Proportion of Ownership and Voting Rights	
	December 31	
	2018	2017
BYIC	100%	100%
PLTI	35%	35%
BDIC	67%	67%
FEDS Development	54%	54%
AIMAI	100%	100%
FECS	96%	96%
YTDS	100%	100%
YMAC	100%	100%
FEHLD	56%	56%
AMC	100%	100%

Refer to Note 33 for the details of the subsidiaries indirectly held by the Company.

The Company had a 35% equity interest in PLTI. However, the proportion of the combined equity of PLTI in the Company and its subsidiaries reached 56.6%; thus, this investee was recognized as an entity over which the Company had control.

In December 2018, BYIC undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease of 78,000 thousand shares in the Company's equity in BYIC.

In April 2017, BYIC issued shares for an increase in cash capital, and the Company acquired 350,000 thousand shares at $10 per share totaling $3,500,000 thousand.

In June 2017, AIMAI undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease of 82,000 thousand shares in the Company's equity in AIMAI.

In July 2017, YTDS undertook the registration of a capital reduction to offset the deficit in which resulted in a decrease of 16,000 thousand shares in the Company's equity in YTDS. YTDS issued shares for an increase in cash capital, and the Company acquired 20,000 thousand shares at $10 per share totaling $200,000 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, 2018 and 2017 were based on the subsidiaries' financial statements audited for the same years by other auditors.

b. Investments in associates

	December 31	
	2018	2017
Associates that are not individually material	$ 2,102,458	$ 2,125,122

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

	For the Year Ended December 31	
	2018	**2017**
The Company's share of		
Net loss for the year	$ (25,044)	$ (73,824)
Other comprehensive loss	11,123	(2,983)
Total comprehensive loss	$ (13,921)	$ (76,807)

The Company and its grandson company, Pacific Sogo Department Stores Co., Ltd. (SOGO) invested in Ding Integrated Marketing Service Co., Ltd. (DDIM) and Yuan Hsin Digital Payment Co., Ltd. (YHDP), in amounts totaling 20% of each Company's shares. As a result, these investments were accounted for using the equity method.

In June 2018, DDIM undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease in the Company's equity in DDIM of 3,540 thousand shares.

In November 2018, YHDP undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease in the Company's equity in YHDP of 3,403 thousand shares.

In July 2017, YHDP undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease in the Company's equity in YHDP of 5,113 thousand shares. The Company acquired 7,500 thousand shares based on the percentage of ownership at $10 per share, and the investment amount totaled $75,000 thousand.

In April 2017, the Company subscribed for 6,833 thousand shares of Far Eastern Electronic Commerce Co., Ltd. (FEEC), and the investment amount totaled $68,327 thousand. As the subscription was not based on the original percentage of ownership, the new percentage of ownership increased to 11.36% and the capital surplus was adjusted downwards in the amount of $2,714 thousand.

In June 2017, FEEC undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease in the Company's equity in FEEC of 10,199 thousand shares.

In order to integrate the e-commerce business and resources to enhance competitiveness, the board of directors of FEEC approved the merger with Hiiir Inc. (Hiiir) on June 27, 2017. The merger record date was on August 1, 2017, with Hiiir as the surviving company and FEEC dissolved. Upon the completion of the aforesaid merger, the surviving company was renamed Yuanshi Digital Technology Co., Ltd. (YSDT). The Company acquired 1,041 thousand shares of YSDT in exchange for 1,619 thousand shares of FEEC. The percentage of ownership decreased from 11.36% to 1%. The management evaluated that the Company no longer had significant influence over YSDT, therefore, this investee had not been recognized by using the equity method since August 2017. The aforementioned merger was applied and approved by the authorities on August 30, 2017.

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, 2018 and 2017 were based on the associates' financial statements audited for the same years by other auditors.

Refer to Note 31 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 Held Under Finance Leases	Plant, Transportation and Miscellaneous Equipment	Construction in Progress	Total
Cost								
Balance at January 1, 2017	$ 7,940,978	$ 9,351,776	$ 5,618,653	$ 5,799,744	$ 5,717,881	$ 605,128	$ 2,486,037	$ 37,520,197
Additions	-	-	77,862	120,827	3,059	18,338	637,250	857,336
Disposals	-	-	(10,446)	(79,881)	-	(9,214)	-	(99,541)
Transfer from investment properties	97,619	18,933	5,117	-	-	-	-	121,669
Reclassifications	-	-	671	638	-	31	-	1,340
Balance at December 31, 2017	$ 8,038,597	$ 9,370,709	$ 5,691,857	$ 5,841,328	$ 5,720,940	$ 614,283	$ 3,123,287	$ 38,401,001
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ -	$ (1,933,964)	$ (3,312,246)	$ (4,537,964)	$ (1,970,330)	$ (379,904)		$ (12,134,408)
Disposals	-	-	8,314	70,983	-	8,806		88,103
Depreciation expense	-	(161,062)	(422,553)	(488,322)	(200,104)	(62,607)		(1,334,648)
Balance at December 31, 2017	$ -	$ (2,095,026)	$ (3,726,485)	$ (4,955,303)	$ (2,170,434)	$ (433,705)		$ (13,380,953)
Carrying amount at December 31, 2017	$ 8,038,597	$ 7,275,683	$ 1,965,372	$ 886,025	$ 3,550,506	$ 180,578	$ 3,123,287	$ 25,020,048
Cost								
Balance at January 1, 2018	$ 8,038,597	$ 9,370,709	$ 5,691,857	$ 5,841,328	$ 5,720,940	$ 614,283	$ 3,123,287	$ 38,401,001
Additions	-	-	104,241	33,652	-	15,060	1,217,489	1,370,442
Disposals	-	-	(8,269)	(60,339)	(1,474,493)	(6,285)	-	(1,549,386)
Reclassifications	-	-	40,088	-	450,373	100	(454,097)	36,464
Balance at December 31, 2018	$ 8,038,597	$ 9,370,709	$ 5,827,917	$ 5,814,641	$ 4,696,820	$ 623,158	$ 3,886,679	$ 38.258.521
Accumulated depreciation and impairment								
Balance at January 1, 2018	$ -	$ (2,095,026)	$ (3,726,485)	$ (4,955,303)	$ (2,170,434)	$ (433,705)		$ (13,380,953)
Disposals	-	-	7,146	54,737	1,474,493	6,058		1,542,434
Depreciation expense	-	(161,727)	(413,612)	(318.551)	(157,568)	(54,477)		(1,105,935)
Balance at December 31, 2018	$ -	$ (2,256,753)	$ (4,132,951)	$ (5,219.117)	$ (853,509)	$ (482,124)		$ (12,944,454)
Carrying amount at December 31, 2018	$ 8,038.597	$ 7,113,956	$ 1,694,966	$ 595.524	$ 3,843,311	$ 141,034	$ 3,886,679	$ 25,314,067

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

Buildings	55 years
Buildings and facilities	8-15 years
Decorative facilities	6 years
Equipment held under finance leases	35-50 years
Plant, transportation, and miscellaneous equipment	5-8 years

Some of the investment properties were transferred to property, plant and equipment at their fair value as the use of these assets changed to self-use for the year ended December 31, 2017.

Refer to Note 31 for the information on the carrying amounts of property, plant and equipment that were pledged as security.

15. INVESTMENT PROPERTIES

	Land	Buildings and Facilities	Total
Balance at January 1, 2017	$ 6,313,808	$ 3,005,189	$ 9,318,997
Transfers to property, plant and equipment	(97,619)	(24,050)	(121,669)
Additions	-	2,193	2,193
Disposals	-	(166)	(166)
Gain (loss) on changes in the fair value of investment properties	5,991	(84,530)	(78,539)
Balance at December 31, 2017	6,222,180	2,898,636	9,120,816
Additions	-	306	306
Disposals	-	(90,700)	(90,700)
Gain (loss) on changes in the fair value of investment properties	27,792	4,426	32,218
Balance at December 31, 2018	$ 6,249,972	$ 2,812,668	$ 9,062,640

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

Some of the Company’s investment properties had been leased out under operating leases having lease terms between 1-20 years. Except for the minimum lease payments, some of the Company’s lease contracts included contingent lease clauses, and the Company should adjust rentals on the basis of the Consumer Price Index per annum. The rental incomes generated for the years ended December 31, 2018 and 2017 were $159,813 thousand and $130,996 thousand, respectively.

The commitments on future minimum lease payments under non-cancellable operating leases are as follows:

	December 31	
	2018	2017
Not later than 1 year	$ 189,184	$ 130,567
1 year to 5 years	375,047	327,273
Later than 5 years	252,863	267,457
	$ 817,094	$ 725,297

The fair values of the investment properties as of December 31, 2018 and 2017 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.

	December 31	
	2018	**2017**
Expected future cash inflows	$ 21,573,710	$ 22,143,254
Expected future cash outflows	2,272,008	2,390,743
Expected future cash inflows, net	$ 19,301,702	$ 19,752,511
Discount rate	4.345%	4.345%

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

The expected future cash inflows generated by investment properties referred to rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the existing lease contracts of the Company and comparative market rentals covering 5-10 years, taking into account the annual rental growth rate. The interest income on rental deposits was extrapolated by the one-year average deposit interest rate, and the disposal value was determined by the direct capitalization method under the income approach. The expected future cash outflows on investment properties included expenditures such as property taxes, insurance premiums, management fees, maintenance costs and replacement allowances. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustments to the government-announced land value, the tax rate promulgated under the Construction Cost Index and the House Tax Act and construction costs.

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

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

	December 31	
	2018	**2017**
Estimated total sales price	$ 1,965,503	$ 801,791
Rate of return	16%-20%	16%-18%
Overall capital interest rate	1.49%-3.90%	2.20%-3.29%

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 31 for the information on the carrying amounts of investment properties pledged as security.

16. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2017	$ 52,682
Additions	25,979
Reclassifications	12,314
Balance at December 31, 2017	$ 90,975
Accumulated amortization and impairment	
Balance at January 1, 2017	$ (28,493)
Amortization expenses	(12,481)
Balance at December 31, 2017	$ (40,974)
Carrying amount at December 31, 2017	$ 50,001
Cost	
Balance at January 1, 2018	$ 90,975
Additions	13,155
Reclassifications	5,729
Balance at December 31, 2018	$ 109,859
Accumulated amortization and impairment	
Balance at January 1, 2018	$ (40,974)
Amortization expenses	(18,678)
Balance at December 31, 2018	$ (59,652)
Carrying amount at December 31, 2018	$ 50,207

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

Computer software	3-5 years

17. LONG-TERM PREPAYMENTS FOR LEASES

	December 31	
	2018	2017
Xinyi Division A13 - land use rights	$ 2,173,763	$ 2,236,168

In September 2003, the Company acquired the land use rights for No. A13 in Xinyi District of Taipei City, which is owned by the Taipei City Government. The total amount of the land use rights was $3,196,888 thousand, and the Company completed the registration of its acquisition of the land use rights in October 2003. Under the contract, the Company has the right to use the land for 50 years from the time of completion of the land use rights' registration. The initial monthly rental is $3,771 thousand, to be adjusted annually in accordance with the assessed and publicly announced land value on the contract date.

18. OTHER ASSETS

	December 31	
	2018	**2017**
Refundable deposits (Note 27)	$ 122,173	$ 211,419
Prepayments	45,262	45,011
Leasing incentives	153,218	9,419
Others (Note 31)	14,180	11,885
	$ 334,833	$ 277,734
Current	$ 13,780	$ 11,408
Non-current	321,053	266,326
	$ 334,833	$ 277,734

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	**2017**
Credit loans	$ 5,800,000	$ 5,600,000
Secured loans (Note 31)	910,000	700,000
	$ 6,710,000	$ 6,300,000
Interest rate intervals are as follows:		
Credit loans	0.89%-0.98%	0.90%-0.92%
Secured loans	0.92%-1.23%	0.92%

b. Short-term bills payable

	December 31	
	2018	**2017**
Commercial papers	$ 2,300,000	$ 1,700,000
Less: Unamortized discount on bills payable	968	812
	$ 2,299,032	$ 1,699,188

Outstanding short-term bills payable are as follows:

December 31, 2018

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial papers						
Mega Bills Finance	$ 550,000	$ 28	$ 549,972	0.77%	-	$ -
Shanghai Bank	500,000	391	499,609	0.60%	-	-
China Bills Finance	350,000	232	349,768	0.49%	-	-
Grand Finance	200,000	17	199,983	0.88%	-	-
International Bills Finance	200,000	33	199,967	0.68%	-	-
Taiwan Cooperative Bills Finance	200,000	94	199,906	0.86%	-	-
Taiwan Bills Finance	150,000	68	149,932	0.75%	-	-
Ta Ching Bill Finance	150,000	105	149,895	0.91%	-	-
	$ 2,300,000	$ 968	$ 2,299,032			$ -

December 31, 2017

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial papers						
Mega Bills	$ 600,000	$ 373	$ 599,627	0.760%	-	$ -
China Bills Finance	350,000	87	349,913	0.430%	-	-
International Bills Finance	200,000	55	199,945	0.570%	-	-
Taiwan Finance	200,000	50	199,950	0.750%	-	-
Taiwan Cooperative Bills Finance	200,000	206	199,794	0.690%	-	-
Grand Bills Finance	150,000	41	149,959	0.750%	-	-
	$ 1,700,000	$ 812	$ 1,699,188			$ -

c. Long-term borrowings

	December 31 2018	December 31 2017
Secured loans	$ 10,100,000	$ 10,500,000
Credit loans	1,000,000	1,600,000
	11,100,000	12,100,000
Less: Current portion	-	3,500,000
Long-term borrowings	$ 11,100,000	$ 8,600,000

Interest rate intervals are as follows:

	December 31 2018	December 31 2017
Secured loans	0.90%-1.72%	0.900%-1.801%
Credit loans	0.90%-0.92%	0.850%-0.900%

20. OTHER LIABILITIES

	December 31	
	2018	2017
Other payables		
Payables for salaries and bonus	$ 262,213	$ 263,099
Payables for purchase of equipment	226,902	206,633
Payables for remuneration of directors	152,049	156,010
Payables for employees' compensation	57,184	65,882
Others	586,508	534,967
	$ 1,284,856	$ 1,226,591
Deferred revenue		
Arising from customer loyalty program	$ -	$ 37,604
Other liabilities		
Lease incentives	$ 100,350	$ 92,791
Deposits received	86,723	78,162
Credit balance on the carrying amount of investments accounted for using the equity method	5,018	-
Others	154,900	113,556
	$ 346,991	$ 284,509
Current		
Other payables	$ 1,284,856	$ 1,226,591
Deferred revenue	$ -	$ 37,604
Other liabilities	$ 154,900	$ 113,556
Non-current		
Other liabilities	$ 192,091	$ 170,953

21. 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:

	December 31	
	2018	2017
Present value of the defined benefit obligation	$ 667,816	$ 742,897
Fair value of the plan assets	(578,815)	(505,389)
Net defined benefit liabilities	$ 89,001	$ 237,508

Movements in net defined benefit liabilities are as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	$ 805,974	$ (491,413)	$ 314,561
Service cost			
Current service cost	8,329	-	8,329
Net interest expense (income)	9,963	(6,031)	3,932
Recognized in profit or loss	18,292	(6,031)	12,261
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	15,485	15,485
Actuarial loss - changes in demographic assumptions	6,394	-	6,394
Actuarial loss - experience adjustments	866	-	866
Recognized in other comprehensive income	7,260	15,485	22,745
Contributions from the employer	-	(112,059)	(112,059)
Benefits paid	(88,629)	88,629	-
Balance at December 31, 2017	742,897	(505,389)	237,508
Service cost			
Current service cost	7,088	-	7,088
Net interest expense (income)	9,286	(6,356)	2,930
Recognized in profit or loss	16,374	(6,356)	10,018
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(43,357)	(43,357)
Actuarial loss - changes in demographic assumptions	6,684	-	6,684
Actuarial loss - changes in financial assumptions	8,750	-	8,750
Actuarial loss - experience adjustments	33,482	-	33,482
Recognized in other comprehensive income	48,916	(43,357)	5,559
Contributions from the employer	-	(164,084)	(164,084)
Benefits paid	(140,371)	140,371	-
Balance at December 31, 2018	$ 667,816	$ (578,815)	$ 89,001

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:

	December 31	
	2018	**2017**
Discount rate	1.125%	1.25%
Expected rate of salary increase	2.000%	2.00%

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:

	December 31	
	2018	**2017**
Discount rate(s)		
0.25% increase	$ (17,528)	$ (19,490)
0.25% decrease	$ 18,207	$ 20,244
Expected rate(s) of salary increase		
0.25% increase	$ 17,728	$ 19,729
0.25% decrease	$ (17,156)	$ (19,093)

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.

	December 31	
	2018	**2017**
The expected contributions to the plan for the next year	$ 5,680	$ 6,200
The average duration of the defined benefit obligation	10.7 years	10.8 years

22. EQUITY

a. Share capital

Ordinary shares

	December 31 2018	December 31 2017
Number of shares authorized (in thousands)	1,750,000	1,750,000
Shares authorized	$ 17,500,000	$ 17,500,000
Number of shares issued and fully paid (in thousands)	1,416,941	1,416,941
Shares issued	$ 14,169,406	$ 14,169,406

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

	December 31 2018	December 31 2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance in excess of ordinary shares	$ 2,142,074	$ 2,142,074
Treasury share transactions	1,173,346	1,173,346
May only be used to offset a deficit		
Changes in percentage of ownership interest in subsidiaries and associates	-	511
	$ 3,315,420	$ 3,315,931

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).

	Issuance in Excess of Ordinary Shares	Treasury Share Transactions	Changes in Percentage of Ownership Interest in Subsidiaries and Associates	Total
Balance at January 1, 2017	$ 2,142,074	$ 1,173,346	$ 4,448	$ 3,319,868
Changes in percentage of ownership interest in subsidiaries and associates	-	-	(3,937)	(3,937)
Balance at December 31, 2017	2,142,074	1,173,346	511	3,315,931
Changes in percentage of ownership interest in subsidiaries and associates	-	-	(511)	(511)
Balance at December 31, 2018	$ 2,142,074	$ 1,173.346	$ -	$ 3,315,420

c. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, net income should be used to pay its business income tax and offset deficits. From any remaining net income, 10% will be appropriated as a legal reserve, and a special reserve as required by government regulations. After adding prior years' unappropriated earnings, the Company could retain a certain amount for expansion plans and then make the appropriation equally to each shareholder. However, if there is an increase in capital during the year, bonuses appropriated to new shareholders should be allocated based on the resolution passed in the shareholders' meeting. For information about the policies of employees' compensation and remuneration of directors prior to and after the amendments to the Company's Articles of Incorporation, refer to Note 24.

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 2017 and 2016, which were approved in the shareholders' meetings on June 21, 2018 and June 20, 2017, respectively, are as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 153,599	$ 113,425		
Special reserve	12,543	114,149		
Cash dividends	1,416,940	991,858	$ 1.0	$ 0.7

The appropriation of earnings for 2018 was proposed by the board of directors on March 20, 2019. The appropriations and dividends per share are as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 131,815	
Special reserve	73,330	
Cash dividends	1,204,400	$ 0.85

The appropriation of earnings for 2018 was resolved in the shareholders' meeting held on June 25, 2019.

d. Special reserve

	For the Year Ended December 31	
	2018	2017
Balance, beginning of year	$ 2,643,743	$ 2,529,594
Appropriation in respect of net increases in the fair value of investment properties	12,543	114,149
Balance, end of year	$ 2,656,286	$ 2,643,743

On the initial application of the fair value model to investment properties, 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

	For the Year Ended December 31	
	2018	2017
Balance, beginning of year	$ 86,048	$ 58,273
Share of exchange difference of subsidiaries and associates accounted for using the equity method	4,606	27,775
Balance, end of year	$ 90,654	$ 86,048

2) Unrealized (loss) gain on available-for-sale financial assets

	For the Year Ended December 31, 2017
Balance, beginning of year	$ 1,566,157
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	167,168
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(194,022)
Share of unrealized loss on available-for-sale financial assets of subsidiaries and associates accounted for using the equity method	(117,800)
Balance, end of year	$ 1,421,503
Balance at January 1, 2018 per IAS 39	$ 1,421,503
Adjustment on initial application of IFRS 9	(1,421,503)
Balance at January 1, 2018 per IFRS 9	$ -

Unrealized (loss) gain on available-for-sale financial assets is the cumulative gains or losses generated from the fair value measurement of available-for-sale financial assets which are recognized under other comprehensive income and deducted from the disposal proceeds or the amount of impairment reclassified to profit or loss.

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

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	1,242,300
Balance at January 1 per IFRS 9	1,242,300
Recognized for the year	
Unrealized gain (loss) - equity instruments	311,658
Share from associates accounted for using the equity method	419,862
Reclassification adjustment	
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	(4,192)
Balance at December 31	$ 1,969,628

f. Treasury shares

(In Thousands of Shares)

Purpose of Buy-back	Shares Held by the Company's Subsidiaries
Number of shares at December 31, 2018 and 2017	8,207

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

(In Thousands of Shares)

December 31, 2018

Name of Subsidiary	Number of Shares Held	Carrying Amount	Market Price
Bai Ding Investment	8,207	$ 97,110	$ 128,837

December 31, 2017

Name of Subsidiary	Number of Shares Held	Carrying Amount	Market Price
Bai Ding Investment	8,207	$ 97,110	$ 123,093

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.

23. REVENUE

	For the Year Ended December 31	
	2018	2017
Sale of goods (Note)	$ 4,919,075	$ 4,734,678
Commissions from concessionaires' sales (Note)	3,980,764	4,279,470
Maintenance and promotion fee income	780,782	644,538
Rental income from property	692,912	514,699
Others	408,055	407,764
	$ 10,781,588	$ 10,581,149

Note: Gross revenue is presented as follows:

	For the Year Ended December 31	
	2018	2017
Concessionaires' sales	$ 37,076,151	$ 37,169,938
Sale of goods	5,189,052	4,966,634
	$ 42,265,203	$ 42,136,572

Contact Balances

	For the Year Ended December 31, 2018
Contract liabilities - non current	
Sale of goods	$ 2,807,936
Customer loyalty programs	39,896
	$ 2,847,832

Refer to Note 11 for the information of notes receivables and trade receivables.

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

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

	For the Year Ended December 31, 2018
From the beginning contract liabilities	
Sale of goods	$ 1,198,864
Customer loyalty programs	37,604
	$ 1,236,468

24. NET PROFIT FOR THE YEAR

Net profit for the year includes the following items:

a. Operating costs

	For the Year Ended December 31	
	2018	2017
Operating costs		
Cost of sales	$ 4,094,492	$ 3,920,283
Rental costs	153,132	140,093
Others	37,508	37,050
	$ 4,285,132	$ 4,097,426

b. Other income

	For the Year Ended December 31	
	2018	2017
Interest income		
Bank deposits	$ 160	$ 38
Dividends income	85,322	72,480
Insurance claim income	250,005	-
	$ 335,487	$ 72,518

c. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gain on disposal of investments	$ -	$ 194,022
Loss on disposal of investment properties, net	(90,700)	(166)
Foreign exchange (loss) gain, net	614	(180)
Loss on disposal of property, plant and equipment, net	(6,439)	(7,062)
(Loss) gain arising on changes in fair value of investment properties, net	32,218	(78,539)
Other gains	61,003	75,112
Other losses	(11,028)	(12,481)
	$ (14,332)	$ 170,706

d. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 210,066	$ 233,056
Other interest expense	17,676	23,810
Total interest expense for financial liabilities measured at amortized cost	227,742	256,866
Less: Amounts included in the cost of qualifying assets	(58,653)	(57,581)
	$ 169,089	$ 199,285

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest	$ 58,653	$ 57,581
Capitalization rate interval	0.98%-1.05%	1.05%-1.29%

e. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 1,105,935	$ 1,334,648
Less: Adjustment to receipts in advance and depreciation	(89,872)	(147,289)
	1,016,063	1,187,359
Intangible assets (including amortization expense)	18,678	12,481
	$ 1,034,741	$ 1,199,840
An analysis of deprecation by function		
Operating costs	$ 68,723	$ 56,371
Operating expenses	947,340	1,130,988
	$ 1,016,063	$ 1,187,359
An analysis of amortization by function		
Operating expenses	$ 18,678	$ 12,481

f. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2018	2017
Direct operating expenses from investment properties that generated rental income	$ 43,798	$ 50,458
Direct operating expenses from investment properties that did not generate rental income	56,286	70,585
	$ 100,084	$ 121,043

g. Employee benefits expenses

	For the Year Ended December 31	
	2018	2017
Post-employment benefits		
Defined contribution plan	$ 31,166	$ 31,355
Defined benefit plan (Note 21)	10,018	12,261
	41,184	43,616
Other employee benefits	1,102,057	1,120,446
Total employee benefits expenses	$ 1,143,241	$ 1,164,062
An analysis of employee benefits expenses by function		
Operating expenses	$ 1,143,241	$ 1,164,062

h. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at a rate of 2% to 3.5% and a rate of no higher than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017, which have been approved by the Company's board of directors on March 20, 2019 and March 21, 2018, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2018	**2017**
Employees' compensation	3.2%	3.2%
Remuneration of directors	2.4%	2.4%

Amount

	For the Year Ended December 31	
	2018	**2017**
	Cash	**Cash**
Employees' compensation	$ 55,384	$ 60,395
Remuneration of directors	41,538	45,296

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

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

25. INCOME TAX

a. Major components of income tax expense recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2018	**2017**
Current income tax		
In respect of the current year	$ 210,927	$ 124,399
Adjustments for the prior year	58	(792)
	210,985	123,607
Deferred income tax		
In respect of the current year	26,916	118,611
Effect of tax rate changes	143,241	-
Adjustments for the prior year	(65,443)	3,447
	104,714	122,058
Income tax expense recognized in profit or loss	$ 315,699	$ 245,665

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

	For the Year Ended December 31	
	2018	2017
Profit before income tax from continuing operations	$ 1,633,849	$ 1,781,651
Income tax expense calculated at the statutory rate	$ 326,770	$ 302,880
Nondeductible expenses in determining taxable income	680	40
Tax-exempt income	(64,791)	(62,396)
Unrecognized deductible temporary differences	6,004	1,771
Effect of tax rate changes	143,241	-
Adjustments for prior years' income tax	58	(792)
Adjustments for prior years' deferred tax	(65,443)	3,447
Land value increment tax	(25,275)	-
Others	(5,545)	715
Income tax expense recognized in profit or loss	$ 315,699	$ 245,665

In 2017, the applicable corporate income tax rate used by the Company is 17%. However, the Income Tax Act in the ROC was amended in February 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
In respect of the current year		
Effect of tax rate changes	$ 4,416	$ -
Remeasurement on defined benefit plans	1,112	3,867
	$ 5,528	$ 3,867

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	$ -	$ -
Current tax liabilities		
Income tax payable	$ 148,613	$ 124,398

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Balance, Beginning of Year	Effect of Tax Rate Change	Recognized in Profit or Loss	Recognized in Other Comprehen sive Income	Balance, End of Year
Deferred tax assets					
Temporary differences					
Investments accounted for using the equity method	$ 23,383	$ 4,126	$ 83,976	$ -	$ 111,485
Promotion expense on coupons	14,238	2,513	746	-	17,497
Lease incentives	15,775	2,784	1,512	-	20,071
Differences of pension in determining taxable income	40,376	7,125	(30,714)	1,112	17,899
Others	17,849	3,150	4,194	-	25,193
	$ 111,621	$ 19,698	$ 59,714	$ 1,112	$ 192,145
Deferred tax liabilities					
Temporary differences					
Depreciation	$ 925,938	$ 163,400	$ (67,817)	$ -	$ 1,021,521
Reserve for land revaluation increment tax	391,157	-	-	-	391,157
Investment properties	369,362	(39,885)	53,511	-	382,988
Investments accounted for using the equity method	196,147	34,614	6,014	-	236,775
Others	2,226	394	29,479	-	32,099
	$ 1,884,830	$ 158,523	$ 21,187	$ -	$ 2,064,540

For the year ended December 31, 2017

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehen sive Income	Balance, End of Year
Deferred tax assets				
Temporary differences				
Investments accounted for using the equity method	$ 180,338	$ (156,955)	$ -	$ 23,383
Promotion expense on coupons	17,387	(3,149)	-	14,238
Lease incentives	14,375	1,400	-	15,775

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Differences of pension in determining taxable income	$ 53,475	$ (16,966)	$ 3,867	$ 40,376
Others	16,662	1,187	-	17,849
	$ 282,237	$ (174,483)	$ 3,867	$ 111,621
Deferred tax liabilities				
Temporary differences				
Depreciation	$ 916,988	$ 8,950	$ -	$ 925,938
Reserve for land revaluation increment tax	391,157	-	-	391,157
Investment properties	445,333	(75,971)	-	369,362
Investments accounted for using the equity method	178,247	17,900	-	196,147
Others	5,530	(3,304)	-	2,226
	$ 1,937,255	$ (52,425)	$ -	$ 1,884,830

(Concluded)

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

	December 31	
	2018	2017
Deductible temporary differences	$ 624,916	$ 983,038

f. Income tax assessments

The income tax returns through 2016 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	2017
Basic earnings per share	$ 0.94	$ 1.09
Diluted earnings per share	$ 0.93	$ 1.09

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

Net Profit for the Year

	For the Year Ended December 31	
	2018	**2017**
Net profit for the year	$ 1,318,150	$ 1,535,986
Effect of potential dilutive ordinary shares:		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 1,318,150	$ 1,535,986

Shares

(In Thousand Shares)

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	1,408,734	1,408,734
Effect of potential dilutive ordinary shares:		
Employees' compensation	4,931	5,237
Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share	1,413,665	1,413,971

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.

27. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

In addition to the transaction described in Note 17 to the financial statements, the Company signed operating lease arrangements with related parties and unrelated parties in line with its business operations.

As of December 31, 2018 and 2017, the deposit paid for operating lease arrangements was $67,739 thousand and $157,739 thousand, respectively.

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

	December 31	
	2018	2017
Not later than 1 year	$ 849,693	$ 785,022
Later than 1 year but not later than 5 years	3,355,437	2,757,013
Later than 5 years	11,556,802	10,767,690
	$ 15,761,932	$ 14,309,725

The lease payments recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2018	2017
Minimum lease payments	$ 893,445	$ 819,591
Contingent rentals	23,925	22,986
	$ 917,370	$ 842,577

Liabilities recognized in respect of non-cancellable operating leases are as follows:

	December 31	
	2018	2017
Lease incentives (Note 20)		
Non-current	$ 100,350	$ 92,791

b. The Company as lessor

For investment properties that are leased out under operating lease agreements, refer to Note 15.

As of December 31, 2018 and 2017, the deposits received by the Company through operating lease contracts were $70,373 thousand and $62,387 thousand, respectively.

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

	December 31	
	2018	2017
Not later than 1 year	$ 499,698	$ 302,489
Later than 1 year but not later than 5 years	1,824,153	790,006
Later than 5 years	3,572,451	694,798
	$ 5,896,302	$ 1,787,293

28. 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.

29. FINANCIAL INSTRUMENTS

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

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

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

Fair value hierarchy as at December 31, 2018

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTOCI				
Equity investments				
Domestic listed ordinary shares	$ 2,254,523	$ -	$ -	$ 2,254,523
Domestic unlisted ordinary shares	-	-	99,828	99,828
	$ 2,254,523	$ -	$ 99,828	$ 2,354,351

Fair value hierarchy as at December 31, 2017

	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
Domestic listed ordinary shares				
Equity investments	$ 1,945,059	$ -	$ -	$ 1,945,059

There were no transfers between Level 1 and 2 in both 2018 and 2017.

Reconciliation of Level 3 fair value measurements of financial instruments

Financial Instruments	**Valuation Techniques and Inputs**
Domestic unlisted shares	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. b) Transaction method of market approach. The approach is a valuation strategy that looks at market ratios of companies with similar profitability at the end of the reporting period, while taking the liquidity premium into consideration.

c. Categories of financial instruments

	December 31			
	2018		2017	
Financial assets				
Loans and receivables (1)	$	-	$	1,528,662
Available-for-sale financial assets (2)		-		2,048,953
Financial assets at amortized cost (3)		2,011,409		-
Financial assets at FVTOCI		2,354,351		-
Financial liabilities				
Measured at amortized cost (4)		26,435,599		26,515,842

1) The balances included the carrying amount of cash, debt investments with no active market, 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 available-for-sale financial assets measured at cost.

3) The balances include financial assets at amortized cost, which comprise cash, debt investments, and notes receivable and trade receivables. Those reclassified to held-for-sale disposal groups are also included.

4) The balances included the carrying amount of short-term borrowings, short-term bills payable, notes payable and trade payables (including related parties), other payables, bonds payable (including the current portion), 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 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:

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 25,095	$ -
Financial liabilities	2,000,000	3,500,000
Cash flow interest rate risk		
Financial assets	53,154	74,546
Financial liabilities	18,109,032	16,599,188

Sensitivity analysis

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

If interest rates had been 100 basis points higher or lower and all other variables had been held constant, the profit before income tax for the years ended December 31, 2018 and 2017 would decrease/increase by $180,559 thousand and $165,246 thousand, respectively.

b) Other price risks

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

Sensitivity analysis

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

If equity prices had been 5% higher or lower, pre-tax other comprehensive income for the years ended December 31, 2018 and 2017 would increase/decrease by $117,718 thousand and $97,253 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in 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

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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.

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

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods.

December 31, 2018

	On Demand or Not Later than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Later than 5 Years	Total
Non-derivative financial liabilities							
Short-term borrowings	$ 6,710,000	$ -	$ -	$ -	$ -	$ -	$ 6,710,000
Short-term bills payable	2,299,032	-	-	-	-	-	2,299,032
Trade payables	4,878,840	-	-	-	-	-	4,878,840
Trade payables to related parties	76,148	-	-	-	-	-	76,148
Other payables	1,284,856	-	-	-	-	-	1,284,856
Long-term borrowings (including current portion)	-	8,500,000	2,600,000	-	-	-	11,100,000
Deposits received	12,902	21,201	9,334	3,084	3,842	36,360	86,723

December 31, 2017

	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
Non-derivative financial liabilities							
Short-term borrowings	$ 6,300,000	$ -	$ -	$ -	$ -	$ -	$ 6,300,000
Short-term bills payable	1,699,188	-	-	-	-	-	1,699,188
Trade payables	5,026,846	-	-	-	-	-	5,026,846
Trade payables to related parties	85,055	-	-	-	-	-	85,055
Other payables	1,226,591	-	-	-	-	-	1,226,591
Long-term borrowings (including current portion)	3,500,000	5,600,000	3,000,000	-	-	-	12,100,000
Deposits received	46,368	4,485	16,514	1,580	6,752	2,463	78,162

30. TRANSACTIONS WITH RELATED PARTIES

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

a. The Company's related parties and their relationships

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
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
Far Eastern Electronic Commerce Co., Ltd. (FEEC)	Associate (Note)
Yuan Hsin Digital Payment Co., Ltd. (YHDP)	Associate
Far Eastern New Century Corporation (FENC)	The investor that has significant influence over the Company (equity method investor of FEDS)
Far EasTone Telecommunications Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
New Century InfoComm Tech Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern General Contractor Inc. (FEGC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Construction Co., Ltd. (FEC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Resources Development Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Ding Ding Hotel Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Electronic Toll Collection Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)

(Continued)

Related Party	Relationship with the Company
Far Eastern Apparel Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuan Ding Co., Ltd. (YDC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuan Tong Investment Co., Ltd. (YTIC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
YDT Technology International Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Technical Consultants Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuanshi Digital Technology Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Asia Cement Corporation	The associate of the investor that has significant influence over the Company (the associate of FENC)
Ya Tung Ready Mixed Concrete Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Everest Textile Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Far Eastern International Bank (FEIB)	Other related party (the chairman of Company, also the vice chairman of FEIB)
Yuan Bo Asset Management Corporation	Other related party (the subsidiary of Far eastern international leasing corporation)
Oriental Union Chemical Corporation	Other related party (the same chairman)
Yuan Ze University	Other related party (the same chairman)
Far Eastern Medical Foundation	Other related party (the same chairman)
Tranquil Enterprise Ltd. (TEL)	Other related party (the same chairman)

(Concluded)

Note: The board of directors of both FEEC and Hiiir approved the merger on June 27, 2017, with Hiiir as the surviving company and FEEC dissolved. Upon the completion of the aforesaid merger, the surviving company was renamed YSDT.

b. Operating revenue

	For the Year Ended December 31	
	2018	2017
Sales of goods (Note)		
The associate of the investor that has significant influence over the Company	$ 37,334	$ 35,473
Subsidiaries	31,994	35,586
Other related parties	1,284	752
Associates	-	2,122
	$ 70,612	$ 73,933

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

	For the Year Ended December 31	
	2018	2017
Other operating revenue		
Other related parties	$ 69,210	$ 25,641
Subsidiaries	27,290	28,080
The associate of the investor that has significant influence over the Company	24,388	19,313
Associates	2,949	7,894
	$ 123,837	$ 80,928

c. Operating costs and expenses

	For the Year Ended December 31	
	2018	2017
Operating costs (Note)		
The associate of the investor that has significant influence over the Company	$ 24,163	$ 24,918
Subsidiaries	3,035	2,448
	$ 27,198	$ 27,366

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

	For the Year Ended December 31	
	2018	2017
Operating expenses (Note)		
The associate of the investor that has significant influence over the Company	$ 326,670	$ 332,970
Subsidiaries	240,161	240,069
Investor that has significant influence over the Company	73,187	72,752
Associates	42,893	42,868
Other related parties	2,671	3,484
	$ 685,582	$ 692,143

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

d. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Other gains		
Other related parties		
FEIB	$ 18,298	$ 17,528
TEL	-	97,970
	18,298	115,498
The associate of the investor that has significant influence over the Company		
Others	19	2
YTIC	-	74,341
	19	74,343
Subsidiaries		
SOGO	17,794	17,432
Others	1,603	2,234
	19,397	19,666
Investor that has significant influence over the Company	-	2,870
Associates	337	235
	$ 38,051	$ 212,612
Other losses		
Associates		
OSC	$ 7,176	$ 7,216
Investor that has significant influence over the Company	1	2
	$ 7,177	$ 7,218

e. Finance costs

	For the Year Ended December 31	
	2018	2017
Subsidiaries		
SOGO	$ 11,100	$ 10,517
Other related parties	-	827
	$ 11,100	$ 11,344

f. Receivables from related parties

	December 31	
	2018	**2017**
Trade receivables, net		
Other related parties	$ 39,427	$ 11,859
The associate of the investor that has significant influence over the Company	25,074	18,852
Subsidiaries	3,669	23,763
Associates	1,232	1,463
Investor that has significant influence over the Company	650	2,310
	$ 70,052	$ 58,247
Other receivables		
Subsidiaries	$ 8,681	$ 5,603
The associate of the investor that has significant influence over the Company	3,412	3,018
Other related parties	8,356	18
	$ 20,449	$ 8,639

g. Other assets

	December 31	
	2018	**2017**
Other non-current assets		
Lease incentives		
The associate of the investor that has significant influence over the Company		
YDC	$ 9,142	$ 7,924
Other related parties		
FEIB	1,314	1,494
	$ 10,456	$ 9,418
Refundable deposits		
The associate of the investor that has significant influence over the Company	$ 7,741	$ 7,743

h. Payables to related parties

	December 31	
	2018	**2017**
Trade payables		
The associate of the investor that has significant influence over the Company	$ 44,249	$ 51,109
Subsidiaries	31,899	33,946
	$ 76,148	$ 85,055

(Continued)

	December 31	
	2018	2017
Other payables		
The associate of the investor that has significant influence over the Company		
FEGC	$ 118,796	$ 118,796
Other	52,419	60,349
	171,215	179,145
Associates	72,563	48,424
Subsidiaries	66,208	68,217
Investor that has significant influence over the Company	32,057	31,902
Other related parties	82	69
	$ 342,125	$ 327,757

(Concluded)

i. Other liabilities

	December 31	
	2018	2017
Advance receipts		
The associate of the investor that has significant influence over the Company	$ 895	$ 747
Other current liabilities		
Associates	$ 1,031	$ 1,013
Subsidiaries	17	123
The associate of the investor that has significant influence over the Company	-	163
	$ 1,048	$ 1,299
Other non-current liabilities		
Lease incentives		
The associate of the investor that has significant influence over the Company		
FEC	$ 91,142	$ 92,791

	December 31	
	2018	2017
Deposits received		
The associate of the investor that has significant influence over the Company		
YDC	$ 36,173	$ 28,187
Other	86	86
	36,259	28,273
Other related parties	1,023	1,023
Subsidiaries	881	881
	$ 38,163	$ 30,177

j. Disposals of financial assets

For the year ended December 31, 2017

Related Party Name	Item	Number of Shares	Underlying Assets	Proceeds	Gain on Disposal
YTIC	Available-for-sale financial assets - current	25,771	Ordinary shares	$ 254,111	$ 74,341
TEL	Available-for-sale financial assets - non-current	9,000	Ordinary shares	$ 239,787	$ 97,970

k. Construction projects

	December 31	
	2018	2017
The associates of investor that has significant influence over the Company	$ 720,918	$ 357,775
Associates	540	-
	$ 721,458	$ 357,775

l. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 58,544	$ 62,919
Post-employment benefits	216	241
	$ 58,760	$ 63,160

The compensation to directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the market trends.

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2018	2017
Available-for-sale financial assets	$ -	$ 987,000
Financial assets at FVTOCI	1,188,250	-
Investments accounted for using the equity method	1,156,262	1,149,413
Property, plant and equipment	13,908,063	14,053,678
Investment properties	1,384,999	1,490,894
Other non-current assets	400	-
	$ 17,637,974	$ 17,680,985

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2018 and 2017 are as follows:

a. Significant commitments

The amount of unrecognized commitments are as follows:

	December 31	
	2018	**2017**
Acquisition of property, plant and equipment	$ 1,774,925	$ 1,809,004
Acquisition of intangible assets	$ 500,000	$ -

b. A letter from the Ministry of Economic Affairs (MOEA) on July 28, 2011 stated that the term of the board of directors and supervisors (the “Board”) of SOGO was terminated, and the election of the Board should be held by October 28, 2011. On August 26, 2011, in the shareholders’ meeting, Douglas Hsu, Ching-Wen Huang, Mao-De Huang, Hsiao-Yi Wang and Satoshi Inoue were elected to be the representatives of the Board and Jing-Yi Wang was elected as a supervisor. On September 2, 2011, the registration of the Board was submitted to the MOEA, and on August 30, 2013, the registration of the Board was approved and completed by the MOEA.

For the resolution passed in the shareholders’ meeting, SOGO’s shareholders filed an appeal for an invalid resolution and for the withdrawal of the resolution of the shareholders’ meeting. As of March 17, 2017, many verdicts, including the Year 100 Letter Su No. 3965 verdict made by the TTDC, the Year 104 Letter Tsai Shang No. 90 verdict made by the Supreme Administrative Court (SAC), the Year 101 Letter Kun No. 1589 and No. 1681 verdicts made by the THC, and the Year 106 Letter Tsai Shang No. 86 verdict made by the SAC, confirmed that the shareholders’ meeting was legal and rejected the appeal of the SOGO shareholders.

Also, Heng-Long Li filed an appeal against SOGO and PLTI, alleging that the decisions made in the SOGO shareholders’ meeting on August 26, 2011 were invalid. After the TTDC rejected the appeal in the Year 103 Letter Shang No. 1014 verdict, the THC rejected the appeal once more.

Moreover, the former chairman of PLTI, Heng-Long Li, stated that he appointed Chun-Chih Weng, Chao-Chuan Chu, Shen-Yi Li, Jui-Tsun Liu and Yu-Ying Chin as members of the Board of SOGO to replace Ching-Wen Huang, Satoshi Inoue, Douglas Hsu, Hsiao-Yi Wang and Mao-De Huang. Furthermore, those individuals (Chun-Chih Weng, Chao-Chuan Chu, Shen-Yi Li, Jui-Tsun Liu and Yu-Ying Chin) elected Chun-Chih Weng as the chairman of PLTI and applied to the MOEA for the registration of a change of the Board and supervisor of SOGO on August 8, 2011. However, the application of the registration was rejected by the MOEA, due to the election being held by the former chairman of PLTI, Heng-Long Li. Chun-Chih Weng, Chao-Chuan Chu, Shen-Yi Li, Jui-Tsun Liu and Yu-Ying Chin not only announced publicly that they are the five members of the Board of SOGO but also that they held the SOGO shareholders’ meetings on September 5, 2011 and September 6, 2011. However, the decisions made in these two shareholders’ meetings on September 5, 2011 and September 6, 2011 were not approved and not consented to by all of SOGO’s shareholders. According to the Year 100 Letter Su No. 4224 verdict from the TTDC on January 22, 2014, the TTDC declared that the decisions made in the shareholders’ meeting on September 5, 2011 were not approved legally; according to the Year 100 Letter Su No. 4164 verdict on November 28, 2013, the TTDC confirmed that the decisions made in the shareholders’ meeting on September 6, 2011 were not approved legally. The THC passed the Year 103 Letter Shang No. 330 verdict on May 31, 2016 rejecting the appeal and confirmed that the resolutions of the shareholders’ meeting on September 5, 2011 were not approved legally. In the Year 103 Letter Shang No. 87 verdict from the THC on August 17, 2016, the THC rejected the appeal and confirmed that the decisions made in the shareholders’ meeting on September 6, 2011 were not approved legally. Chun-Chih Weng has filed an appeal against each of the judgments, and as of the date that these financial statements were approved, both appeals are still pending in the SAC.

c. In April 2017, under a ruling by the MOEA whereby "the terms and conditions of coupons for certain goods and for certain services within the retail industry should be documented in a standard contract while others should not", the Company and SOGO signed an agreement to have mutual performance guarantees on gift certificates bought by customers. The guarantee period was from April 1, 2017 to March 31, 2018. As of December 31, 2017, the Company's guarantee amount for SOGO was $4,544,806 thousand and that of SOGO for the Company was $2,848,393 thousand.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. investees:

1) Financing provided to others: Table 1.

2) Endorsements/guarantees provided: Table 2.

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Table 3.

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Table 4.

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5.

9) Trading in derivative instruments: None.

10) Information on investees: Table 6.

c. Information on investments in mainland China:

1) Name of the investees in mainland China, main business and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, repatriation of investment income, and the limit of investment in mainland China: Table 7.

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.

c) The amount of property transactions and the amount of the resultant gains or losses: None.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

FAR EASTERN DEPARTMENT STORES, LTD.

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
1	Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings Ltd.	Other receivables	Y	$ 2,000,000	$ 2,000,000	$ -	-	(Note A)	$ -	Transaction	$ --	-	$ --	$ 4,433,405 (Note B)	$ 4,433,405 (Note B)
2	Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	Other receivables	Y	760,801 (RMB 170,000)	760,801 (RMB 170,000)	554,937 (RMB 124,000)	4.35%-4.353514%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
		Dalian Pacific Department Store Co., Ltd.	Other receivables	Y	447,530 (RMB 100,000)	447,530 (RMB 100,000)	185,725 (RMB 41,500)	4.353514%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
		Chengdu FEDS Co., Ltd.	Other receivables	Y	1,342,590 (RMB 300,000)	-	-	4.353514%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
		Chengdu Quanxing Building Pacific Department Store Co., Ltd.	Other receivables	Y	223,765 (RMB 50,000)	223,765 (RMB 50,000)	67,130 (RMB 15,000)	4.353514%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
3	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	313,271 (RMB 70,000)	313,271 (RMB 70,000)	255,092 (RMB 57,000)	4.08%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
		Chongqing Pacific Consultant & Management Co., Ltd.	Other receivables	Y	313,271 (RMB 70,000)	-	-	4.35%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
4	Pacific China Holding Ltd.	Chengdu FEDS Co., Ltd.	Other receivables	Y	1,566,465 (US$ 51,000)	737,160 (US$ 24,000)	645,015 (US$ 21,000)	3.81425%-4.59694%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
		Pacific China Holdings (HK) Limited	Other receivables	Y	307,150 (US$ 10,000)	307,150 (US$ 10,000)	-	-	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
5	Pacific China Holdings (HK) Limited	Pacific China Holding Ltd.	Other receivables	Y	307,150 (US$ 10,000)	307,150 (US$ 10,000)	106,888 (US$ 3,480)	2.52%-3.66%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
6	Pacific (China) Investment Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	44,753 (RMB 10,000)	44,753 (RMB 10,000)	-	4.08%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
7	FEDS Development Ltd.	Yuan Ding Enterprise (Shanghai) Co., Ltd.	Other receivables	Y	520,820 (RMB 116,337)	364,186 (RMB 81,377)	256,777 (RMB 57,377)	-	(Note A)	-	Transaction	-	-	-	5,904,781 (Note C)	11,809,562 (Note D)
		Far Eastern New Century (China) Investment Co., Ltd.	Other receivables	Y	1,926,169 (RMB 430,400)	969,798 (RMB 216,700)	969,171 (RMB 216,560)	-	(Note A)	-	Transaction	-	-	-	5,904,781 (Note C)	11,809,562 (Note D)

Note A: Short-term financing.

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

Note C: 20% of the financing company's net assets of ultimate parent company, Far Eastern Department Stores, Ltd.

Note D: 40% of the financing company's net assets of ultimate parent company, Far Eastern Department Stores, Ltd.

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

FAR EASTERN DEPARTMENT STORES, LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee: Name	Endorsee/Guarantee: Nature of Relationship (Note F)	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
0	Far Eastern Department Stores, Ltd.	FEDS New Century Development Co., Ltd.	2	$ 17,714,344 (Note A)	$ 30,000	$ 30,000	$ -	$ -	-	$ 29,523,906 (Note B)	Y	-	-
		Bai Yang Investment Co., Ltd.	2	17,714,344 (Note A)	400,000	400,000	-	-	1	29,523,906 (Note B)	Y	-	-
		Bai Ding Investment Co., Ltd.	2	17,714,344 (Note A)	700,000	700,000	350,000	-	2	29,523,906 (Note B)	Y	-	-
		FEDS Development Ltd.	2	17,714,344 (Note A)	2,874,924 (US$ 93,600)	2,874,924 (US$ 93,600)	1,106,478 (US$ 247,241)	-	10	29,523,906 (Note B)	Y	-	-
		Chubei New Century Shopping Mall Co., Ltd.	2	17,714,344 (Note A)	3,700,000	3,700,000	-	-	13	29,523,906 (Note B)	Y	-	-
		Far Eastern CitySuper Co., Ltd.	2	17,714,344 (Note A)	160,000	160,000	-	-	1	29,523,906 (Note B)	Y	-	-
		Pacific Sogo Department Stores Co., Ltd.	2	17,714,344 (Note A)	4,798,653	4,544,806	4,544,806	-	15	29,523,906 (Note B)	Y	-	-
1	Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings Ltd.	2	17,714,344 (Note C)	8,345,266 (US$ 271,700)	8,345,266 (US$ 271,700)	3,848,774 (US$ 125,306)	-	28	29,523,906 (Note D)	-	-	-
		Dalian Pacific Department Store Co., Ltd.	2	17,714,344 (Note C)	410,503 (RMB 78,000) (US$ 2,000)	410,503 (RMB 78,000) (US$ 2,000)	-	-	1	29,523,906 (Note D)	-	-	Y
		Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	2	17,714,344 (Note C)	307,150 (US$ 10,000)	307,150 (US$ 10,000)	-	-	1	29,523,906 (Note D)	-	-	Y
		Far Eastern Department Stores, Ltd.	3	17,714,344 (Note C)	3,005,901	2,848,393	2,848,393	-	10	29,523,906 (Note D)	-	Y	-
2	Pacific China Holdings Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	2	17,714,344 (Note C)	279,706 (RMB 62,500)	134,259 (RMB 30,000)	134,259 (RMB 30,000)	-	-	29,523,906 (Note D)	-	-	Y
3	Far Eastern Big City Shopping Malls Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	362,860 (Note A)	164,396	154,325	154,325	-	1	604,766 (Note B)	-	-	-

Note A: The amount is 60% of net assets based on the latest financial statements of the endorser/guarantor.

Note B: The amount is 100% of net assets based on the latest financial statements of the endorser/guarantor.

Note C: The amount is 60% of the net assets based on the latest financial statements of the final parent company - Far Eastern Department Stores, Ltd. (the “Company”).

Note D: The amount is 100% of the net assets based on the latest financial statements of the final parent company - Far Eastern Department Stores, Ltd. (the “Company”).

Note E: As to Pacific Sogo Investment Co., Ltd. was under liquidation and the amount of Lian Ching Investment Co., Ltd. had been written off to zero, no liabilities were undertaken by the Company and the accounts are not disclosed in the financial statement.

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

1. Trading partner.
2. The Company that directly and indirectly hold more than 50% of the voting shares.

(Continued)

3. The companies that directly and indirectly hold more than 50% of the Company’s voting rights.
4. The Company that directly and indirectly holds more than 90% of the voting shares.
5. Guaranteed by the Company according to the construction contract.
6. An investee company. The guarantees were provided based on the Company’s proportionate share in the investee company.
7. Companies in the same industry provide among themselves joint and several securities as performance guarantees of sales contracts for pre-construction homes pursuant to the Consumer Protection Act.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2018				Note
				Shares (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far Eastern Department Stores, Ltd. (the Company)	Shares							
	Asia Cement Corporation	4	Financial assets at fair value through other comprehensive income - non-current	50,000	$ 1,697,517	1	$ 1,697,517	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	557,006	-	557,006	
	Kaohsiung Rapid Transit Corporation	-	Financial assets at fair value through other comprehensive income - non-current	6,286	29,355	2	29,355	
	Yuan Ding Leasing Corp.	-	Financial assets at fair value through other comprehensive income - non-current	7,309	69,892	9	69,892	
	Yuan Ding Co., Ltd.	4	Financial assets at fair value through other comprehensive income - non-current	3	10	-	10	
	Yuan Shi Digital Technology Co., Ltd.	4	Financial assets at fair value through other comprehensive income - non-current	1,041	571	1	571	
Bai Ding Investment Co., Ltd.	Shares							
	Far Eastern Department Stores, Ltd.	2	Financial assets at fair value through other comprehensive income - current	8,207	128,850	1	128,850	
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	14,814	502,949	-	502,949	5,200 thousand shares of Asia Cement Corporation pledged for commercial papers issued of the investor company
	Far Eastern New Century Corporation	6	Financial assets at fair value through other comprehensive income - non-current	15,812	441,141	-	441,141	15,000 thousand shares of Far Eastern New Century Corporation pledged for loans of the investor company
	Chung-Nan Textile Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,984	81,531	5	81,531	
	Ding Ding Management Consultants Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	216	5,168	5	5,168	
	Yue Ding Industry Co., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	2,476	43,301	2	43,301	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10	
	Ding Sheng Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	39,600	345,312	18	345,312	
Bai Yang Investment Co., Ltd.	Shares							
	Far Eastern International Bank	8	Financial assets at fair value through other comprehensive income - current	22,102	221,023	1	221,023	
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	3,849	130,690	-	130,690	
	U-Ming Marine Transport Corp.	8	Financial assets at fair value through other comprehensive income - non-current	200	6,450	-	6,450	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10	
Far Eastern Hon Li Do Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	986	11,522	-	11,522	

(Continued)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2018				Note
				Shares (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Yu Ming Advertising Agency Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,730	$ 31,892	-	$ 31,892	
	Shares							
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	1,506	51,115	-	51,115	
FEDS New Century Development Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,503	99,312	-	99,312	
FEDS Development Ltd.	Shares							
	Kowloon Cement Corp., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	46	8,903	2	8,903	
Pacific Sogo Department Stores Co., Ltd.	Shares							
	CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss - current	297	1,993	-	1,993	
	Quanta computer Inc.	-	Financial assets at fair value through profit or loss - current	1	38	-	38	
	Pacific Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	7,931	91,206	2	91,206	
	DBTEL Inc.	-	Financial assets at fair value through profit or loss - current	10	29	-	29	
	Oriental Union Chemical Corp.	8	Financial assets at fair value through other comprehensive income - current	546	14,087	-	14,087	
	U-Ming Marine Transport Corp.	8	Financial assets at fair value through other comprehensive income - current	300	9,675	-	9,675	
	Pacific Liu Tong Investment Co., Ltd.	1	Financial assets at fair value through other comprehensive income - non-current	800	4,019	-	4,019	
	E-Shou Hi-tech Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	18,300	-	15	-	
	Tain Yuan Investment Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	98,000	-	20	-	
	PURETEK Corp.	-	Financial assets at fair value through profit or loss - non-current	119	-	-	-	
	Pacific 88 Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	16	-	1	-	
	Yuan Shi Digital Technology Co., Ltd.	7	Financial assets at fair value through profit or loss - non-current	1,041	-	1	-	
Pacific Liu Tong Investment Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	17,273	201,755	-	201,755	
Pacific China Holdings Ltd.	Shares							
	Oversea 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	-	

Note A:
1. Subsidiary of FEDS.
2. Parent company.
3. Investor that has significant influence over the Company.
4. The associate of investor that has significant influence over the Company.
5. Other related party.
6. Investor that has significant influence over FEDS.
7. The associate of investor that has significant influence over FEDS.
8. Other related party of FEDS.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter party	Relationship	Beginning Balance		Acquisition		Disposal					Ending Balance	
					Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Adjusted Item (Note C)	Shares (In Thousands)	Amount
Bai Yang Investment Co., Ltd.	Shares FEDS New Century Development Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	72,000	$ 782,939	78,000	$ 780,000 (Note A)	-	$ -	$ -	$ -	$ 6,217	150,000	$ 1,569,156
FEDS New Century Development Co., Ltd.	Shares Chubei New Century Shopping Mall Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	40,000	393,353	78,000	780,000 (Note A)	-	-	-	-	(1,435)	118,000	1,171,918
Pacific (China) Investment Co., Ltd.	Shares Chengdu FEDS Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	-	(652,536)	-	637,742 (Note B)	-	-	-	-	(63,760)	-	(78,554)

Note A: There was an increase in cash capital.

Note B: There was an increase of NT$21,500 thousand in cash capital.

Note C: The share of comprehensive profit or loss using the equity method.

FAR EASTERN DEPARTMENT STORES, LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(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	$ 125,035	-	$ 125,035	Collection expedited	$ 532	$ 125,035
	Far Eastern Big City Shopping Malls Co., Ltd.	Subsidiary	101,231	-	-	-	-	-
FEDS Development Ltd. (BVI)	Far Eastern New Century (China) Investment Co., Ltd.	The associate of investor that has significant influence over the Company.	969,171 (Note B)	-	-	-	-	-
	Yuan Ding Enterprise (Shanghai) Co., Ltd.	The associate of investor that has significant influence over the Company.	256,777 (Note B)	-	-	-	-	-
	Chongqing FEDS Co., Ltd.	Subsidiary	1,119,720 (Note A)	-	-	-	-	-
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd	Chongqing FEDS Co., Ltd.	Same ultimate parent company	258,827 (Note B)	-	-	-	-	-
Pacific China Holdings Ltd.	Chengdu FEDS Co., Ltd.	Subsidiary	652,520 (Note B)	-	-	-	-	-
Pacific China Holdings (HK) Limited.	Pacific China Holdings Ltd.	Subsidiary	107,868 (Note B)	-	-	-	-	-
Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	Same ultimate parent company	557,018 (Note B)	-	-	-	-	-
	Dalian Pacific Department Store Co., Ltd.	Same ultimate parent company	186,186 (Note B)	-	-	-	-	-
Chengdu FEDS Co., Ltd.	Chengdu Quanxing Pacific Department Store Co., Ltd.	Same ultimate parent company	427,905	-	-	-	-	-
Chongqing Pacific Consultant & Management Co., Ltd.	Chengdu BYIC Co., Ltd.	Associate	108,414 (Note A)		-	-	-	-

Note A: The cash dividend receivable.

Note B: This balance refers to fund lending.

FAR EASTERN DEPARTMENT STORES, LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Far Eastern Department Stores, Ltd.	Bai Yang Investment Co., Ltd.	Taiwan	Investment	$ 8,922,181	$ 8,922,181	924,991	100	$ 9,131,939	$ (694,448)	$ (694,417)	2
	Oriental Securities Corporation	Taiwan	Securities brokerage	143,652	143,652	140,297	20	1,949,756	46,790	9,196	1
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,764,210	1,764,210	281,734	35	3,838,530	321,223	112,843	2
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	33,357	33,357	119,981	67	2,108,498 (Note B)	90,435	60,945	2
	Far Eastern Ai Mai Co., Ltd.	Taiwan	Hypermarket	1,535,538	1,535,538	87,744	100	1,298,433	1,421	1,421	2
	FEDS Development Ltd.	British Virgin Island	Investment	125,058	125,058	218	54	1,411,729	38,764	30,071	2
	Yu Ming Advertising Agency Co., Ltd.	Taiwan	Advertising and importation of certain merchandise	33,000	33,000	3,500	100	95,804	7,085	7,085	2
	Ya Tung Department Stores, Ltd.	Taiwan	Department store	519,292	519,292	21,000	100	(5,018)	(94,863)	(94,863)	2
	Ding Ding Integrated Marketing Service Co.	Taiwan	Marketing	64,500	64,500	3,399	10	36,191	23,617	2,382	1
	Asians Merchandise Company	USA	Trading	5,316	5,316	950	100	4,534	52	52	2
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building rental	40,278	40,278	1,571	56	12,480	489	390	2
	Far Eastern CitySuper Co., Ltd.	Taiwan	Hypermarket	478,269	478,269	47,827	96	60,382	(33,938)	(32,465)	2
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	15,313	15	116,511	(244,148)	(36,622)	1
Bai Ding Investment Co., Ltd.	Oriental Securities Corporation	Taiwan	Securities brokerage	163,563	163,563	97,116	14	1,349,755	46,790		1
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	658,129	658,129	100,250	13	1,379,566	321,223		2
	Far Eastern International Leasing Corp.	Taiwan	Leasing	301,125	301,125	22,203	5	321,278	57,007		1
	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	33,490	33,490	11,254	1	150,736	428,934		2
	Yu Ming Trading Co.	Taiwan	Importation of certain merchandise	21,291	21,291	4,901	47	75,181	3,324		1
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building rental	28,672	28,672	1,259	44	13,418	489		2
	Far Eastern CitySuper Co., Ltd.	Taiwan	Hypermarket	-	-	2	-	1	(33,938)		2
FEDS Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	289,681	321,223		2
FEDS New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	289,681	321,223		2
	Chubei New Century Shopping Mall Co., Ltd.	Taiwan	Department store	1,180,000	400,000	118,000	100	1,171,918	(1,435)		2
Bai Yang Investment Co., Ltd.	FEDS Asia Pacific Development Co., Ltd.	Taiwan	Shopping mall	1,522,761	1,522,761	149,100	70	1,789,737	152,406		2
	Far Eastern International Leasing Corp.	Taiwan	Leasing	1,555,590	1,555,590	132,388	30	1,651,953	57,007		1
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	577,457	577,457	60,019	33	1,070,297	90,435		2
	FEDS New Century Development Co., Ltd.	Taiwan	Shopping mall	1,425,272	645,272	150,000	100	1,569,156	4,831		2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	289,681	321,223		2
	FEDS Development Ltd.	British Virgin Island	Investment	723,946	723,946	185	46	1,202,100	38.764		2
	Pacific China Holdings (HK) Limited	Hong Kong	Investment	3,597,868	3,597,868	45,600	40	(652,143)	(2,340,062)		2
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	200,000	200,000	20,000	40	241,907	93,904		2
Ya Tung Department Stores, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	55,000	55,000	11,000	1	160,690	321,223		2
Yu Ming Advertising Agency Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,200	1,200	200	-	2,728	321,223		2
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	8,400	8,400	1,400	-	18,473	321,223		2
Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	4,469,904	4,469,904	650,817	79	10,030,616	428,934		2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	62,480	62,480	6,840	3	141,402	100,612		1
Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings (HK) Limited	Hong Kong	Investment	5,733,286	5,733,286	53,520	60	(120,287)	(2,340,062)		2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	599,000	599,000	60,296	29	1,026,265	100,612		1
	Lian Ching Investment Co., Ltd.	Taiwan	Investment	270,641	270,641	26,764	50	-	-		2
	Pacific Venture Investment Ltd.	Hong Kong	Investment	357,050	357,050	100,000	48	-	-		1
	Sogo Department Store Co., Ltd.	Taiwan	Credit card business	32,984	32,984	7,120	34	-	-		1
	Pacific Sogo Investment Co., Ltd.	Taiwan	Investment	-	999,900	-	-	-	-		2
	Ding Ding Integrated Marketing Service Co	Taiwan	Marketing	64,500	64,500	3,399	10	36,191	23,617		1
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	300,000	300,000	30,000	60	362,860	93,904		2
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	15,313	15	116,511	(244,148)		1

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2018	Original Investment Amount December 31, 2017	Balance as of December 31, 2018 Shares (In Thousands)	Balance as of December 31, 2018 Percentage of Ownership (%)	Balance as of December 31, 2018 Carrying Amount	Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A
Pacific China Holdings (HK) Limited	Pacific China Holdings Ltd.	British Virgin Island	Investment	$ 4,115,810	$ 4,115,810	109,200	100	$ (439,800)	$ (655,202)		2
Pacific China Holdings Ltd.	Bai Fa China Holdings (HK), Limited	Hong Kong	Investment	46	46	2	100	46	-		2

Note A: 1. Associate.
2. Subsidiary.

Note B: The foreign-currency investments were translated at the rate of US$1:NT$30.715 prevailing on December 31, 2018.

Note C: The amount is the investment accounted for using the equity method to $2,205,608 thousand deduct the parent company shares reclassification to treasury shares of $97,110 thousand.

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 G)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018 (Note A)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note A)	Net Income (Loss) of the Investee (Note E)	% Ownership of Direct or Indirect Investment	Share of (Loss) Profit (Note E)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outflow	Inflow						
Shanghai Pacific Department Stores Co., Ltd.	Department store	$ 543,456	2	$ 394,150 (Note B)	$ -	$ -	$ 394,150 (Note B)	$ 91,418	49	$ 19,281	$ 158,168	$ -
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Department store	30,408	2	30,408 (Note B)	-	-	30,408 (Note B)	(115,079)	67	(77,292)	(389,764)	-
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Department store	92,145	2	92,145 (Note B)	-	-	92,145 (Note B)	(162,266)	67	(108,985)	183,405	-
Chongqing Pacific Consultant & Management Co., Ltd.	Consulting service	2,242,195	2	6,143 (Note B)	-	-	6,143 (Note B)	(23,393)	67	(15,711)	805,569	-
Shanghai Pacific Consultant & Management Co., Ltd.	Consulting service	10,750	2	5,268 (Note B)	-	-	5,268 (Note B)	264	33	87	6,156	-
Shanghai Bai Ding Consultant & Management Co., Ltd.	Consulting service	3,072	2	-	-	-	-	(25,635)	100	(25,635)	11,235	-
Chongqing FEDS Co., Ltd.	Department store	86,002	2	-	-	-	-	194,767	100	194,767	1,218,719	-
Chengdu Baiyang Industry Co., Ltd.	Department store, logistics and storehouse	1,006,946	2	-	-	-	-	44,131	22	740	1,194,518	-
Dalian Pacific Department Store Co., Ltd.	Department store	71,605	2	-	-	-	-	(26,773)	67	(17,982)	23,722	-
Pacific (China) Investment Co., Ltd.	Investment	6,634,440	2	-	-	-	-	(106,838)	67	(71,096)	32,203	-
Chengdu FEDS Co., Ltd.	Department store	4,115,810	2	-	-	-	-	(57,787)	67	(38,812)	(52,761)	-
Chengdu Beicheng FEDS Co., Ltd.	Department store	-	2	-	-	-	-	(8,706)	67	(5,847)	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ - (Note C)	$243,048 (US$7,913 thousand) (Notes A and C)	$ - (Note F)

Note A: Translated at the rate of US$1:NT$30.715 prevailing on December 31, 2018.

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.

(Continued)

Note E: There is no upper limit, as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China (No. 10720421530), which was issued by the Industrial Development Bureau, Ministry of Economic Affairs, ROC.

Note F: Three investment types are as follows:

1. The Company made the investment directly.
2. The Company made the investment through a company registered in a third region. The companies registered in a third region were FEDS Development Ltd. and Pacific China Holdings Ltd.
3. Others.

(Concluded)

VII. Review and Analysis of the Financial Condition,Performance and Risk Management

1. Review and Analysis of Financial Conditions

Financial Conditions Analysis

Unit: NT$ thousands

Item / Year	2017	2018	Increase (decrease) amount	Percentage Change(%)
Current assets	25,311,692	25,052,856	(258,836)	(1)
Investment using the equity method	8,444,059	8,678,647	234,588	3
Property, plant and equipment	43,699,225	43,532,941	(166,284)	0
Other assets	28,253,475	26,481,897	(1,771,578)	(6)
Total assets	**105,708,451**	**103,746,341**	**(1,962,110)**	**(2)**
Current liabilities	51,115,648	46,630,770	(4,484,878)	(9)
Non-current liabilities	17,734,625	19,425,181	1,690,556	10
Total liabilities	**68,850,273**	**66,055,951**	**(2,794,322)**	**(4)**
Total equity attributable to owners of the Company	28,998,718	29,523,906	525,188	2
Common stock	14,169,406	14,169,406	0	0
Capital surplus	3,315,931	3,315,420	(511)	0
Retained earnings	7,931,970	7,904,938	(27,032)	0
Other equity	3,678,521	4,231,252	552,731	15
Treasury stocks	(97,110)	(97,110)	0	0
Non-controlling interests	7,859,460	8,166,484	307,024	4
Total equity	**36,858,178**	**37,690,390**	**832,212**	**2**

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:
Increase in non-current liabilities: mainly due to the increase in long-term borrowings.
Increase in other equity: mainly due to the increase in gains and losses of financial assets measured at fair value through other comprehensive gains and losses.

2. Review and Analysis of Financial Performances

2.1 Comparative Analysis of Financial Performances

Unit: NT$ thousands

Item / Year	2017	2018	Increase (decrease) amount	Percentage Change(%)
Operating Revenues	41,166,982	39,242,551	(1,924,431)	(5)
Gross Profit	20,493,375	20,150,967	(342,408)	(2)
Operating Profit	3,086,724	4,187,329	1,100,605	36
Nonoperating Income (Expenses)	(387,882)	(1,638,214)	(1,250,332)	322
Income Before Income Tax	2,698,842	2,549,115	(149,727)	(6)
Net Profit For The Year	1,845,022	1,650,495	(194,527)	(11)

1. Analysis of change in Percentage：
Operating income increased： mainly due to the decrease in Operating costs.
Nonoperating income decreased：Mainly due to the disposal of stocks in fiscal year 2017, the non-operating income and expenses were higher in 2017 years.。
Net income decreased：mainly due to the increase in operating income nad decrease in nonoperating income.

2. The company expects the number of sales in the coming year and its basis, as well as the impact on the company's future financial business and its response plan: please refer to the “Report to Shareholders”.。

2.2. Variation Analysis of Gross Profit : not applicable

3. Review and Analysis of Cash Flow

Unit: NT$ thousands

Cash and cash equivalents - Beginning balance in 2018 (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
16,116,484	4,486,949	6,008,586	14,594,847	-	-

1. Cash flow analysis for year 2018:
Total cash inflows from operating activities are NT$ 4.5 billion: mainly comes from cash inflows from operating activities.Total cash outflows from investing activities are NT$ 2.5 billion: mainly comes from acquisition of property, plant and equipment.Total cash outflows from financing activities are NT$ 3.5 billion: mainly comes from payment of NT$ 1.8 billion in loans and payment of NT$ 1.7 billion in cash dividends
2. Remedy plans for insufficient liquidity for year 2018 and liquidity analysis：None。
3. 2019 estimated cash flow analysis of variance in cash flow balance:

Cash and cash equivalents - Beginning balance (1)	Total cash inflows from operating activities (2)	Total cash inflows from investing and financing activities (3)	Cash and cash equivalents – Ending balance (1)+(2)-(3)	Remedy plans for negative balance of cash and cash equivalents	
				Investment plan	Financing plan
14,594,847	5,486,150	5,725,000	14,355,997	-	-

1. Cash flow analysis for year 2019:
Total cash inflows from operating activities are NT$ 5.5 billion: mainly comes from cash inflows from operating activities. Total cash outflows from investing activities are NT$ 4.5 billion: mainly comes acquisition of property, plant and equipment.Total cash outflows from financing activities are NT$ 1.2 billion: mainly comes from payment of cash dividends
2. Remedy plans for insufficient liquidity for year 2019 and liquidity analysis：None。

4. Major Capital Expenditures in Recent Years and Impacts on Financial and Operational Situations

4.1. Major Capital Expenditures and Sources of Funding

Unit: NT$ thousands

Plan Item	Actual or estimated source of capital	Actual or estimated project completion date	Total capital needed (Note)	Capital utilization schedule		Scheduled fund utilization situation
				Actual investment as of the year of 2017	2018	2019
Construction of Xinyi A13 Building	Bank loan	2019	7,157,968	4,367,601	1,061,759	1,728,608

4.2. Other Expected Benefits: Sales revenue and gross profit expected to Increase:

Unit: NT$ thousands

Year	Item	**Revenue**	Gross Profit
2019	Construction of Xinyi A13 Building	4,200,000	798,000

4.3. Other Expected Benefits: none

5. Investment Policies in recent years, Profit and Loss Analysis, Improvement Plan and Investment plan in the coming year

Based on the overall performance of merged companies, investment income recognized using the equity method has been derived from stable profits obtained by investment companies. Furthermore, the Retail Group continues to develop new business locations. For example, the construction of Xinyi A13 has begun, whereas the Chubei Department Store will be developed soon. These locations are expected to expand our business scale in order to increase our market share. Adhering to the traditions and spirit of the first department store company in Taiwan, the Company continuously builds a strong presence in Taiwan and expands into Mainland China to provide all-round products and services for all walks of life, with a view to meeting the needs of consumers in both Taiwan and Mainland China.

With the continuous expansion of our retail businesses, the profits are expected to inject new growth momentum, thereby leading to a more significant growth of the Retail Group's overall revenue and profit from the retail industry. In addition, the Company and our subsidiaries continue to adopt a prudent investment evaluation strategy, enhance our reinvestment businesses, and enhance operating synergy, in order to achieve success in business diversification.

6. Analysis of Risk Issues

6.1. Impact and Response to Interest Rates, Exchange Rates, and Inflation Level on the Company in the Year Preceding Publication of Annual Report

6.1.1、**Interest Rate Risk Analyses and Response strategy**：

The Group was exposed to interest rate risk because the entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. The carrying amounts of the Group’s financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows:

	2019/3/31	2018/12/31	2018/3/31
Fair value interest rate risk			
- Financial assets	$ 4,922,098	$ 10,740,306	$ 6,353,448
- Financial liabilities	35,876,260	9,476,066	9,422,247
Cash flow interest rate risk			
- Financial assets	$ 1,215,075	$ 2,026,821	$ 1,804,186
- Financial liabilities	21,432,024	22,051,911	21,221,044

Sensitivity analysis

The sensitivity analyses below were determined based on the Group’s exposure to interest rates for financial assets and financial liabilities at the end of the reporting period. For sensitivity analysis purposes, the sensitivity rate was adjusted as a result of the volatile financial markets.

The measurement of the increase or decrease in the interest rates is based on 100 basis points, which is reported to the senior management denoting the management’s assessment for the reasonableness of the fluctuation of the interest rates. If interest rates had been 100 basis points higher or lower and all other variables had been held constant, the income before income taxes for the ended March 31, 2019 and 2018 would have decreased/increased by $50,542 thousand and $48,542 thousand, respectively.

6.1.2、**Exchange Rate Analyses and Response strategy**：

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

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

	2019/3/31	2018/12/31	2018/3/31
Assets			
USD	$28,622	$ 29,879	$32,889
Liabilities			
USD	$3,276	$ 3,968	$103,404

Sensitivity analysis

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

If exchange rates had been 1% higher or lower and all other variables were held constant, the profit before income tax or equity of the Group for 2019 and 2018 would decrease/increase by $7,812 thousand and $20,523 thousand, respectively.

6.1.3、 **Impact of inflation on the Company's profit and loss, and future response measures：**

In 2018, the consumer price index (CPI) was relatively stable compared to price increases in neighboring countries in Asia. Inflation has yet to have an immediate significant impact on merged companies in 2018 up to the publication date of this annual report.

6.2 Policies for Risky or Highly Leveraged Investments, Lending, Endorsements, Derivative Financial Instruments, and Related Gains or Losses, in the Year Preceding Publication of Annual Report:：

1. High-risk and highly leveraged investments: Our merged companies did not engage in any high-risk and highly leveraged investments in 2018 and from January 1, 2019 to March 31, 2019.
2. Loaning of capital to others: As of 2018 and from January 1, 2019 to March 31, 2019, the balance of funds loaned by our merged companies were NT$6,475,563 thousand and NT$3,857,035 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 2018 and from January 1, 2019 to March 31, 2019, the balance of endorsements and guarantees provided by our merged companies were NT$24,609,626 thousand and NT$24,433,835 thousand, respectively. Provision of endorsements and guarantees by our merged companies must be implemented in compliance with the "Procedures For Endorsements and Guarantees" approved by the Board of Directors and the shareholders' meeting, so as to comply with risk control, and prevent any unfavorable impact arising therefrom on the Company.
4. Derivatives trading: Our merged companies did not engage in derivatives trading in 2018 and from January 1, 2019 to March 31, 2019.

6.3. R&D Plans and Estimated Expenses in Recent Years and until the Annual Report being Published

Our merged companies do not engage in product R&D and manufacturing; hence, there was no R&D plan and fees involved. However, looking at the characteristics of the industry, nurturing and developing talents, and improving the qualities of management personnel are the necessary criteria for companies to move toward internationalization. With the increasingly intense competition in the global industry, the shopping mall war is no longer just about money, but also a war for talents. Hence, rapidly enhancing talent competitiveness becomes a key factor to ensure success in store expansion. Our merged companies are committed to improving "soft skills", and actively promote corporate culture and brand value, while providing systematic and professional service quality training courses via a complete education and training mechanism to nurture employees' professional, leadership and innovation skills, in response to rapid changes in the industry, thereby further improving the competitiveness of these companies.

6.4. Company Impact and Response to Material Changes of Policies and Regulations in Taiwan and Foreign Countries in Year Preceding Publication of Annual Report:

The Company has taken the appropriate measures in response to changes in important policies and laws at home and abroad in the most recent year. In the future, the Company's legal, finance and accounting units will keep abreast of the latest changes in laws and regulations at all times, and will seek professional opinions from lawyers and CPAs to propose and formulate measures in response to changes in important policies and laws at home and abroad, so as to comply with the law and reduce the impact arising from such changes on the Company's finances and businesses.

6.5. Technology Developments and Impacts on the Company and its subsidiaries from last year up to the Annual Report being published:

The Company pays serious attention to the trends of technological development, and continues to actively promote informatization. In addition, the Company effectively utilizes manpower to reduce costs and improve the Company's competitiveness. The Company is also committed to the application of information technology, and continues to develop our own mobile app, which incorporates restaurant reservation, member management, and e-vouchers, in response to the transformation of the retail industry from traditional to intelligent sales. Due to the rapid development of e-commerce, which significantly affects physical department stores, the Company continues to update our official website, while closely monitoring and expanding online shopping. Besides, the Company is also committed to O2O integration, so as to develop omni-channel department store retailing, in hopes of improving the Company's operational performance, and enhancing the rights and interests of all shareholders.

In order to keep consumers' personal information safe, the Company established the Personal Information Review Committee in October 2012 to cooperate with inspections performed by the Auditing Department. This committee regularly reports the overview of information security governance to the Board of Directors. In connection with information security risk inspection and the purchase of information security insurance, the Company has established the Information Security Task Force, in order for the Company to carry out the necessary self-inspection before purchasing information security insurance. The Company has established regulations governing active directory (AD) management for information security-related equipment network, system account life cycle and authorized account management, data access record and off-site backup, network and communication security (antivirus/e-mail), etc., as well as performs personal information inventory check and de-identification of personal information. On the other hand, the Company implements an internal control system and an information security policy, where the internal audit unit and CPAs monitor the implementation effectiveness of these regulations and procedures every year, in order to ensure the appropriateness and effectiveness of these regulations and procedures.

6.6. Changes of Corporate Image and Impacts on the Company's Crisis Management in the Recent Years: None

6.7. Expected Benefits and Risks from Mergers in Recent Years until the Annual Report being Published:

Our merged companies did not have any M&A plans in 2018 up to the publication date of this annual report. However, a future M&A plan will be carried out according to the merged company's Procedures for Acquisition and Disposition of Assets, by adhering to careful assessment, and by taking into consideration whether the merger can lead to specific performance at the company, in order to protect the interests of the company, as well as the rights and interests of shareholders.

6.8. Expected Benefits and Risks from Plant Expansion in Recent Years until the Annual Report being Published:

Our merged companies have established the relevant units to carry out detailed assessment and planning with regard to the expansion of business locations, and to fully assess the expected benefits and possible risks using a meticulous financial module. After the establishment of a new business location, the merged company will pay close attention to changes in the industry and the operating status of the business location at all times, and propose appropriate measures in response to possible risks arising therefrom.

6.9. Risks from Concentration in Supply or Sales in the Recent Year until the Annual Report being Published:

The Company belongs to the department store retailing industry, and sells a wide range of products. In addition, the Company has not engage in centralized purchase or sale of goods with a single manufacturer or customer. Therefore, the Company did not encounter any risk of centralized purchase or sale of goods.

6.10. Impacts and Risks from Changes in Directors and Shareholders with Greater than 10% Shareholding or Their Selling of a Large Number of Shares in the Recent Yeas until the Annual Report being Published:

Our merged companies did not engage in any significant transfer or exchange of equity in 2018 up to the publication date of this annual report.

6.11. Impacts and Risks from Changes of Ownership in the Recent Year until the Annual Report being Published: None

6.12. Litigations or non-Litigations

Please refer 2018 Annual Report 97-88~97-89.

6.13. Other Major Risks: not applicable

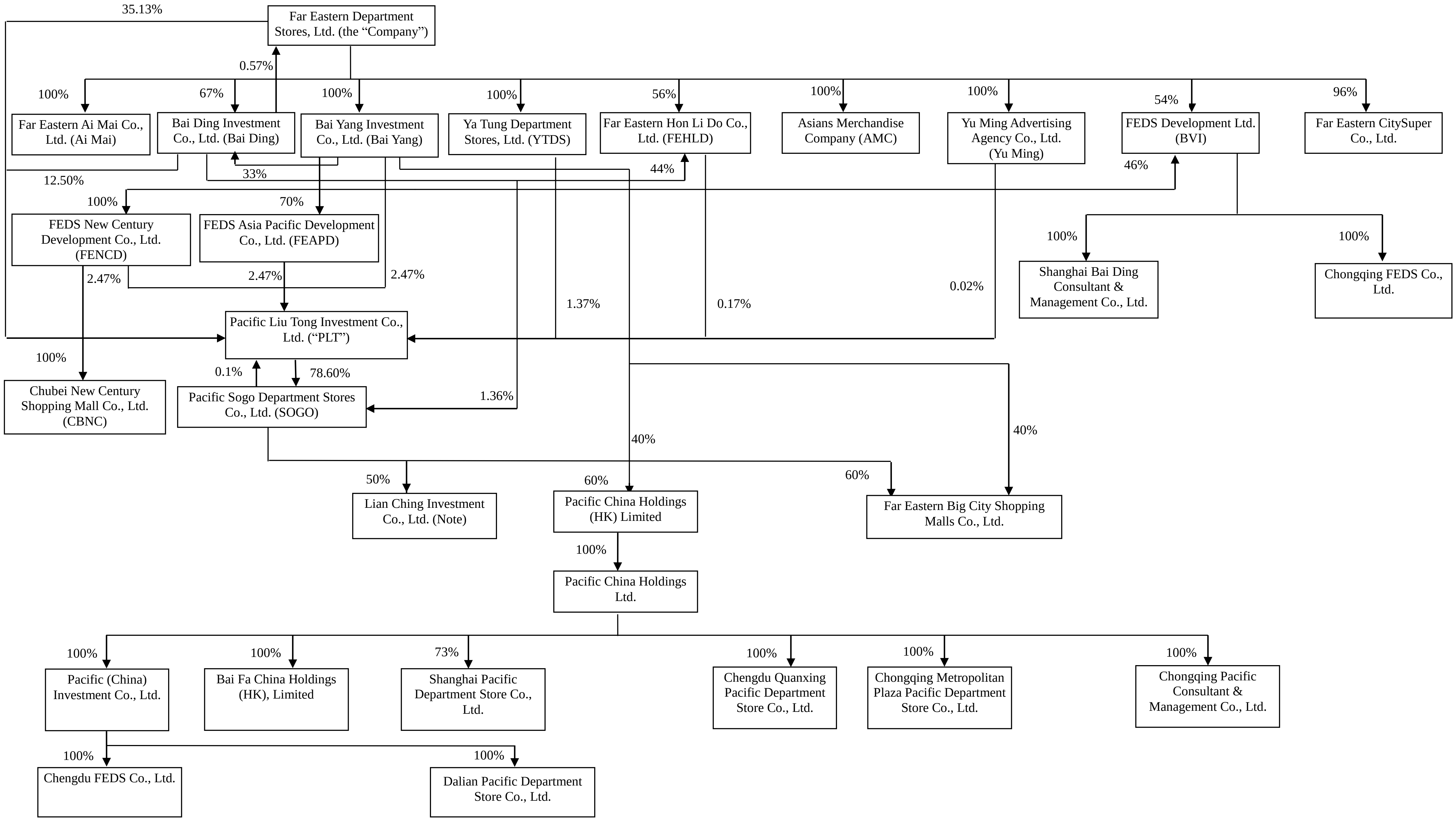
7. Others: None

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. **Information of Far Eastern Department Store and affiliates**:

Unit: NT$ thousands, unless stated otherwise

Company	Date of Incorporation	Address	Paid-in Capital	Major Business Activities
Far Eastern Department Stores, Ltd.	1967.08.31	18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C.	14,169,406	Department store
Far Eastern Ai Mai Co., Ltd.	1985.04.24	No.101, Guixing Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C.	877,440	Retail
Bai Ding Investment Co., Ltd.	1986.12.10	18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C.	1,800,000	Investment
Bai Yang Investment Co., Ltd.	1989.07.28	18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C.	9,249,911	Investment
Yu Ming Advertising Agency Co., Ltd.	1973.06.20	18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C.	35,000	Advertising and import agent
Ya Tung Department Stores, Ltd.	1972.09.16	1F., No.209,and B2-5F,No.203, Sec.2, Tun Hua S. Rd., Taipei , Taiwan, R.O.C.	210,000	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.	1,500,000	Major Shopping Center
Asians Merchandise Company	1980.04.17	P.O. BOX 245, LAKE FOREST, CA 92609	USD 950,000	Trading
FEDS Development Ltd.	1994.08.15	Portcullis TrustNet Chambers 4th Floor Ellen Skelton Building 3076 Sir Francis Drake Highway Road Town, Tortola British Virgin Islands VG1110	USD 4,032,640	Investment
Pacific Liu Tong Investment Co., Ltd.	1999.06.29	7F, No.64, Sec. 4, Ren Ai Rd., Taipei , Taiwan, R.O.C.	8,020,000	Investment
Pacific Sogo Department Stores Co., Ltd.	1985.04.16	B1-B3 and 1F-13F., No.45, Sec. 4, Zhongxiao E. Rd., Taipei , Taiwan, R.O.C	8,280,000	Department store
Pacific China Holdings (HK) Limited	2002.06.19	2503 Bank of America Tower 12 Harcourt Road, Central Hong Kong	USD89,200,000	Investment
Pacific China Holdings Ltd.	1996.09.20	Commence Chambers, P.O. Box 2208, Road Town, Tortola, British Virgin Islands	USD109,200,000	Investment

Company	Date of Incorporation	Address	Paid-in Capital	Major Business Activities
Bai Fa China Holdings (HK) Ltd.	2008.12.22	2503 Bank of America Tower, 12 Harcourt Road, Central, 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
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd	1996.01.12	NO.68, sec 2. of the people's middle Road,Chengdu,Sichuan	USD990,000	Department store
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	1997.01.09	NO.68 Zou Rong Road,Yuzhong District, Chongqing	USD3,000,000	Department store
Chongqing Pacific Consultant & Management Co., Ltd.	2000.01.27	NO.68 Zou Rong Road,Yuzhong District, Chongqing	USD73,000,000	Consulting services
Dalian Pacific Department Store Co., Ltd.	2002.04.09	No.19, jiefang road, zhongshan district, dalian city	RMB16,000,000	Department store
Shanghai Bai Ding Consultant & Management Co., Ltd.	2004.08.18	No.2703-2707,27F,ShengaiTower,No.88,Caoxibei Road Xuhui Dist. SHANGHAI	USD100,000	Consulting services
Chongqing FEDS Co., Ltd.	2004.06.02	No.10, yanghe road, jiangbei district, chongqing	USD2,800,000	Department store
Far Eastern CitySuper Co., Ltd.	2004.09.16	7F, No.64, Sec. 4, Ren Ai Rd., Taipei , Taiwan, R.O.C.	500,000	supermarket
Pacific (China) Investment Co., Ltd.	2009.04.16	Room2104,bao’an building,no.800 dongfang road,pudong new area,shanghai	USD216,000,000	Investment
Chengdu FEDS Co., Ltd	2010.12.02	18 dongyu street,jinjiang district Chengdu	USD134,000,000	Department store
Far Eastern Big City Shopping Malls Co., Ltd.	2010.12.02	7F, No.64, Sec. 4, Ren Ai Rd., Taipei , Taiwan, R.O.C.	500,000	Department store
Chubei New Century Shopping Mall Co., Ltd.	2015.06.18	2, 3F, No. 231, Fuxing 2nd Road, Zhubei City, Hsinchu County, Taiwan, R.O.C.	1,180,000	Department store

1.1.3. Companies Presumed to Have a Relationship of Control and Subordination with Far Eastern Department Stores, Ltd.：not applicable。

1.1.4 Industries covered by the business operated by the affiliates and description of the mutual dealings and division of work among such affiliates: please refer to 2.

1.1.5 Directors, supervisors and general managers of Far Eastern Department Store Ltd. and affliates.

As of December 31, 2018 Unit: Number of Shares; %

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	%
Far Eastern Department Stores Ltd.	Director	Douglas Tong Hsu (Chairman)	1,779,835	0.13
		Ding&Ding Management Consultants Co., Ltd	73,009	0.01
		Nancy Hsu	—	—
		Far Eastern New Century Corporation	241,769,702	17.06
		Nicole Hsu、Yvonne Li	—	—
		Asia Cement Corporation	80,052,950	5.65
		Jin-Lin Liang	—	—
		Yuli Investments Corporation	1,769,001	0.12
		Philby Lee	—	—
	Independent Director	Edward Way、Eugene You-Hsin Chien、Raymond R.M. Tai	—	—
	President	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
		Jia-Cong Wang、Chris Liu	—	—
Bai Ding Investment Co., Ltd.	Director	Far Eastern Department Stores, Ltd	119,980,876	66.66
		Douglas Tong Hsu (Chairman)、Nancy Hsu、Shaw-Yi Wang、James Tang、Chris Liu	—	—
	Supervisors	Bai Yang Investment Co., Ltd	60,019,124	33.34
		Shyh-ching Ro、Jia-Cong Wang	—	—
	President	Douglas Tong Hsu	—	—
Bai Yang Investment Co., Ltd	Director	Far Eastern Department Stores, Ltd	924,991,127	100.00
		Nancy Hsu (Chairman)、Douglas Tong Hsu、James Tang	—	—
	Supervisors	Far Eastern Department Stores, Ltd	924,991,127	100.00
		Jia-Cong Wang	—	—
Yu Ming Advertising Agency Co., Ltd.	Director	Far Eastern Department Stores, Ltd	3,500,000	100.00
		Nancy Hsu (Chairman)、Douglas Tong Hsu、Chang-Li Lin	—	—
	Supervisors	Far Eastern Department Stores, Ltd	3,500,000	100.00
		Jia-Cong Wang	—	—
Ya Tung Department Stores, Ltd	Director	Far Eastern Department Stores, Ltd	21,000,000	100.00
		Nancy Hsu (Chairman)、Douglas Tong Hsu、James Tang、Chris Liu、Zong Yuan Jhang	—	—
	Supervisors	Far Eastern Department Stores, Ltd	21,000,000	100.00
		Jia-Cong Wang、Chang-Li Lin	—	—

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	%
Far Eastern Hon Li Do Co., Ltd.	Director	Far Eastern Department Stores, Ltd	1,570,650	55.50
		Nancy Hsu (Chairman) 、 Douglas Tong Hsu 、 Jin-Long Jhuang	—	—
	Supervisors	Bai Ding Investment Co., Ltd.	1,259,350	44.50
		Shyh-ching Ro	—	—
FEDS Asia Pacific Development Co., Ltd.	Director	Bai Yang Investment Co., Ltd	149,100,000	70.00
		Douglas Tong Hsu (Chairman) 、 Nancy Hsu 、 Jia-Cong Wang 、 James Tang	—	—
		Asia Cement Corporation	53,250,000	25.00
		K.Y. Lee	—	—
	Supervisors	Yuan Ding Investment Co., Ltd	10,650,000	5.00
		Ling-Ling Wu 、 Wei-Kun Jhou 、 Ti-Hua Hsiung	—	—
FEDS New Century Development Co., Ltd.	Director	Bai Yang Investment Co., Ltd	150,000,000	100.00
		Douglas Tong Hsu (Chairman)、Nancy Hsu、James Tang	—	—
	Supervisors	Bai Yang Investment Co., Ltd	150,000,000	100.00
		Shaw-Yi Wang	—	—
Asians Merchandise Company	Director	Far Eastern Department Stores, Ltd	950,000	100.00
		Shyh-ching Ro 、 Ting-Meng Chen 、 Ruei- Yuan Chen	—	—
	President	Shyh-ching Ro	—	—
FEDS Development Ltd.	Director	Far Eastern Department Stores, Ltd	217,800	54.01
		Douglas Tong Hsu 、 Nancy Hsu 、 Morton Mate Huang	—	—
Pacific Liu Tong Investment Co., Ltd..	Director	Douglas Tong Hsu (Chairman)	—	—
		FEDS Asia Pacific Development Co., Ltd.	19,800,000	2.47
		Morton Mate Huang	—	—
		FEDS New Century Development Co., Ltd.	19,800,000	2.47
		Shyh-ching Ro	—	—
	Supervisors	Da Ju Fiber Co., Ltd	27,681,274	3.45
		Chin-Sen Tu	—	—
Pacific Sogo Department Stores Co., Ltd.	Director	J.W. Huang (Chairman)	—	—
		Douglas Tong Hsu	672,077	0.08
		Pacific Liu Tong Investment Co., Ltd..	650,817,194	78.60
		Morton Mate Huang 、 Yvonne Li	—	—
		Shaw-Yi Wang	504,056	0.06
	Supervisors	Bai Ding Investment Co., Ltd.	11,253,943	1.36
		Eli Ching-I Wang	—	—

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	%
Pacific China Holdings (HK) Limited	Director	Pacific Sogo Department Stores Co., Ltd.	*USD53,520,000	60.00
		J.W. Huang (Chairman) 、 Humphrey Cheng, 、 Shyh-ching Ro	—	—
		Bai Yang Investment Co., Ltd	*USD35,680,000	40.00
		Tsai,Min-Hsiung	—	—
	President	Shyh-ching Ro	—	—
Pacific China Holdings Ltd.	Director	Pacific China Holdings (HK) Limited	*USD109,200,000	100.00
		J.W. Huang (Chairman)、Chin-Sen Tu、R.H. Shao 、 Humphrey Cheng	—	—
	President	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	—	—
	President	Shyh-ching Ro	—	—
Shanghai Pacific Department Stores Co., Ltd.	Director	Shanghai Xujiahui Center(Group)	*USD 4,867,500	27.5
		Bo Wang (Chairman) 、Jie Yin 、 Lihuan Peng	—	—
		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
		Zhongyong Yu	—	—
		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.	* USD990,000	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.	* USD990,000	100.00
		Ai-Chia Li	—	—
		China Railway Ruicheng Building	—	—
		Xinying Han	—	—
	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	—	—

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	%
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
		Chien-Cheng Wang, (Chairman)、Min-Hsiung Tsai,、Chris Liu	—	—
Chongqing FEDS Co., Ltd.	Director	FEDS Development Ltd.	* USD2,800,000	100.00
		Chien-Cheng Wang (Chairman)、Min-Hsiung Tsai、Cheng-Hsien Yang、James Tang、Chris Liu、Chung-Hsin Chen	—	—
	Supervisors	FEDS Development Ltd.	* USD2,800,000	100.00
		Yong-He Chen	—	—
Far Eastern CitySuper Ltd.	Director	Far Eastern Department Store Ltd.	47,826,920	95.65
		Nancy Hsu (Chairman)、Douglas Tong Hsu、Chang-Li Lin、Tony Liu	—	—
		City Super(Labuan)Limited.	2,171,400	4.34
		Jia-Hua Wu	—	—
	Supervisors	Bai Ding Investment Co., Ltd.	1,680	0.01
		Chris Liu、James Tang	—	—
Pacific (China) Investment Co., Ltd.	Director	Pacific China Holdings Ltd.	*USD216,000,000	100.00
		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	—	—
	Supervisors	Pacific China Holdings Ltd.	*USD216,000,000	100.00
		James Tang、Ting-Meng Chen	—	—
	President	Shyh-ching Ro	—	—
Chengdu FEDS Co., Ltd.	Director	Pacific (China) Investment Co., Ltd.	*USD134,000,000	100.00
		Chin-Sen Tu (Chairman)、Ting-Sung Wang Kuo、Chung-Hsin Chen、Cheng-Hsien Yang、Yong-He Chen	—	—
	Supervisors	Pacific (China) Investment Co., Ltd.	*USD134,000,000	100.00
		Chris Liu	—	—
	President	Chung-Hsin Chen,	—	—

Company	Title	Name of Representative	Registered Shares Owned	
			Shares	%
Far Eastern Big City Shopping Malls Co., Ltd.	Director	Pacific Sogo Department Stores Co., Ltd.	30,000,000	60.00
		Philby Lee (Chairman)、Ting-Sung Wang Kuo、Shyh-ching Ro	—	—
		Bai Yang Investment Co., Ltd	20,000,000	40.00
		James Tang、Chris Liu	—	—
	Supervisors	Cheng-Hsien Yang,	—	—
Chubei New Century Shopping Mall Co., Ltd.	Director	FEDS New Century Development Co., Ltd.	118,000,000	100.00
		Philby Lee (Chairman)、Nancy Hsu、James Tang、Chang-Li Lin、Chris Liu	—	—
	Supervisors	FEDS New Century Development Co., Ltd.	118,000,000	100.00
		Y.S. Yang	—	—

Note 1：Mainland companies are not Limited company, so there are no shares, which are listed in US dollars or RMB.

1.1.6 Operation Results of Each Subsidiary and Affiliate

Book closure date: 31 December 2018

Unit: NT$ for EPS, NT$ thousands for others

Name	Paid-in Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income (loss)	Net Income (After tax)	EPS（after tax）
Far Eastern Department Stores, Ltd	14,169,406	61,557,965	32,034,059	29,523,906	10,781,588	2,089,339	1,318,150	0.94
Far Eastern Ai Mai Co., Ltd.	877,440	4,850,117	3,974,903	875,214	11,148,110	75,394	1,421	0.02
Bai Ding Investment Co., Ltd.	1,800,000	4,941,422	1,704,069	3,237,353	114,734	84,398	81,410	0.45
Bai Yang Investment Co., Ltd	9,249,911	10,332,197	99,095	10,233,102	73,771	69,913	51,090	0.06
Yu Ming Advertising Agency Co., Ltd.	35,000	97,790	1,985	95,805	1,986	(2,521)	7,085	2.02
Ya Tung Department Stores, Ltd	210,000	299,666	304,684	(5,018)	110,242	(99,380)	(94,863)	(4.52)
Far Eastern Hon Li Do Co., Ltd.	28,300	30,999	847	30,152	609	489	489	0.17
FEDS Asia Pacific Development Co., Ltd.	2,130,000	3,526,376	378,851	3,147,525	341,634	246,405	71,477	0.34
FEDS Development Ltd.	126,278	3,592,016	1,234,723	2,357,293	169,179	55,677	38,764	96.13
Asians Merchandise Company	29,179	4,607	73	4,534	2,936	44	52	0.00
FEDS New Century Development Co., Ltd.	1,500,000	1,571,562	2,734	1,568,828	6,995	4,831	4,831	0.03
Chubei New Century Shopping Mall Co., Ltd.	1,180,000	1,173,812	1,894	1,171,918	274	(1,691)	(1,435)	(0.01)
Pacific Liu Tong Investment Co., Ltd..	8,020,000	10,896,661	30,406	10,866,255	344,840	321,690	321,223	0.40
Pacific Sogo Department Stores Co., Ltd.	8,280,000	33,071,987	21,988,474	11,083,513	12,085,621	2,282,550	428,934	0.52
Pacific China Holdings (HK) Limited	2,766,132	240,621	441,100	(200,479)	6,647	(2,340,062)	(2,340,062)	(26.23)
Pacific China Holdings Ltd.	3,348,061	1,918,292	4,025,929	(2,107,637)	35,444	(655,186)	(655,202)	(6.00)
Bai Fa China Holdings (HK) Ltd.	40	45	0	45	0	0	0	0.00

Name	Paid-in Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income (loss)	Net Income (After tax)	EPS （after tax）
Shanghai Pacific Department Stores Co., Ltd.	513,943	1,355,625	663,358	692,267	2,760,168	80,519	93,705	N/A
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	36,792	309,109	643,281	(334,172)	264,271	(115,176)	(115,079)	N/A
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	111,344	595,138	322,069	273,069	1,288,664	(158,456)	(162,266)	N/A
Chongqing Pacific Consultant & Management Co., Ltd.	2,201,520	1,892,844	693,443	1,199,401	1,955	(23,393)	(23,393)	N/A
Dalian Pacific Department Store Co., Ltd.	71,605	263,656	228,336	35,320	174,717	(22,442)	(26,773)	N/A
Far Eastern CitySuper Co., Ltd.	500,000	638,590	524,932	113,658	2,785,367	(19,852)	(33,938)	(0.68)
Shanghai Bai Ding Consultant & Management Co., Ltd	3,699	51,984	40,749	11,235	44,880	(24,404)	(24,404)	N/A
Chongqing FEDS Co., Ltd.	87,226	3,554,217	2,337,886	1,216,331	2,814,687	259,855	194,767	N/A
Pacific (China) Investment Co., Ltd.	6,386,471	157,889	79,286	78,603	28,177	(80,660)	(80,065)	N/A
Chengdu FEDS Co., Ltd.	3,890,399	599,821	678,376	(78,555)	559	(73,499)	(57,787)	N/A
Far Eastern Big City Shopping Malls Co., Ltd.	500,000	1,916,284	1,311,518	604,766	927,492	95,978	93,904	1.88
Chengdu Beicheng FEDS Co., Ltd. （Note4）	-	-	-	-	-	-	-	N/A

Note 1：Because the mainland is not Limited company , it is can’t to calculate the earnings per share.

Note 2：Balance sheet data is based on exchange rate conversion at the end of 2018.
(1 US dollar=30.715 NTD ;1 US dollar =6.8632 RMB)
Income statement data is based on the 2018 year average exchange rate.
(1 US dollar =30.149 NTD; 1 US dollar =6.6118 RMB)

Note 3：The above amount is based on the 2018 annual financial reports of each company.

Note 4：Chengdu Beicheng FEDS completed the cancellation procedure in October, 2018.

1.2. Declaration of Consolidation of Financial Statements of Affiliaties

REPRESENTATION LETTER

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards 10 “Consolidated and Separate Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours
Far Eastern Department Stores
By

Douglas Tong Hsu
Chairman

March 20, 2019

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$ thounds;shares;% As of March 31, 2019

Name	Paid-in Capital	Source of funding	Holdings percentage	Date of acquisition or disposal	Number & amount of shares acquired	Number & amount of shares disposed	Investment income	Number & amount of shares held until the annual report being published	Creation Of pledge	Amount of loan guaranteed by the Company	Amount of loan lent by the Company
Bai Ding Investment Co., Ltd.	1,800 million	-	67%	-	-	-	-	8,207,004shares 134.595 million	N/A	700 million	-

4. Other Supplementary Information: None.

5. Pursuant to the Article 36-3-2 of Security Exchange Act, Event Having Material Impact on Shareholders' Equity or Share Price in the Latest Year until the Annual Report being Published: None.

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