

**Far Eastern Department Stores, Ltd.**

**Financial Statements for the  
Years Ended December 31, 2019 and 2018 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

#### Evaluation of Impairment Loss of Goodwill on Investments in Subsidiaries

The carrying amounts of investments in the Company's subsidiaries include goodwill, which was acquired through indirect investment on Pacific Liu Tong Investment Co. Ltd. for its operating segments in mainland China. Under IAS 36, the management of the Company performs impairment annually. When testing goodwill for impairment, the management should evaluate whether the recoverable amount is higher than the carrying amount. In determining the recoverable amount, management should estimate the future cash flows from operating segments in mainland

China and determine the optimal discount rate. Significant assumptions involve both judgments made by management and material estimation uncertainty. Thus, the evaluation of impairment loss of goodwill in subsidiaries is considered a key audit matter. For the accounting policy related to investments in subsidiaries, refer to Notes 4(f) and 5(a) to the accompanying financial statements in which goodwill impairment of investments in subsidiaries is included.

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

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

#### Fair Value Evaluation of Investment Properties

As of December 31, 2019, the carrying amount of investment properties of NT\$8,997,056 thousand, accounting for 11% of the total assets, is material to the financial statements. The Company's investment properties are subsequently measured using the fair value model. In the process of fair value assessment, valuation technique and inputs require consideration of the future scheme of investment properties to estimate the discounted fair value of future cash flows. Future cash flows are extrapolated using the existing lease contracts of the Company and market rentals.

Since cash flow forecasts are subject to economic conditions, which have a high level of measurement uncertainty, we have resultantly identified the fair value evaluation of investment properties as a key audit matter. Please refer to Notes 4(i), 5(b) and 14 to the accompanying financial statements for the relevant detailed information.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chuan Yeh and Ming-Hsing Cho.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 27, 2020

Notice to Readers

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

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

# FAR EASTERN DEPARTMENT STORES, LTD.

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

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Note 6)	\$ 538,361	1	\$ 746,181	1
Financial assets at amortized cost - current (Note 8)	25,271	-	25,095	-
Notes receivable (Note 9)	3	-	140	-
Trade receivables (Note 9)	345,747	1	710,140	1
Trade receivables from related parties (Notes 9 and 29)	79,534	-	70,052	-
Other receivables (Notes 9 and 29)	279,279	-	337,628	1
Inventories (Note 10)	512,976	1	378,188	1
Prepayments (Note 29)	215,686	-	237,820	-
Other current assets (Note 17)	64,807	-	13,780	-
Total current assets	<u>2,061,664</u>	<u>3</u>	<u>2,519,024</u>	<u>4</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 7 and 30)	3,101,049	4	2,354,351	4
Investments accounted for using the equity method (Notes 11, 19 and 30)	19,821,401	25	19,570,715	32
Property, plant and equipment (Notes 12, 30 and 31)	18,724,837	24	25,314,067	41
Right-of-use assets (Note 13)	25,836,205	32	-	-
Investment properties (Notes 14 and 30)	8,997,056	11	9,062,640	15
Intangible assets (Note 15)	55,892	-	50,207	-
Deferred tax assets (Note 24)	70,344	-	192,145	-
Net defined benefit assets (Note 20)	234,035	-	-	-
Long-term prepayments for lease (Note 16)	-	-	2,173,763	4
Other non-current assets (Notes 17 and 29)	536,733	1	321,053	-
Total non-current assets	<u>77,377,552</u>	<u>97</u>	<u>59,038,941</u>	<u>96</u>
<b>TOTAL</b>	<u>\$ 79,439,216</u>	<u>100</u>	<u>\$ 61,557,965</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 30)	\$ 5,000,000	6	\$ 6,710,000	11
Short-term bills payable (Note 18)	2,499,312	3	2,299,032	4
Contract liabilities - current (Note 22)	3,024,526	4	2,847,832	5
Trade payables	3,612,036	5	4,878,840	8
Trade payables to related parties (Note 29)	56,943	-	76,148	-
Other payables (Notes 19 and 29)	2,075,491	3	1,284,856	2
Current tax liabilities (Note 24)	161,580	-	148,613	-
Lease liabilities - current (Note 13)	929,821	1	-	-
Advance receipts (Note 29)	193,734	-	188,206	-
Current portion of long-term borrowings (Notes 18 and 30)	2,500,000	3	-	-
Other current liabilities (Notes 19 and 29)	154,488	-	154,900	-
Total current liabilities	<u>20,207,931</u>	<u>25</u>	<u>18,588,427</u>	<u>30</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 18 and 30)	11,799,757	15	11,100,000	18
Deferred tax liabilities (Note 24)	2,142,641	3	2,064,540	4
Lease liabilities - non-current (Note 13)	14,397,967	18	-	-
Net defined benefit liabilities (Note 20)	-	-	89,001	-
Other non-current liabilities (Notes 11, 13, 19 and 29)	100,514	-	192,091	-
Total non-current liabilities	<u>28,440,879</u>	<u>36</u>	<u>13,445,632</u>	<u>22</u>
Total liabilities	<u>48,648,810</u>	<u>61</u>	<u>32,034,059</u>	<u>52</u>
<b>EQUITY</b>				
Share capital				
Ordinary shares	14,169,406	18	14,169,406	23
Capital surplus	3,327,466	4	3,315,420	5
Retained earnings				
Legal reserve	3,298,695	4	3,166,880	5
Special reserve	2,865,351	4	2,656,286	4
Unappropriated earnings	1,931,429	2	2,081,772	4
Total retained earnings	8,095,475	10	7,904,938	13
Other equity	5,295,169	7	4,231,252	7
Treasury shares	(97,110)	-	(97,110)	-
Total equity	<u>30,790,406</u>	<u>39</u>	<u>29,523,906</u>	<u>48</u>
<b>TOTAL</b>	<u>\$ 79,439,216</u>	<u>100</u>	<u>\$ 61,557,965</u>	<u>100</u>

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

## FAR EASTERN DEPARTMENT STORES, LTD.

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

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 22 and 29)	\$ 10,614,744	100	\$ 10,781,588	100
OPERATING COSTS (Notes 10, 23 and 29)	<u>4,168,762</u>	<u>39</u>	<u>4,285,132</u>	<u>40</u>
GROSS PROFIT	<u>6,445,982</u>	<u>61</u>	<u>6,496,456</u>	<u>60</u>
OPERATING EXPENSES (Notes 23 and 29)				
Selling and marketing expenses	378,762	4	375,165	4
General and administrative expenses	3,941,540	37	4,031,963	37
Expected credit loss (gain)	<u>513</u>	<u>-</u>	<u>(11)</u>	<u>-</u>
Total operating expenses	<u>4,320,815</u>	<u>41</u>	<u>4,407,117</u>	<u>41</u>
OPERATING PROFIT	<u>2,125,167</u>	<u>20</u>	<u>2,089,339</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	177,484	2	335,487	3
Other losses (Notes 23 and 29)	(28,844)	-	(14,332)	-
Finance costs (Notes 23 and 29)	(377,869)	(4)	(169,089)	(1)
Share of profit or loss of subsidiaries and associates accounted for using the equity method	<u>298,615</u>	<u>3</u>	<u>(607,556)</u>	<u>(6)</u>
Total non-operating income and expenses	<u>69,386</u>	<u>1</u>	<u>(455,490)</u>	<u>(4)</u>
PROFIT BEFORE INCOME TAX	2,194,553	21	1,633,849	15
INCOME TAX EXPENSE (Note 24)	<u>412,710</u>	<u>4</u>	<u>315,699</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>1,781,843</u>	<u>17</u>	<u>1,318,150</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (Notes 20, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	288,102	3	(5,559)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	746,698	7	311,658	3

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## FAR EASTERN DEPARTMENT STORES, LTD.

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

	2019		2018	
	Amount	%	Amount	%
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	\$ 307,216	3	\$ 390,615	4
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(57,620)</u>	<u>(1)</u>	<u>5,528</u>	<u>-</u>
	<u>1,284,396</u>	<u>12</u>	<u>702,242</u>	<u>7</u>
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive (loss) income of subsidiaries and associates accounted for using the equity method	<u>(22,191)</u>	<u>-</u>	<u>9,034</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>1,262,205</u>	<u>12</u>	<u>711,276</u>	<u>7</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 3,044,048</u>	<u>29</u>	<u>\$ 2,029,426</u>	<u>19</u>
<b>EARNINGS PER SHARE, NT\$ (Note 25)</b>				
Basic	<u>\$ 1.26</u>		<u>\$ 0.94</u>	
Diluted	<u>\$ 1.26</u>		<u>\$ 0.93</u>	

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

(Concluded)



**FAR EASTERN DEPARTMENT STORES, LTD.**

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

	Share Capital (Note 21)	Capital Surplus (Note 21)	Retained Earnings (Notes 20, 21 and 24)			Other Equity (Note 21)					Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of 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 21)	
BALANCE AT JANUARY 1, 2018	\$ 14,169,406	\$ 3,315,931	\$ 3,013,281	\$ 2,643,743	\$ 2,274,946	\$ 86,048	\$ 1,421,503	\$ -	\$ 2,170,970	\$ (97,110)	\$ 28,998,718
Effect of retrospective application and retrospective restatement	-	-	-	-	92,444	-	(1,421,503)	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
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	(511)	-	-	(28)	-	-	-	-	-	(539)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by subsidiaries	-	-	-	-	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
Effect of retrospective application and retrospective restatement	-	-	-	-	(585,446)	-	-	-	-	-	(585,446)
BALANCE AT JANUARY 1, 2019 AS RESTATED	14,169,406	3,315,420	3,166,880	2,656,286	1,496,326	90,654	-	1,969,628	2,170,970	(97,110)	28,938,460
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	135,735	(135,735)	-	-	-	-	-	-
Appropriation of 2018 earnings											
Legal reserve	-	-	131,815	-	(131,815)	-	-	-	-	-	-
Special reserve	-	-	-	73,330	(73,330)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,204,400)	-	-	-	-	-	(1,204,400)
	-	-	131,815	73,330	(1,409,545)	-	-	-	-	-	(1,204,400)
Net profit for the year ended December 31, 2019	-	-	-	-	1,781,843	-	-	-	-	-	1,781,843
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	198,288	(25,329)	-	1,089,246	-	-	1,262,205
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,980,131	(25,329)	-	1,089,246	-	-	3,044,048
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	12,046	-	-	252	-	-	-	-	-	12,298
BALANCE AT DECEMBER 31, 2019	\$ 14,169,406	\$ 3,327,466	\$ 3,298,695	\$ 2,865,351	\$ 1,931,429	\$ 65,325	\$ -	\$ 3,058,874	\$ 2,170,970	\$ (97,110)	\$ 30,790,406

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

# FAR EASTERN DEPARTMENT STORES, LTD.

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

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 2,194,553	\$ 1,633,849
Adjustments for:		
Depreciation expenses	1,654,458	1,016,063
Amortization expenses	26,757	18,678
Expected credit loss recognized (reversed) on receivables	513	(11)
Amortization of prepayments	-	476
Finance costs	377,869	169,089
Share of (profit) loss of subsidiaries and associates accounted for using the equity method	(298,615)	607,556
Interest income	(242)	(160)
Dividend income	(177,242)	(85,322)
Loss on disposal of property, plant and equipment	6,229	6,439
Loss on disposal of investment properties	247	90,700
Loss (gain) on changes in fair value of investment properties	75,802	(32,218)
Net changes in operating assets and liabilities		
Notes receivable	137	(140)
Trade receivables	363,880	(261,485)
Trade receivables from related parties	(9,482)	(11,805)
Other receivables	58,349	(251,557)
Inventories	(134,788)	(47,108)
Prepayments	22,134	(15,109)
Other current assets	(51,027)	(2,372)
Contract liabilities	176,694	166,895
Notes payable and trade payables	(1,266,804)	(148,006)
Trade payables to related parties	(19,205)	(8,907)
Other payables	51,696	26,491
Advance receipts	89,656	36,068
Other current liabilities	(412)	41,344
Net defined benefit liabilities	(34,934)	(154,066)
Cash generated from operations	3,106,223	2,795,382
Interest paid	(427,523)	(210,771)
Interest received	242	160
Dividends received	332,030	378,552
Income tax returned	-	170
Income tax paid	(257,461)	(186,940)
Net cash generated from operating activities	<u>2,753,511</u>	<u>2,776,553</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	-	(25,095)
Proceeds from sale of financial assets at amortized cost	224	-
Acquisition of investments accounted for using the equity method	(400,000)	-
Payments for property, plant and equipment	(986,290)	(1,272,504)

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# FAR EASTERN DEPARTMENT STORES, LTD.

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

	2019	2018
Proceeds from disposal of property, plant and equipment	\$ 39	\$ 26
Payments for investment properties	(8,369)	(306)
Increase in other non-current assets	(1,421,459)	(54,007)
Payments for intangible assets	<u>(26,080)</u>	<u>(13,155)</u>
Net cash used in investing activities	<u>(2,841,935)</u>	<u>(1,365,041)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	77,850,000	93,400,000
Repayments of short-term borrowings	(79,560,000)	(92,990,000)
Proceeds from short-term bills payable	22,093,578	16,610,243
Repayments of short-term bills payable	(21,893,298)	(16,010,399)
Proceeds from long-term borrowings	65,199,757	61,000,000
Repayments of long-term borrowings	(62,000,000)	(62,000,000)
Repayment of the principal portion of lease liabilities	(620,491)	-
Increase in other non-current liabilities	13,791	8,561
Dividends paid	<u>(1,202,733)</u>	<u>(1,414,847)</u>
Net cash used in financing activities	<u>(119,396)</u>	<u>(1,396,442)</u>
NET (DECREASE) INCREASE IN CASH	(207,820)	15,070
CASH AT THE BEGINNING OF THE YEAR	<u>746,181</u>	<u>731,111</u>
CASH AT THE END OF THE YEAR	<u>\$ 538,361</u>	<u>\$ 746,181</u>

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

(Concluded)

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

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

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#### **1. GENERAL INFORMATION**

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

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

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

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

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

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

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

- 1) IFRS 16 “Leases”

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

##### Definition of a lease

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

##### The Company as lessee

The Company recognizes right-of-use assets, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating

activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights were recognized as prepayments for leases. The difference between the actual payments and the expenses, as adjusted for lease incentives, was recognized as other payables and other non-current liabilities. Cash flows for operating leases were classified within operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

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

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

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

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

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.69%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 15,761,932
Less: Recognition exemption for short-term leases	(1,430)
Less: Commitment on lease contract before commencement date of the lease	<u>(2,847,900)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 12,912,602</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 10,984,436
Add (less): Adjustments as a result of a different treatment of extension and termination options	<u>2,869,737</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 13,854,173</u>

### The Company as lessor

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

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

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Property, plant and equipment	\$ 25,314,067	\$ (7,466,818)	\$ 17,847,249
Right-of-use assets	-	17,705,822	17,705,822
Long-term prepayments for leases	2,173,763	<u>3,514,819</u>	5,688,582
Total effect on assets		<u>\$ 13,753,823</u>	
Lease liabilities - current	-	\$ 847,462	847,462
Other payables	1,284,856	(100,350)	1,184,506
Lease liabilities - non-current	-	<u>13,006,711</u>	13,006,711
Total effect on liabilities		<u>\$ 13,753,823</u>	

#### 2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

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

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

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

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

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

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

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

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

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

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

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

- a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, (the "Regulations").

- b. Basis of preparation

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

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

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

When preparing the Company's financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between the parent company only basis and consolidated basis were made to investments accounted for using the equity method, share of profit or loss of subsidiaries and associates accounted for using the equity method, share of other comprehensive income of subsidiaries and associates accounted for using the equity method and related equity items, as appropriate, in the Company's financial statements.

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

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



e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method of accounting to recognize its investments in subsidiaries. A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and is adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. In addition, the Company recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the Company's interests and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in the subsidiary accounted for using the equity method and long-term interests that, in substance for part of the Company's net investment in the subsidiary), the proportionate share of losses is recognized.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the fair value of the net identifiable assets and liabilities over the cost of the acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full in the Company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

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

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

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

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

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

The Company discontinues the use of the equity method from the date on which its investment in the associate ceases. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on the disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

h. Property, plant and equipment

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

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

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

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

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Beginning January 1, 2019, investment properties include properties under construction if the definition of investment properties is met. Investment properties also include land held for a currently undetermined use in the future.

Freehold investment properties are measured initially at cost, including transaction costs. All investment properties are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

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

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

To derecognize an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss for the year.

j. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

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

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

ii. Investments in equity instruments at FVTOCI

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

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

b) Impairment of financial assets and contract assets

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

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

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

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

c) Derecognition of financial assets

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

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

## 2) Financial liabilities

### a) Subsequent measurement

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

### b) Derecognition of financial liabilities

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

## m. Revenue recognition

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

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

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

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

## n. Leases

### 2019

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

### 1) The Company as lessor

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

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

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

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

## 2) The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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

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

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

## 2018

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

### 1) The Company as lessor

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

Lease incentives included in the operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as income in the period in which they are incurred.

### 2) The Company as lessee

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

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

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

### 3) Leasehold land for own use

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

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

### o. Borrowing costs

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

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

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



p. Retirement benefit costs

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

Defined benefit costs (including service cost, net interest and rereasurement) 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. Rereasurement, 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. Rereasurement recognized in other comprehensive income (loss) is reflected immediately in retained earnings and will not be reclassified subsequently to profit or loss.

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

q. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment properties that are measured using the fair value model, the carrying amounts of such assets are presumed to be recovered entirely through their sale.

3) Current and deferred tax for the year

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

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

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

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

### **Key Sources of Estimation Uncertainty**

a. Impairment of goodwill included in the investments in subsidiaries

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

b. Fair value measurement and valuation process of the investment properties

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

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

Information on the valuation techniques and inputs used in determining the fair value of investment properties is disclosed in Note 14.

## 6. CASH

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Cash on hand and revolving funds	\$ 35,642	\$ 30,370
Checking accounts and demand deposits	<u>502,719</u>	<u>715,811</u>
	<u>\$ 538,361</u>	<u>\$ 746,181</u>

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Deposits in bank	0.001%-0.330%	0.01%-0.43%

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Investments in equity instruments at FVTOCI</u>		
Domestic investments		
Listed shares and emerging market shares	\$ 2,993,461	\$ 2,254,523
Unlisted shares	<u>107,588</u>	<u>99,828</u>
	<u>\$ 3,101,049</u>	<u>\$ 2,354,351</u>

- a. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.
- b. Refer to Note 30 for information relating to investments in equity instruments at FVTOCI pledged as security.

## 8. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Time deposits with original maturities of more than 3 months	<u>\$ 25,271</u>	<u>\$ 25,095</u>
Gross carrying amount	\$ 25,271	\$ 25,095
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 25,271</u>	<u>\$ 25,095</u>

- a. The credit risk of financial instruments such as bank deposits is measured and monitored by the accounting department. The Company chooses the transaction object and the other party performs good credit with the bank.
- b. As of December 31, 2019 and 2018, the interest rates for financial assets at amortized cost were 0.67% and 0.78% as at the end of the reporting period, respectively.

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

- a. Notes receivables

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Operating	\$ 3	\$ 140
Non-operating	1,794	1,794
Less: Allowance for impairment loss	<u>(1,794)</u>	<u>(1,794)</u>
	<u>\$ 3</u>	<u>\$ 140</u>

December 31, 2019

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0%	0%	0%	4.35%	100%	
Gross carrying amount	\$ -	\$ 3	\$ -	\$ -	\$ 1,794	\$ 1,797
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,794)</u>	<u>(1,794)</u>
Amortized cost	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>

December 31, 2018

	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	\$ 140	\$ -	\$ -	\$ -	\$ 1,794	\$ 1,934
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,794)</u>	<u>(1,794)</u>
Amortized cost	<u>\$ 140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140</u>

- b. Trade receivables

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
At amortized cost		
Trade receivables	\$ 425,818	\$ 780,216
Less: Allowance for impairment loss	<u>(537)</u>	<u>(24)</u>
	<u>\$ 425,281</u>	<u>\$ 780,192</u>

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

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

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

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

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

December 31, 2019

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>Over 90 Days</b>	<b>Total</b>
Expected credit loss rate	0%	0%	0%	0%	100%	
Gross carrying amount	\$ 421,913	\$ 1,793	\$ 1,575	\$ -	\$ 537	\$ 425,818
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(537)</u>	<u>(537)</u>
Amortized cost	<u>\$ 421,913</u>	<u>\$ 1,793</u>	<u>\$ 1,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425,281</u>

December 31, 2018

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>Over 90 Days</b>	<b>Total</b>
Expected credit loss rate	0.0003%	0.0076%	0.3703%	1.0321%	100%	
Gross carrying amount	\$ 761,372	\$ 18,289	\$ 536	\$ -	\$ 19	\$ 780,216
Loss allowance (Lifetime ECL)	<u>(2)</u>	<u>(1)</u>	<u>(2)</u>	<u>-</u>	<u>(19)</u>	<u>(24)</u>
Amortized cost	<u>\$ 761,370</u>	<u>\$ 18,288</u>	<u>\$ 534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 780,192</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 24	\$ 35
Add: Remeasurement of loss allowance	513	-
Less: Impairment losses reversed	<u>-</u>	<u>(11)</u>
Balance at December 31	<u>\$ 537</u>	<u>\$ 24</u>

c. Other receivables

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
At amortized cost		
Other receivables	\$ 300,686	\$ 359,035
Less: Allowance for impairment loss	<u>(21,407)</u>	<u>(21,407)</u>
	<u>\$ 279,279</u>	<u>\$ 337,628</u>

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

December 31, 2019

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>Over 90 Days</b>	<b>Total</b>
Expected credit loss rate	0%	0%	0%	0%	100%	
Gross carrying amount	\$ 279,279	\$ -	\$ -	\$ -	\$ 21,407	\$ 300,686
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,407)</u>	<u>(21,407)</u>
Amortized cost	<u>\$ 279,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 279,279</u>

December 31, 2018

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>Over 90 Days</b>	<b>Total</b>
Expected credit loss rate	0.0002%	0.0063%	0.3046%	0.8361%	100%	
Gross carrying amount	\$ 337,628	\$ -	\$ -	\$ -	\$ 21,407	\$ 359,035
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,407)</u>	<u>(21,407)</u>
Amortized cost	<u>\$ 337,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,628</u>

As of December 31, 2019 and 2018, there were no impairment loss on trade receivables; therefore, no loss allowance was recognized by management.

## 10. INVENTORIES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Merchandise	\$ <u>512,976</u>	\$ <u>378,188</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were \$3,962,329 thousand and \$4,094,492 thousand, respectively.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Investments in subsidiaries	\$ 17,712,547	\$ 17,468,257
Investments in associates	<u>2,108,854</u>	<u>2,102,458</u>
	<u>\$ 19,821,401</u>	<u>\$ 19,570,715</u>

### a. Investments in subsidiaries

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Bai Yang Investment Co., Ltd. (BYIC)	\$ 9,104,890	\$ 9,131,939
Pacific Liu Tong Investment Co., Ltd. (PLTI)	3,781,245	3,838,530
Bai Ding Investment Co., Ltd. (BDIC)	2,392,241	2,205,608
FEDS Development Ltd. (FEDS Development)	1,409,738	1,411,729
Far Eastern Ai Mai Co., Ltd. (AIMAI)	1,287,839	1,298,433
Ya Tung Department Stores, Ltd. (YTDS)	131,722	(5,018)
Yu Ming Advertising Agency Co., Ltd. (YMAC)	119,878	95,804
Far Eastern CitySuper Co., Ltd (FECS)	36,407	60,382
Far Eastern Hon Li Do Co., Ltd. (FEHLD)	12,529	12,480
Asians Merchandise Company (AMC)	<u>4,495</u>	<u>4,534</u>
	18,280,984	18,054,421
Add: Credit balance on the carrying amounts of investments accounted for using the equity method and reclassified to other liabilities	-	5,018
Less: Ordinary shares held by subsidiary and reclassified from long-term investments to treasury shares		
BDIC	<u>97,110</u>	<u>97,110</u>
	18,183,874	17,962,329
Less: The differences of accounting treatments from the consolidated financial statements (Note)	<u>471,327</u>	<u>494,072</u>
	<u>\$ 17,712,547</u>	<u>\$ 17,468,257</u>

Note: Some of the Company's leased assets from subsidiaries or investment properties which were leased to subsidiaries were evaluated under fair value method, but these investment properties were recognized as property, plant and equipment in the consolidated financial statements. In order to agree with the amount of net profit for the year, other comprehensive (loss) income and equity attributable to the owner of the Company in the consolidated financial statements, the difference of the accounting treatment between the Company only basis and the consolidated basis was adjusted under the heading of investments accounted for using the equity method, the share of (loss) profit of subsidiaries and associates was accounted for using the equity method, and the share of other comprehensive (loss) income of subsidiaries and associates was accounted for using the equity method and related equity items.

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
BYIC	100%	100%
PLTI	35%	35%
BDIC	67%	67%
FEDS Development	54%	54%
AIMAI	100%	100%
YTDS	100%	100%
YMAC	100%	100%
FECS	96%	96%
FEHLD	56%	56%
AMC	100%	100%

Refer to Note 32 for the details of the subsidiaries indirectly held by the Company.

The Company had a 35% equity interest in PLTI. However, the proportion of the combined equity of PLTI in the Company and its subsidiaries reached 56.6%; thus, this investee was recognized as an entity over which the Company had control.

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

In December 2018, BYIC undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease of 78,000 thousand shares in the Company's equity in BYIC.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the subsidiaries' financial statements audited for the same years by other auditors.

b. Investments in associates

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates that are not individually material	<u>\$ 2,108,854</u>	<u>\$ 2,102,458</u>



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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
The Company's share of		
Net profit (loss) for the year	\$ 10,029	\$ (25,044)
Other comprehensive (loss) profit	<u>(3,862)</u>	<u>11,123</u>
 Total comprehensive profit (loss)	 <u>\$ 6,167</u>	 <u>\$ (13,921)</u>

The Company and its grandson company, Pacific Sogo Department Stores Co., Ltd. (SOGO) invested in Ding Integrated Marketing Service Co., Ltd. (DDIM) and Yuan Hsin Digital Payment Co., Ltd. (YHDP), in amounts totaling 20% of each Company's shares. As a result, these investments were accounted for using the equity method.

In July 2019 and November 2018, YHDP undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease in the Company's equity in YHDP of 3,662 thousand shares and 3,403 thousand shares, respectively.

In June 2018, DDIM undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease in the Company's equity in DDIM of 3,540 thousand shares.

The investments in associates accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the associates' financial statements audited for the same years by other auditors.

Refer to Note 30 for the information on the carrying amounts of investments in associates accounted for using the equity method that were pledged as security.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Buildings and Facilities	Decorative Facilities	Equipment Held Under Finance Leases	Plant, Transportation and Miscellaneous Equipment	Construction in Progress	Total
<u>Cost</u>								
Balance at January 1, 2018	\$ 8,038,597	\$ 9,370,709	\$ 5,691,857	\$ 5,841,328	\$ 5,720,940	\$ 614,283	\$ 3,123,287	\$ 38,401,001
Additions	-	-	104,241	33,652	-	15,060	1,217,489	1,370,442
Disposals	-	-	(8,269)	(60,339)	(1,474,493)	(6,285)	-	(1,549,386)
Reclassifications	-	-	40,088	-	450,373	100	(454,097)	36,464
Balance at December 31, 2018	<u>\$ 8,038,597</u>	<u>\$ 9,370,709</u>	<u>\$ 5,827,917</u>	<u>\$ 5,814,641</u>	<u>\$ 4,696,820</u>	<u>\$ 623,158</u>	<u>\$ 3,886,679</u>	<u>\$ 38,258,521</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2018	\$ -	\$ (2,095,026)	\$ (3,726,485)	\$ (4,955,303)	\$ (2,170,434)	\$ (433,705)		\$ (13,380,953)
Disposals	-	-	7,146	54,737	1,474,493	6,058		1,542,434
Depreciation expense	-	(161,727)	(413,612)	(318,551)	(157,568)	(54,477)		(1,105,935)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ (2,256,753)</u>	<u>\$ (4,132,951)</u>	<u>\$ (5,219,117)</u>	<u>\$ (853,509)</u>	<u>\$ (482,124)</u>		<u>\$ (12,944,454)</u>
Carrying amount at December 31, 2018	<u>\$ 8,038,597</u>	<u>\$ 7,113,956</u>	<u>\$ 1,694,966</u>	<u>\$ 595,524</u>	<u>\$ 3,843,311</u>	<u>\$ 141,034</u>	<u>\$ 3,886,679</u>	<u>\$ 25,314,067</u>

(Continued)

	Land	Buildings	Buildings and Facilities	Decorative Facilities	Equipment Held Under Finance Leases	Plant, Transportation and Miscellaneous Equipment	Construction in Progress	Total
<u>Cost</u>								
Balance at January 1, 2019	\$ 8,038,597	\$ 9,370,709	\$ 5,827,917	\$ 5,814,641	\$ 4,696,820	\$ 623,158	\$ 3,886,679	\$ 38,258,521
Adjustments on initial application of IFRS 16	-	-	-	-	(4,696,820)	-	(3,623,507)	(8,320,327)
Balance at January 1, 2019 (restated)	8,038,597	9,370,709	5,827,917	5,814,641	-	623,158	263,172	29,938,194
Additions	-	-	180,829	285,826	-	71,827	1,195,044	1,733,526
Disposals	-	-	(13,367)	(38,823)	-	(19,005)	-	(71,195)
Transfer from investment Properties	-	-	58	-	-	-	-	58
Transfer to investment properties	-	-	-	-	-	-	(2,154)	(2,154)
Reclassifications	-	-	965,811	458,253	-	42,786	(1,456,062)	10,788
Balance at December 31, 2019	<u>\$ 8,038,597</u>	<u>\$ 9,370,709</u>	<u>\$ 6,961,248</u>	<u>\$ 6,519,897</u>	<u>\$ -</u>	<u>\$ 718,766</u>	<u>\$ -</u>	<u>\$ 31,609,217</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	\$ -	\$ (2,256,753)	\$ (4,132,951)	\$ (5,219,117)	\$ (853,509)	\$ (482,124)		\$ (12,944,454)
Adjustments on initial application of IFRS 16	-	-	-	-	853,509	-		853,509
Balance at January 1, 2019 (restated)	-	(2,256,753)	(4,132,951)	(5,219,117)	-	(482,124)		(12,090,945)
Disposals	-	-	11,677	34,404	-	18,490		64,571
Depreciation expense	-	(161,727)	(418,995)	(226,620)	-	(50,664)		(858,006)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (2,418,480)</u>	<u>\$ (4,540,269)</u>	<u>\$ (5,411,333)</u>	<u>\$ -</u>	<u>\$ (514,298)</u>		<u>\$ (12,884,380)</u>
Carrying amount at December 31, 2019	<u>\$ 8,038,597</u>	<u>\$ 6,952,229</u>	<u>\$ 2,420,979</u>	<u>\$ 1,108,564</u>	<u>\$ -</u>	<u>\$ 204,468</u>	<u>\$ -</u>	<u>\$ 18,724,837</u>

(Concluded)

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

Buildings	55 years
Buildings and facilities	8-15 years
Decorative facilities	6 years
Equipment held under finance leases	35-50 years
Plant, transportation, and miscellaneous equipment	5-8 years

Some of the investment properties were transferred to property, plant and equipment at their fair value as the use of these assets changed to self-use for the year ended December 31, 2019.

Refer to Note 30 for the information on the carrying amounts of property, plant and equipment that were pledged as security.

### 13. LEASE ARRANGEMENTS

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

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Land	\$ 8,038,783
Buildings	17,797,153
Plant, transportation, and miscellaneous equipment	<u>269</u>
	<u>\$ 25,836,205</u>

	<b>For the Year Ended December 31, 2019</b>
Depreciation charge for right-of-use assets	
Land	\$ 152,646
Buildings	727,524
Plant, transportation, and miscellaneous equipment	<u>54</u>
	<u>\$ 880,224</u>

b. Lease liabilities - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 929,821</u>
Non-current	<u>\$ 14,397,967</u>

Range of discount rate for lease liabilities was as follows:

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

c. Material lease-in activities and terms

The Company operates a retail business of leasing property and equipment for its operating activities with lease term of 3 to 50 years. In addition to fixed payments, some lease contracts also indicate variable lease payments with different conditions. Some stores are leased by acquiring land use rights to build buildings and transfer buildings to lessor unconditionally at the end of the lease term.

d. Other lease information

2019

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

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

## 2018

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

	<b>December 31, 2018</b>
Not later than 1 year	\$ 849,693
Later than 1 year and not later than 5 years	3,355,437
Later than 5 years	<u>11,556,802</u>
	<u>\$ 15,761,802</u>

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

	<b>For the Year Ended December 31, 2018</b>
Minimum lease payments	\$ 893,445
Contingent rental payments	<u>23,925</u>
	<u>\$ 917,370</u>

## 14. INVESTMENT PROPERTIES

	<b>Land</b>	<b>Buildings and Facilities</b>	<b>Investment Properties under Construction</b>	<b>Total</b>
Balance at January 1, 2018	\$ 6,222,180	\$ 2,898,636	\$ -	\$ 9,120,816
Additions	-	306	-	306
Disposals	-	(90,700)	-	(90,700)
Gain on changes in the fair value of investment properties	<u>27,792</u>	<u>4,426</u>	<u>-</u>	<u>32,218</u>
Balance at December 31, 2018	6,249,972	2,812,668	-	9,062,640
Transfers to property, plant and equipment	-	(58)	-	(58)
Additions	-	(247)	-	(247)
Disposals	-	399	7,970	8,369
Reclassification	-	-	2,154	2,154
Loss on changes in the fair value of investment properties	<u>(33,638)</u>	<u>(42,164)</u>	<u>-</u>	<u>(75,802)</u>
Balance at December 31, 2019	<u>\$ 6,216,334</u>	<u>\$ 2,770,598</u>	<u>\$ 10,124</u>	<u>\$ 8,997,056</u>

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

Some of the Company's investment properties had been leased out under operating leases with lease term of 1-20 years, and the lease contracts include the lessee's buy-back agreement.

Except for minimum lease payments, some of the Company's lease contracts stipulate that the Company should adjust rentals on the basis of the consumer price index per annum.

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

	<b>December 31, 2019</b>
Year 1	\$ 221,158
Year 2	130,057
Year 3	99,322
Year 4	84,961
Year 5	67,599
Year 6 onwards	<u>222,406</u>
	<u>\$ 825,503</u>

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

	<b>December 31, 2018</b>
Not later than 1 year	\$ 189,184
Later than 1 year and not later than 5 years	375,047
Later than 5 years	<u>252,863</u>
	<u>\$ 817,094</u>

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expected future cash inflows	\$ 21,531,652	\$ 21,573,710
Expected future cash outflows	<u>2,443,572</u>	<u>2,272,008</u>
Expected future cash inflows, net	<u>\$ 19,088,080</u>	<u>\$ 19,301,702</u>
Discount rate	4.345%	4.345%

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

The expected future cash inflows generated by investment properties referred to rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the existing lease contracts of the Company and comparative market rentals covering 5-10 years, taking into account the annual rental growth rate. The interest income on rental deposits was extrapolated by the one-year average deposit interest rate, and the disposal value was determined by the direct capitalization method under the income approach. The expected future cash outflows on investment properties included expenditures such as property taxes, insurance premiums, management fees, maintenance costs and replacement allowances. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustments to the government-announced land value, the tax rate promulgated under the Construction Cost Index and the House Tax Act and construction costs.

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

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

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

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

Refer to Note 30 for the information on the carrying amounts of investment properties pledged as collateral for borrowings.

## 15. INTANGIBLE ASSETS

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2018	\$ 90,975
Additions	13,155
Reclassifications	<u>5,729</u>
Balance at December 31, 2018	<u>\$ 109,859</u>

(Continued)

	<b>Computer Software</b>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2018	\$ (40,974)
Amortization expenses	<u>(18,678)</u>
Balance at December 31, 2018	<u>\$ (59,652)</u>
Carrying amount at December 31, 2018	<u>\$ 50,207</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 109,859
Additions	26,080
Reclassifications	<u>6,362</u>
Balance at December 31, 2019	<u>\$ 142,301</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2019	\$ (59,652)
Amortization expenses	<u>(26,757)</u>
Balance at December 31, 2019	<u>\$ (86,409)</u>
Carrying amount at December 31, 2019	<u>\$ 55,892</u> (Concluded)

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

Computer software	3-5 years
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## 16. LONG-TERM PREPAYMENTS FOR LEASES

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Xinyi Division A13 - land use rights	\$ <u>          -</u>	\$ <u>2,173,763</u>

In September 2003, the Company acquired the land use rights for No. A13 in Xinyi District of Taipei City, which is owned by the Taipei City Government. The total amount of the land use rights was \$3,196,888 thousand, and the Company completed the registration of its acquisition of the land use rights in October 2003. Under the contract, the Company has the right to use the land for 50 years from the time of completion of the land use rights' registration. The initial monthly rental is \$3,771 thousand, to be adjusted annually in accordance with the assessed and publicly announced land value on the contract date. The construction had been completed and transferred to right-of-use assets in 2019.

## 17. OTHER ASSETS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Refundable deposits	\$ 159,027	\$ 122,173
Prepayments	67,716	45,262
Leasing incentives	309,990	153,218
Others (Note 30)	<u>64,807</u>	<u>14,180</u>
	<u>\$ 601,540</u>	<u>\$ 334,833</u>
Current	\$ 64,807	\$ 13,780
Non-current	<u>536,733</u>	<u>321,053</u>
	<u>\$ 601,540</u>	<u>\$ 334,833</u>

## 18. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Credit loans	\$ 4,300,000	\$ 5,800,000
Secured loans (Note 30)	<u>700,000</u>	<u>910,000</u>
	<u>\$ 5,000,000</u>	<u>\$ 6,710,000</u>
Interest rate intervals are as follows:		
Credit loans	0.90%-1.00%	0.89%-0.98%
Secured loans	0.92%	0.92%-1.23%

### b. Short-term bills payable

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Commercial papers	\$ 2,500,000	\$ 2,300,000
Less: Unamortized discount on bills payable	<u>688</u>	<u>968</u>
	<u>\$ 2,499,312</u>	<u>\$ 2,299,032</u>



Outstanding short-term bills payable are as follows:

December 31, 2019

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial papers</u>						
Mega Bills Finance	\$ 600,000	\$ 127	\$ 599,873	0.73%	-	\$ -
Shanghai Bank	500,000	251	499,749	0.482%	-	-
China Bills Finance	350,000	64	349,936	0.50%	-	-
Grand Finance	300,000	113	299,887	0.90%	-	-
International Bills Finance	200,000	29	199,971	0.70%	-	-
Taiwan Cooperative Bills Finance	200,000	74	199,926	0.83%	-	-
Taiwan Bills Finance	200,000	5	199,995	0.70%	-	-
Ta Ching Bill Finance	<u>150,000</u>	<u>25</u>	<u>149,975</u>	0.74%	-	<u>-</u>
	<u>\$ 2,500,000</u>	<u>\$ 688</u>	<u>\$ 2,499,312</u>			<u>\$ -</u>

December 31, 2018

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial papers</u>						
Mega Bills Finance	\$ 550,000	\$ 28	\$ 549,972	0.77%	-	\$ -
Shanghai Bank	500,000	391	499,609	0.60%	-	-
China Bills Finance	350,000	232	349,768	0.49%	-	-
Grand Finance	200,000	17	199,983	0.88%	-	-
International Bills Finance	200,000	33	199,967	0.68%	-	-
Taiwan Cooperative Bills Finance	200,000	94	199,906	0.86%	-	-
Taiwan Bills Finance	150,000	68	149,932	0.75%	-	-
Ta Ching Bill Finance	<u>150,000</u>	<u>105</u>	<u>149,895</u>	0.91%	-	<u>-</u>
	<u>\$ 2,300,000</u>	<u>\$ 968</u>	<u>\$ 2,299,032</u>			<u>\$ -</u>

c. Long-term borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Secured loans	\$ 10,100,000	\$ 10,100,000
Credit loans	3,000,000	1,000,000
Revolving commercial papers	<u>1,199,757</u>	<u>-</u>
	14,299,757	11,100,000
Less: Current portion	<u>2,500,000</u>	<u>-</u>
Long-term borrowings	<u>\$ 11,799,757</u>	<u>\$ 11,100,000</u>

Interest rate intervals are as follows:

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Secured loans	0.900%-1.720%	0.900%-1.720%
Credit loans	0.900%-1.200%	0.900%-0.920%
Revolving commercial papers	0.399%-0.429%	-

## 19. OTHER LIABILITIES

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Other payables		
Payables for salaries and bonus	\$ 316,121	\$ 262,213
Payables for purchase of equipment	939,356	226,902
Payables for remuneration of directors	162,342	152,049
Payables for employees' compensation	76,257	57,184
Others	<u>581,415</u>	<u>586,508</u>
	<u>\$ 2,075,491</u>	<u>\$ 1,284,856</u>
Other liabilities		
Deposits received	\$ 100,514	\$ 86,723
Lease incentives	-	100,350
Credit balance on the carrying amount of investments accounted for using the equity method	-	5,018
Others	<u>154,488</u>	<u>154,900</u>
	<u>\$ 255,002</u>	<u>\$ 346,991</u>
Current		
Other payables	<u>\$ 2,075,491</u>	<u>\$ 1,284,856</u>
Other liabilities	<u>\$ 154,488</u>	<u>\$ 154,900</u>
Non-current		
Other liabilities	<u>\$ 100,514</u>	<u>\$ 192,091</u>

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

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

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the following year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the following year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plan are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of the defined benefit obligation	\$ 690,534	\$ 667,816
Fair value of the plan assets	<u>(924,569)</u>	<u>(578,815)</u>
Net defined benefit (assets) liabilities	<u>\$ (234,035)</u>	<u>\$ 89,001</u>

Movements in net defined benefit liabilities are as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2018	\$ 742,897	\$ (505,389)	\$ 237,508
Service cost			
Current service cost	7,088	-	7,088
Net interest expense (income)	<u>9,286</u>	<u>(6,356)</u>	<u>2,930</u>
Recognized in profit or loss	<u>16,374</u>	<u>(6,356)</u>	<u>10,018</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(43,357)	(43,357)
Actuarial loss - changes in demographic assumptions	6,684	-	6,684
Actuarial loss - changes in financial assumptions	8,750	-	8,750
Actuarial loss - experience adjustments	<u>33,482</u>	<u>-</u>	<u>33,482</u>
Recognized in other comprehensive income	<u>48,916</u>	<u>(43,357)</u>	<u>5,559</u>
Contributions from the employer	-	(164,084)	(164,084)
Benefits paid	<u>(140,371)</u>	<u>140,371</u>	<u>-</u>
Balance at December 31, 2018	667,816	(578,815)	89,001
Service cost			
Current service cost	5,581	-	5,581
Net interest expense (income)	<u>7,513</u>	<u>(6,544)</u>	<u>969</u>
Recognized in profit or loss	<u>13,904</u>	<u>(6,544)</u>	<u>6,550</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (332,601)	\$ (332,601)
Actuarial loss - changes in demographic assumptions	10,111	-	10,111
Actuarial loss - changes in financial assumptions	25,992	-	25,992
Actuarial loss - experience adjustments	<u>8,496</u>	<u>-</u>	<u>8,496</u>
Recognized in other comprehensive income	<u>44,499</u>	<u>(332,601)</u>	<u>(288,102)</u>
Contributions from the employer	-	(41,449)	(41,449)
Benefits paid	(34,840)	34,840	-
Company account paid	<u>(35)</u>	<u>-</u>	<u>(35)</u>
Balance at December 31, 2019	<u>\$ 690,534</u>	<u>\$ (924,569)</u>	<u>\$ (234,035)</u> (Concluded)

Through the defined benefit plan under the Labor Standards Law, the Company is exposed to the following risks:

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate	0.750%	1.125%
Expected rate of salary increase	2.000%	2.000%

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

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)		
0.25% increase	<u>\$ (17,601)</u>	<u>\$ (17,528)</u>
0.25% decrease	<u>\$ 18,275</u>	<u>\$ 18,207</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 17,730</u>	<u>\$ 17,728</u>
0.25% decrease	<u>\$ (17,168)</u>	<u>\$ (17,156)</u>

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

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
The expected contributions to the plan for the next year	<u>\$ 5,417</u>	<u>\$ 5,680</u>
The average duration of the defined benefit obligation	10.4 years	10.7 years

## 21. EQUITY

### a. Share capital

#### Ordinary shares

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

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

### b. Capital surplus

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

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

c. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, net income should be used to pay its business income tax and offset deficits. From any remaining net income, 10% will be appropriated as a legal reserve, and a special reserve as required by government regulations. After adding prior years' unappropriated earnings, the Company could retain a certain amount for expansion plans and then make the appropriation equally to each shareholder. However, if there is an increase in capital during the year, bonuses appropriated to new shareholders should be allocated based on the resolution passed in the shareholders' meeting. For information about the policies of employees' compensation and remuneration of directors prior to and after the amendments to the Company's Articles of Incorporation, refer to Note 23.

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

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

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

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

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

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

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

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

d. Special reserve

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

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

e. Other equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning at January 1	\$ 90,654	\$ 86,048
Share of exchange difference of subsidiaries and associates accounted for using the equity method	<u>(25,329)</u>	<u>4,606</u>
Balance at December 31	<u>\$ 65,325</u>	<u>\$ 90,654</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Beginning at January 1	\$ 1,969,628	\$ 1,242,300
Recognized for the year		
Unrealized gain - equity instruments	746,698	311,658
Share from subsidiaries and associates accounted for using the equity method	<u>342,548</u>	<u>419,862</u>
Other comprehensive income recognized for the year	3,058,874	1,973,820
Reclassification adjustment		
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(4,192)</u>
Balance at December 31	<u>\$ 3,058,874</u>	<u>\$ 1,969,628</u>

f. Treasury shares

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

December 31, 2019

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

December 31, 2018

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

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



## 22. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Sale of goods (Note)	\$ 4,791,146	\$ 4,919,075
Commissions from concessionaires' sales (Note)	3,892,189	3,980,764
Maintenance and promotion fee income	713,187	780,782
Rental income		
Investment properties (Note 14)		
Variable lease payments that do not depend on an index or a rate and contingent rentals	21,922	22,568
Other lease payments	<u>178,336</u>	<u>137,102</u>
	<u>200,258</u>	<u>159,670</u>
Other operating leases		
Variable lease payments that do not depend on an index or a rate	82,465	93,232
Other lease payments	<u>541,779</u>	<u>440,010</u>
	<u>624,244</u>	<u>533,242</u>
	<u>824,502</u>	<u>692,912</u>
Others	<u>393,720</u>	<u>408,055</u>
	<u>\$ 10,614,744</u>	<u>\$ 10,781,588</u>

Note: Gross revenue is presented as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Concessionaires' sales	\$ 37,141,303	\$ 37,076,151
Sale of goods	<u>5,035,862</u>	<u>5,189,052</u>
	<u>\$ 42,177,165</u>	<u>\$ 42,265,203</u>

### Contract Balances

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Contract liabilities - current			
Sale of goods	\$ 2,991,519	\$ 2,807,936	\$ 2,643,333
Customer loyalty programs	<u>33,007</u>	<u>39,896</u>	<u>37,604</u>
	<u>\$ 3,024,526</u>	<u>\$ 2,847,832</u>	<u>\$ 2,680,937</u>

Refer to Note 9 for the information of notes receivables and trade receivables.

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

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>From contract liabilities at the start of the years</u>		
Sale of goods	\$ 1,270,069	\$ 1,198,864
Customer loyalty programs	<u>39,896</u>	<u>37,604</u>
	<u>\$ 1,309,965</u>	<u>\$ 1,236,468</u>

### 23. NET PROFIT FOR THE YEAR

Net profit for the year includes the following items:

a. Operating costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs		
Cost of sales	\$ 3,962,329	\$ 4,094,492
Rental costs	171,075	153,132
Others	<u>35,358</u>	<u>37,508</u>
	<u>\$ 4,168,762</u>	<u>\$ 4,285,132</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest income		
Bank deposits	\$ 242	\$ 160
Dividends income	177,242	85,322
Insurance claim income	<u>-</u>	<u>250,005</u>
	<u>\$ 177,484</u>	<u>\$ 335,487</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Loss on disposal of investment properties, net	\$ (247)	\$ (90,700)
Foreign exchange (loss) gain, net	(63)	614
Loss on disposal of property, plant and equipment, net	(6,229)	(6,439)
(Loss) gain arising on changes in fair value of investment properties, net	(75,802)	32,218
Other gains	63,041	61,003
Other losses	<u>(9,544)</u>	<u>(11,028)</u>
	<u>\$ (28,844)</u>	<u>\$ (14,332)</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on lease liabilities	\$ 227,021	\$ -
Interest on bank loans	200,590	210,066
Other interest expense	<u>24,730</u>	<u>17,676</u>
Total interest expense for financial liabilities measured at fair value through profit or loss	452,341	227,742
Less: Amounts included in the cost of qualifying assets	<u>(74,472)</u>	<u>(58,653)</u>
	<u>\$ 377,869</u>	<u>\$ 169,089</u>

Information about capitalized interest is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Capitalized interest amount	\$ 74,472	\$ 58,653
Capitalization rate interval	0.98%-1.02%	0.98%-1.05%

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 858,006	\$ 1,105,935
Right-of-use assets	880,224	-
Less: Adjustment to receipts in advance and depreciation	<u>(83,772)</u>	<u>(89,872)</u>
	1,654,458	1,016,063
Intangible assets (including amortization expenses)	<u>26,757</u>	<u>18,678</u>
	<u>\$ 1,681,215</u>	<u>\$ 1,034,741</u>
 An analysis of depreciation by function		
Operating costs	\$ 88,000	\$ 68,723
Operating expenses	<u>1,566,458</u>	<u>947,340</u>
	<u>\$ 1,654,458</u>	<u>\$ 1,016,063</u>
 An analysis of amortization by function		
Operating expenses	<u>\$ 26,757</u>	<u>\$ 18,678</u>

f. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Direct operating expenses from investment properties generating rental income	\$ 62,278	\$ 43,798
Direct operating expenses from investment properties not generating rental income	<u>41,427</u>	<u>56,286</u>
	<u>\$ 103,705</u>	<u>\$ 100,084</u>

g. Employee benefits expenses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Post-employment benefits (Note 20)		
Defined contribution plan	\$ 32,860	\$ 31,166
Defined benefit plan	<u>6,550</u>	<u>10,018</u>
	39,410	41,184
Other employee benefits	<u>1,144,299</u>	<u>1,102,057</u>
Total employee benefits expenses	<u>\$ 1,183,709</u>	<u>\$ 1,143,241</u>
An analysis of employee benefits expenses by function		
Operating expenses	<u>\$ 1,183,709</u>	<u>\$ 1,143,241</u>

h. Employees' compensation and remuneration of directors

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

Accrual rate

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

Amount

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

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

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

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

## 24. INCOME TAX

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

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current income tax		
In respect of the current year	\$ 267,838	\$ 210,927
Adjustments for the prior year	<u>2,590</u>	<u>58</u>
	<u>270,428</u>	<u>210,985</u>
Deferred income tax		
In respect of the current year	136,596	26,916
Effect of tax rate changes	-	143,241
Adjustments for the prior year	<u>5,686</u>	<u>(65,443)</u>
	<u>142,282</u>	<u>104,714</u>
Income tax expense recognized in profit or loss	<u>\$ 412,710</u>	<u>\$ 315,699</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before income tax from continuing operations	<u>\$ 2,194,553</u>	<u>\$ 1,633,849</u>
Income tax expense calculated at the statutory rate	\$ 438,911	\$ 326,770
Nondeductible expenses in determining taxable income	234	680
Tax-exempt income	(87,196)	(64,791)
Unrecognized deductible temporary differences	63,258	6,004
Effect of tax rate changes	-	143,241
Adjustments for prior years' income tax	2,590	58
Adjustments for prior years' deferred tax	5,686	(65,443)
Land value increment tax	(10,951)	(25,275)
Others	<u>178</u>	<u>(5,545)</u>
Income tax expense recognized in profit or loss	<u>\$ 412,710</u>	<u>\$ 315,699</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

### b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Deferred tax</u>		
In respect of the current year		
Effect of tax rate changes	\$ -	\$ 4,416
Remeasurement on defined benefit plans	<u>(57,620)</u>	<u>1,112</u>
	<u>\$ (57,620)</u>	<u>\$ 5,528</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax assets		
Tax refund receivable	\$ <u>          -</u>	\$ <u>          -</u>
Current tax liabilities		
Income tax payable	\$ <u>161,580</u>	\$ <u>148,613</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen sive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 111,485	\$ (102,050)	\$ -	\$ 9,435
Promotion expense on coupons	17,497	991	-	18,488
Right-of-use assets	20,071	-	-	20,071
Differences of pension in determining taxable income	17,899	12,654	(30,553)	-
Others	<u>25,193</u>	<u>(2,843)</u>	<u>-</u>	<u>22,350</u>
	<u>\$ 192,145</u>	<u>\$ (91,248)</u>	<u>\$ (30,553)</u>	<u>\$ 70,344</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Depreciation	\$ 1,021,521	\$ 10,212	\$ -	\$ 1,031,733
Reserve for land revaluation increment tax	391,157	-	-	391,157
Investment properties	382,988	(19,384)	-	363,604
Investments accounted for using the equity method	236,775	8,565	-	245,340
Differences of pension in determining taxable income	-	19,740	27,067	46,807
Others	<u>32,099</u>	<u>31,901</u>	<u>-</u>	<u>64,000</u>
	<u>\$ 2,064,540</u>	<u>\$ 51,034</u>	<u>\$ 27,067</u>	<u>\$ 2,142,641</u>

For the year ended December 31, 2018

	Opening Balance	Effect of Tax Rate Change	Recognized in Profit or Loss	Recognized in Other Comprehen sive Income	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Investments accounted for using the equity method	\$ 23,383	\$ 4,126	\$ 83,976	\$ -	\$ 111,485
Promotion expense on coupons	14,238	2,513	746	-	17,497
Lease incentives	15,775	2,784	1,512	-	20,071
Differences of pension in determining taxable income	40,376	7,125	(30,714)	1,112	17,899
Others	<u>17,849</u>	<u>3,150</u>	<u>4,194</u>	<u>-</u>	<u>25,193</u>
	<u>\$ 111,621</u>	<u>\$ 19,698</u>	<u>\$ 59,714</u>	<u>\$ 1,112</u>	<u>\$ 192,145</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Depreciation	\$ 925,938	\$ 163,400	\$ (67,817)	\$ -	\$ 1,021,521
Reserve for land revaluation increment tax	391,157	-	-	-	391,157
Investment properties	369,362	(39,885)	53,511	-	382,988
Investments accounted for using the equity method	196,147	34,614	6,014	-	236,775
Others	<u>2,226</u>	<u>394</u>	<u>29,479</u>	<u>-</u>	<u>32,099</u>
	<u>\$ 1,884,830</u>	<u>\$ 158,523</u>	<u>\$ 21,187</u>	<u>\$ -</u>	<u>\$ 2,064,540</u>

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

	<u>December 31</u>	
	2019	2018
Deductible temporary differences	<u>\$ 935,976</u>	<u>\$ 624,916</u>

- f. Income tax assessments

The income tax returns through 2017 have been assessed by the tax authorities.

## 25. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	<u>For the Year Ended December 31</u>	
	2019	2018
Basic earnings per share	<u>\$ 1.26</u>	<u>\$ 0.94</u>
Diluted earnings per share	<u>\$ 1.26</u>	<u>\$ 0.93</u>

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

**Net Profit for the Year**

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

**Shares**

(In Thousand Shares)

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

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

**26. CASH FLOW INFORMATION**

a. Non-cash transactions

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

The Company reclassified prepayments for equipment of \$10,788 thousand and \$36,464 thousand, respectively, as property, plant and equipment (see Note 12).



b. Changes in liabilities arising from financing activities

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Change in Exchange Rate	Others	
Short-term borrowings	\$ 6,710,000	\$ (1,710,000)	\$ -	\$ -	\$ -	\$ 5,000,000
Short-term bills payable	2,299,032	200,280	-	-	-	2,499,312
Long-term borrowings						
(including current portion)	11,100,000	3,199,757	-	-	-	14,299,757
Lease liabilities (Note 3)	13,854,173	(620,491)	2,094,106	-	-	15,327,788
Other non-current liabilities	<u>192,091</u>	<u>13,791</u>	<u>-</u>	<u>-</u>	<u>(105,368)</u>	<u>100,514</u>
	<u>\$ 34,155,296</u>	<u>\$ 1,083,337</u>	<u>\$ 2,094,106</u>	<u>\$ -</u>	<u>\$ (105,368)</u>	<u>\$ 37,227,371</u>

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			Reclassification	Change in Exchange Rate	Others	
Short-term borrowings	\$ 6,300,000	\$ 410,000	\$ -	\$ -	\$ -	\$ 6,710,000
Short-term bills payable	1,699,188	599,844	-	-	-	2,299,032
Long-term borrowings	12,100,000	(1,000,000)	-	-	-	11,100,000
Other non-current liabilities	<u>170,953</u>	<u>16,120</u>	<u>-</u>	<u>-</u>	<u>5,018</u>	<u>192,091</u>
	<u>\$ 20,270,141</u>	<u>\$ 25,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,018</u>	<u>\$ 20,301,123</u>

## 27. CAPITAL MANAGEMENT

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

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

## 28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

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

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

1) Fair value hierarchy

December 31, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Equity investments				
Domestic listed ordinary shares	\$ 2,993,461	\$ -	\$ -	\$ 2,993,461
Domestic unlisted ordinary shares	<u>-</u>	<u>-</u>	<u>107,588</u>	<u>107,588</u>
	<u>\$ 2,993,461</u>	<u>\$ -</u>	<u>\$ 107,588</u>	<u>\$ 3,101,049</u>

December 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Equity investments				
Domestic listed ordinary shares	\$ 2,254,523	\$ -	\$ -	\$ 2,254,523
Domestic unlisted ordinary shares	<u>-</u>	<u>-</u>	<u>99,828</u>	<u>99,828</u>
	<u>\$ 2,254,523</u>	<u>\$ -</u>	<u>\$ 99,828</u>	<u>\$ 2,354,351</u>

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

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

For the year ended December 31, 2019

<b>Financial Assets</b>	<b>Investment in Equity Instruments at FVTOCI</b>
Balance at January 1, 2019	\$ 99,828
Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI)	<u>7,760</u>
Balance at December 31, 2019	<u>\$ 107,588</u>

For the year ended December 31, 2018

<b>Financial Assets</b>	<b>Investment in Equity Instruments at FVTOCI</b>
Balance at January 1, 2018	\$ -
Adjustments on initial application of IFRS 9	<u>97,634</u>
Balance at January 1, 2018 (restated)	97,634
Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI)	<u>2,194</u>
Balance at December 31, 2018	<u>\$ 99,828</u>

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

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

c. Categories of financial instruments

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,427,222	\$ 2,011,409
Equity instruments at FVTOCI	3,101,049	2,354,351
<u>Financial liabilities</u>		
Measured at amortized cost (2)	27,644,053	26,435,599

1) The balances included the carrying amount of cash and cash equivalents, notes receivable and trade receivables (including related parties), other receivables and refundable deposits, which are measured at amortized cost.

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

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ 25,271	\$ 25,095
Financial liabilities	2,000,000	2,000,000
Cash flow interest rate risk		
Financial assets	50,112	53,154
Financial liabilities	19,799,069	18,109,032

Sensitivity analysis

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

If interest rates had been 100 basis points higher or lower and all other variables had been held constant, the profit before income tax for the years ended December 31, 2019 and 2018 would decrease/increase by \$197,490 thousand and \$180,559 thousand, respectively.

b) Other price risks

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

## Sensitivity analysis

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

If equity prices had been 5% higher or lower, pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would increase/decrease by \$155,052 thousand and \$117,718 thousand, respectively.

### 2) Credit risk

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

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

### 3) Liquidity risk

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

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

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

### December 31, 2019

	On Demand or Not Later than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>							
Short-term borrowings	\$ 5,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000,000
Short-term bills payable	2,499,312	-	-	-	-	-	2,499,312
Trade payables	3,612,036	-	-	-	-	-	3,612,036
Trade payables to related parties	56,943	-	-	-	-	-	56,943
Other payables	2,075,491	-	-	-	-	-	2,075,491
Lease liabilities	929,821	915,947	919,171	920,354	923,127	13,826,908	18,435,328
Long-term borrowings (including current portion)	2,500,000	11,799,757	-	-	-	-	14,299,757
Deposits received	30,641	14,084	6,237	3,842	5,752	39,958	100,514

Additional information about the maturity analysis for lease liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 929,821</u>	<u>\$ 3,678,599</u>	<u>\$ 4,239,757</u>	<u>\$ 4,013,803</u>	<u>\$ 2,732,117</u>	<u>\$ 2,841,231</u>

December 31, 2018

	<b>On Demand or Not Later than 1 Year</b>	<b>1-2 Years</b>	<b>2-3 Years</b>	<b>3-4 Years</b>	<b>4-5 Years</b>	<b>Later than 5 Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>							
Short-term borrowings	\$ 6,710,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,710,000
Short-term bills payable	2,299,032	-	-	-	-	-	2,299,032
Trade payables	4,878,840	-	-	-	-	-	4,878,840
Trade payables to related parties	76,148	-	-	-	-	-	76,148
Other payables	1,284,856	-	-	-	-	-	1,284,856
Long-term borrowings (including current portion)	-	8,500,000	2,600,000	-	-	-	11,100,000
Deposits received	12,902	21,201	9,334	3,084	3,842	36,360	86,723

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

## 29. TRANSACTIONS WITH RELATED PARTIES

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

- a. The Company's related parties and their relationships

<u>Related Party</u>	<u>Relationship with the Company</u>
Far Eastern Ai Mai Co., Ltd. (AIMAI)	Subsidiary
Ya Tung Department Stores, Ltd. (YTDS)	Subsidiary
Yu Ming Advertising Agency Co., Ltd. (YMAC)	Subsidiary
Far Eastern CitySuper Co., Ltd. (FECS)	Subsidiary
Bai Ding Investment Co., Ltd. (BDIC)	Subsidiary
Bai Yang Investment Co., Ltd. (BYIC)	Subsidiary
Far Eastern Hon Li Do Co., Ltd. (FEHLD)	Subsidiary
Chubei New Century Shopping Mall Co., Ltd.	Subsidiary
FEDS Asia Pacific Development Co., Ltd.	Subsidiary
FEDS New Century Development Co., Ltd.	Subsidiary
Far Eastern Big City Shopping Malls Co., Ltd.	Subsidiary
Pacific Sogo Department Stores Co., Ltd. (SOGO)	Subsidiary
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Associate
Oriental Securities Corporation (OSC)	Associate
Yuan Hsin Digital Payment Co., Ltd. (YHDP)	Associate
Far Eastern New Century Corporation (FENC)	The investor that has significant influence over the Company (equity method investor of FEDS)

(Continued)

<b>Related Party</b>	<b>Relationship with the Company</b>
Far EasTone Telecommunications Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
New Century InfoComm Tech Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern General Contractor Inc. (FEGC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Construction Co., Ltd. (FEC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Resources Development Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Ding Ding Hotel Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Electronic Toll Collection Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Apparel Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuan Ding Co., Ltd. (YDC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
YDT Technology International Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Technical Consultants Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuanshi Digital Technology Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Asia Cement Corporation	The associate of the investor that has significant influence over the Company (the associate of FENC)
Ya Tung Ready Mixed Concrete Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Everest Textile Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Far Eastern International Bank (FEIB)	Other related party (the chairman of Company, also the vice chairman of FEIB)
Yuan Bo Asset Management Corporation	Other related party (the subsidiary of Far eastern international leasing corporation)
Oriental Union Chemical Corporation	Other related party (the same chairman)
Yuan Ze University	Other related party (the same chairman)
Far Eastern Medical Foundation	Other related party (the same chairman)

(Concluded)

b. Operating revenue

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Sales of goods (Note)		
The associate of the investor that has significant influence over the Company	\$ 34,116	\$ 37,334
Subsidiaries	31,694	31,994
Other related parties	<u>999</u>	<u>1,284</u>
	<u>\$ 66,809</u>	<u>\$ 70,612</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Other operating revenue		
Other related parties	\$ 55,305	\$ 69,210
Subsidiaries	27,308	27,290
The associate of the investor that has significant influence over the Company	20,504	24,388
Associates	<u>2,189</u>	<u>2,949</u>
	<u>\$ 105,306</u>	<u>\$ 123,837</u>

c. Operating costs and expenses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs (Note)		
The associate of the investor that has significant influence over the Company	\$ 22,697	\$ 24,163
Subsidiaries	<u>3,057</u>	<u>3,035</u>
	<u>\$ 25,754</u>	<u>\$ 27,198</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating expenses (Note)		
Subsidiaries	\$ 239,920	\$ 240,161
Investor that has significant influence over the Company	78,502	73,187
Associates	43,984	42,893
The associate of the investor that has significant influence over the Company	43,960	326,670
Other related parties	<u>8,879</u>	<u>2,671</u>
	<u>\$ 415,245</u>	<u>\$ 685,582</u>



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

d. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Other gains and losses - gains		
Other related parties		
FEIB	\$ 18,121	\$ 18,298
The associate of the investor that has significant influence over the Company	<u>50</u>	<u>19</u>
Subsidiaries		
SOGO	18,104	17,794
Others	<u>1,970</u>	<u>1,603</u>
	<u>20,074</u>	<u>19,397</u>
Associates	<u>279</u>	<u>337</u>
	<u>\$ 38,524</u>	<u>\$ 38,051</u>
Other gains and losses - losses		
Associates		
OSC	\$ 7,131	\$ 7,176
Investor that has significant influence over the Company	<u>1</u>	<u>1</u>
	<u>\$ 7,132</u>	<u>\$ 7,177</u>

e. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries		
SOGO	\$ 11,606	\$ 11,100
Other related parties	<u>765</u>	<u>-</u>
	<u>\$ 12,371</u>	<u>\$ 11,100</u>
Interest on lease liabilities		
The associate of the investor that has significant influence over the Company	\$ 70,615	\$ -
Others related parties	<u>197</u>	<u>-</u>
	<u>\$ 70,812</u>	<u>\$ -</u>

f. Receivables from related parties

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Trade receivables, net		
Other related parties	\$ 38,647	\$ 39,427
The associate of the investor that has significant influence over the Company	33,535	25,074
Subsidiaries	3,230	3,669
Associates	1,152	1,232
Investor that has significant influence over the Company	<u>2,970</u>	<u>650</u>
	<u>\$ 79,534</u>	<u>\$ 70,052</u>
Other receivables		
Subsidiaries	\$ 7,516	\$ 8,681
The associate of the investor that has significant influence over the Company	1,990	3,412
Other related parties	<u>4,106</u>	<u>8,356</u>
	<u>\$ 13,612</u>	<u>\$ 20,449</u>

g. Other assets

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Other non-current assets		
Lease incentives		
The associate of the investor that has significant influence over the Company		
YDC	\$ 13,768	\$ 9,142
Other related parties		
FEIB	<u>1,134</u>	<u>1,314</u>
	<u>\$ 14,902</u>	<u>\$ 10,456</u>
Refundable deposits		
The associate of the investor that has significant influence over the Company	<u>\$ 7,741</u>	<u>\$ 7,741</u>

h. Payables to related parties

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Trade payables		
The associate of the investor that has significant influence over the Company	\$ 33,022	\$ 44,249
Subsidiaries	<u>23,921</u>	<u>31,899</u>
	<u>\$ 56,943</u>	<u>\$ 76,148</u>

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Other payables		
The associate of the investor that has significant influence over the Company		
FEGC	\$ 118,103	\$ 118,796
Ya Tung Ready Mixed Concrete Co., Ltd.	31,404	31,404
Other	<u>21,722</u>	<u>21,015</u>
	171,229	171,215
Associates	50,630	72,563
Subsidiaries	41,111	66,208
Investor that has significant influence over the Company	37,653	32,057
Other related parties	<u>88</u>	<u>82</u>
	<u>\$ 300,711</u>	<u>\$ 342,125</u>

i. Other liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Advance receipts		
The associate of the investor that has significant influence over the Company	<u>\$ 1,471</u>	<u>\$ 895</u>
Other current liabilities		
Other	\$ 1,154	\$ -
Associates	520	1,031
The associate of the investor that has significant influence over the Company	102	-
Subsidiaries	<u>23</u>	<u>17</u>
	<u>\$ 1,799</u>	<u>\$ 1,048</u>
Other non-current liabilities		
Lease incentives		
The associate of the investor that has significant influence over the Company		
FEC	<u>\$ -</u>	<u>\$ 91,142</u>
Deposits received		
The associate of the investor that has significant influence over the Company		
YDC	\$ 48,676	\$ 36,173
Other	<u>87</u>	<u>86</u>
	48,763	36,259
Other related parties	1,023	1,023
Subsidiaries	<u>881</u>	<u>881</u>
	<u>\$ 50,667</u>	<u>\$ 38,163</u>

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Lease liabilities (Note)		
The associate of the investor that has significant influence over the Company		
FEC	\$ 3,790,369	\$ -
Asia Cement Corporation	384,961	-
Far Eastern Resources Development Co., Ltd.	10,807	-
YDC	<u>11,106</u>	<u>-</u>
	4,197,243	-
Other related parties	<u>10,897</u>	<u>-</u>
	<u>\$ 4,208,140</u>	<u>\$ -</u>

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

j. Construction projects

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
The associates of investor that has significant influence over the Company	\$ 691,248	\$ 720,918
Associates	<u>-</u>	<u>540</u>
	<u>\$ 691,248</u>	<u>\$ 721,458</u>

k. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 72,113	\$ 58,544
Post-employment benefits	<u>214</u>	<u>216</u>
	<u>\$ 72,327</u>	<u>\$ 58,760</u>

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

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Financial assets at FVTOCI	\$ 1,678,250	\$ 1,188,250
Investments accounted for using the equity method	1,183,170	1,156,262
Property, plant and equipment	13,762,450	13,908,063
Investment properties	1,319,887	1,384,999
Other non-current assets	<u>-</u>	<u>400</u>
	<u>\$ 17,943,757</u>	<u>\$ 17,637,974</u>

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant unrecognized commitments and contingencies of the Company as of December 31, 2019 and 2018 are as follows:

a. Significant unrecognized commitments

The amount of unrecognized commitments are as follows:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Acquisition of property, plant and equipment	<u>\$ 605,809</u>	<u>\$ 1,774,925</u>
Acquisition of intangible assets	<u>\$ -</u>	<u>\$ 500,000</u>

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

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

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

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

- c. In April 2019, under a ruling by the MOEA whereby "the terms and conditions of coupons for certain goods and for certain services within the retail industry should be documented in a standard contract while others should not", the Company and SOGO signed an agreement to have mutual performance guarantees on gift certificates bought by customers. The guarantee period was from April 1, 2019 to March 31, 2020. As of December 31, 2019, the Company's guarantee amount for SOGO was \$4,683,014 thousand and that of SOGO for the Company was \$3,043,635 thousand.

## **32. SEPARATELY DISCLOSED ITEMS**

- a. Information about significant transactions and b. investees:
  - 1) Financing provided to others: Table 1.
  - 2) Endorsements/guarantees provided: Table 2.
  - 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Table 3.
  - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4.
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
  - 9) Trading in derivative instruments: None.
  - 10) Information on investees: Table 6.
- c. Information on investments in mainland China:
- 1) Name of the investees in mainland China, main business and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, repatriation of investment income, and the limit of investment in mainland China: Table 7.
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
    - c) The amount of property transactions and the amount of the resultant gains or losses: None.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

## FAR EASTERN DEPARTMENT STORES, LTD.

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
1	Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings Ltd.	Other receivables	Y	\$ 2,000,000	\$ 2,000,000	\$ -	-	(Note A)	\$ -	Transaction	\$ -	-	\$ -	\$ 4,358,198 (Note B)	\$ 4,358,198 (Note B)
2	Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	Other receivables	Y	730,575 (RMB 170,000 thousand)	730,575 (RMB 170,000 thousand)	689,749 (RMB 160,500 thousand)	4.129436%-4.353514%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
		Dalian Pacific Department Store Co., Ltd.	Other receivables	Y	429,750 (RMB 100,000 thousand)	429,750 (RMB 100,000 thousand)	4,298 (RMB 1,000 thousand)	4.129436%-4.353514%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
		Chengdu FEDS Co., Ltd.	Other receivables	Y	644,625 (RMB 150,000 thousand)	644,625 (RMB 150,000 thousand)	227,768 (RMB 53,000 thousand)	4.129436%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
		Chengdu Quanxing Building Pacific Department Store Co., Ltd.	Other receivables	Y	644,625 (RMB 150,000 thousand)	644,625 (RMB 150,000 thousand)	60,165 (RMB 14,000 thousand)	4.129436%-4.353514%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
		Shanghai Bai Ding Consultant & Management Co., Ltd.	Other receivables	Y	42,975 (RMB 10,000 thousand)	42,975 (RMB 10,000 thousand)	-	-	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
3	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	300,825 (RMB 70,000 thousand)	300,825 (RMB 70,000 thousand)	193,388 (RMB 45,000 thousand)	3.87%-4.08%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
4	Pacific China Holding Ltd.	Chengdu FEDS Co., Ltd.	Other receivables	Y	719,520 (US\$ 24,000 thousand)	719,520 (US\$ 24,000 thousand)	-	3.94713%-4.76375%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
		Pacific China Holdings (HK) Limited	Other receivables	Y	299,800 (US\$ 10,000 thousand)	-	-	-	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
5	Pacific China Holdings (HK) Limited	Pacific China Holding Ltd.	Other receivables	Y	299,800 (US\$ 10,000 thousand)	299,800 (US\$ 10,000 thousand)	104,930 (US\$ 3,500 thousand)	3.17%-4.05%	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
6	Pacific (China) Investment Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	42,975 (RMB 10,000 thousand)	42,975 (RMB 10,000 thousand)	-	-	(Note A)	-	Transaction	-	-	-	12,316,162 (Note D)	12,316,162 (Note D)
7	Shanghai Pacific Department Store Co., Ltd.	Shanghai Xujiahui Shopping Mall (Group) Co., Ltd.	Other receivables	Y	184,363 (RMB 42,900 thousand)	184,363 (RMB 42,900 thousand)	-	-	(Note A)	-	Transaction	-	-	-	289,823 (Note B)	289,823 (Note B)
8	FEDS Development Ltd.	Yuan Ding Enterprise (Shanghai) Co., Ltd.	Other receivables	Y	349,716 (RMB 81,377 thousand)	96,163 (RMB 22,377 thousand)	-	-	(Note A)	-	Transaction	-	-	-	6,158,081 (Note C)	12,316,162 (Note D)
		Far Eastern New Century (China) Investment Co., Ltd.	Other receivables	Y	1,008,151 (RMB 234,590 thousand)	89,775 (RMB 20,890 thousand)	-	-	(Note A)	-	Transaction	-	-	-	6,158,081 (Note C)	12,316,162 (Note D)

Note A: Short-term financing.

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

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

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

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



## FAR EASTERN DEPARTMENT STORES, LTD.

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amounts Allowable	Endorsement/ Guarantee Provided by Parent Company	Endorsement/ Guarantee Provided by A Subsidiary	Endorsement/ Guarantee Provided to Mainland China
		Name	Nature of Relationship (Note F)										
0	Far Eastern Department Stores, Ltd.	FEDS New Century Development Co., Ltd.	2	\$ 18,474,243 (Note A)	\$ 30,000	\$ 30,000	\$ -	\$ -	-	\$ 30,790,406 (Note B)	Y	-	-
		Bai Yang Investment Co., Ltd.	2	18,474,243 (Note A)	400,000	100,000	-	-	-	30,790,406 (Note B)	Y	-	-
		Bai Ding Investment Co., Ltd.	2	18,474,243 (Note A)	700,000	700,000	478,000	-	2	30,790,406 (Note B)	Y	-	-
		FEDS Development Ltd.	2	18,474,243 (Note A)	2,806,128 (US\$ 93,600 thousand)	1,499,000 (US\$ 50,000 thousand)	-	-	5	30,790,406 (Note B)	Y	-	-
		Chubei New Century Shopping Mall Co., Ltd.	2	18,474,243 (Note A)	3,700,000	3,700,000	-	-	12	30,790,406 (Note B)	Y	-	-
		Far Eastern CitySuper Co., Ltd.	2	18,474,243 (Note A)	160,000	80,000	-	-	-	30,790,406 (Note B)	Y	-	-
		Pacific Sogo Department Stores Co., Ltd.	2	18,474,243 (Note A)	4,986,125	4,683,014	4,683,014	-	15	30,790,406 (Note B)	Y	-	-
1	Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings Ltd.	2	18,474,243 (Note C)	8,550,296 (US\$ 285,200 thousand)	8,550,296 (US\$ 285,200 thousand)	3,261,794 (US\$ 108,799 thousand)	-	28	30,790,406 (Note B)	-	-	-
		Dalian Pacific Department Store Co., Ltd.	2	18,474,243 (Note C)	335,205 (RMB 78,000 thousand)	335,205 (RMB 78,000 thousand)	116,033 (RMB 27,000 thousand)	-	1	30,790,406 (Note B)	-	-	Y
		Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	2	18,474,243 (Note C)	535,650 (US\$ 15,000 thousand)	535,650 (US\$ 15,000 thousand)	64,463 (US\$ 0 thousand)	-	2	30,790,406 (Note D)	-	-	Y
		Far Eastern Department Stores, Ltd.	3	18,474,243 (Note C)	3,242,852 (RMB 20,000 thousand)	3,043,635 (RMB 20,000 thousand)	3,043,635 (RMB 15,000 thousand)	-	10	30,790,406 (Note D)	-	Y	-
2	Pacific China Holdings Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	2	18,474,243 (Note C)	128,925 (RMB 30,000 thousand)	-	-	-	-	30,790,406 (Note D)	-	-	Y
3	Far Eastern Big City Shopping Malls Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	389,223 (Note A)	154,325	154,325	154,325	-	1	648,704 (Note B)	-	-	-

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

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

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

(Continued)

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

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

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

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

(Concluded)

## FAR EASTERN DEPARTMENT STORES, LTD.

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

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

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2019				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far Eastern Department Stores, Ltd.	<u>Shares</u> Asia Cement Corporation	4	Financial assets at fair value through other comprehensive income - non-current	50,000	\$ 2,397,524	1	\$ 2,397,524	35,000 thousand shares of Asia Cement Corporation pledged for loans and commercial papers issued of the investor company
	Far Eastern New Century Corporation	3	Financial assets at fair value through other comprehensive income - non-current	19,964	595,937	-	595,937	
	Kaohsiung Rapid Transit Corporation	-	Financial assets at fair value through other comprehensive income - non-current	6,286	36,082	2	36,082	
	Yuan Ding Leasing Corp.	-	Financial assets at fair value through other comprehensive income - non-current	7,309	70,925	9	70,925	
	Yuan Ding Co., Ltd.	4	Financial assets at fair value through other comprehensive income - non-current	3	10	-	10	
	Yuan Shi Digital Technology Co., Ltd.	4	Financial assets at fair value through other comprehensive income - non-current	1,041	571	1	571	
Bai Ding Investment Co., Ltd.	<u>Shares</u> Far Eastern Department Stores, Ltd.	2	Financial assets at fair value through other comprehensive income - current	8,207	213,792	1	213,792	5,200 thousand shares of Asia Cement Corporation pledged for commercial papers issued of the investor company 15,000 thousand shares of Far Eastern New Century Corporation pledged for loans of the investor company
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	14,814	710,351	-	710,351	
	Far Eastern New Century Corporation	6	Financial assets at fair value through other comprehensive income - non-current	15,812	471,974	-	471,974	
	Chung-Nan Textile Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,984	89,439	5	89,439	
	Ding Ding Management Consultants Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	273	7,322	5	7,322	
	Yue Ding Industry Co., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	2,616	44,381	2	44,381	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10	
	Ding Sheng Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	39,600	326,016	18	326,016	
Bai Yang Investment Co., Ltd.	<u>Shares</u> Far Eastern International Bank	8	Financial assets at fair value through other comprehensive income - current	22,688	271,122	1	271,122	
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	3,849	184,582	-	184,582	
	U-Ming Marine Transport Corp.	8	Financial assets at fair value through other comprehensive income - non-current	200	6,720	-	6,720	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10	
Far Eastern Hon Li Do Co., Ltd.	<u>Beneficiary certificate</u> DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	986	11,584	-	11,584	

(Continued)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2019				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Yu Ming Advertising Agency Co., Ltd.	<u>Beneficiary certificate</u> DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,730	\$ 32,063	-	\$ 32,063	
	<u>Shares</u> Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	1,506	72,193	-	72,193	
FEDS New Century Development Co., Ltd.	<u>Beneficiary certificate</u> DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,503	99,845	-	99,845	
FEDS Development Ltd.	<u>Shares</u> Kowloon Cement Corp., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	46	16,517	2	16,517	
Pacific Sogo Department Stores Co., Ltd.	<u>Shares</u> CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss - current	200	1,911	-	1,911	
	Quanta computer Inc.	-	Financial assets at fair value through profit or loss - current	1	46	-	46	
	Pacific Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	7,931	88,827	2	88,827	
	DBTEL Inc.	-	Financial assets at fair value through profit or loss - current	10	26	-	26	
	Oriental Union Chemical Corp.	8	Financial assets at fair value through other comprehensive income - current	566	11,886	-	11,886	
	U-Ming Marine Transport Corp.	8	Financial assets at fair value through other comprehensive income - current	430	14,448	-	14,448	
	Pacific Liu Tong Investment Co., Ltd.	1	Financial assets at fair value through other comprehensive income - non-current	800	4,019	-	4,019	
	E-Shou Hi-tech Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	18,300	-	15	-	
	Tain Yuan Investment Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	98,000	-	20	-	
	PURETEK Corp.	-	Financial assets at fair value through profit or loss - non-current	119	-	-	-	
	Pacific 88 Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	16	-	1	-	
	Yuan Shi Digital Technology Co., Ltd.	7	Financial assets at fair value through profit or loss - non-current	1,041	-	1	-	
Pacific Liu Tong Investment Co., Ltd.	<u>Beneficiary certificate</u> DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	17,273	202,838	-	202,838	
Far Eastern Big City Shopping Malls Co., Ltd.	<u>Shares</u> Asia Cement Corporation	7	Financial assets at fair value through profit or loss - current	402	19,276	-	19,276	
	Oriental Union Chemical Corp.	8	Financial assets at fair value through profit or loss - current	40	840	-	840	
Pacific China Holdings Ltd.	<u>Shares</u> Overseas Development Corp.	-	Financial assets at fair value through profit or loss - non-current	2,250	-	15	-	
	Taiwan Ocean Farming Corp.	-	Financial assets at fair value through profit or loss - non-current	2,250	-	15	-	

(Continued)

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

(Concluded)

## FAR EASTERN DEPARTMENT STORES, LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Adjusted Item (Note A)	Shares (In Thousands)	Amount
FEDS Development Ltd.	Shares Yuan Ding Enterprise (Shanghai) Co., Ltd.	Investments accounted for using the equity method	-	Associate	-	\$ -	-	\$ 1,605,034 (Note B)	-	\$ -	\$ -	\$ -	\$ (64,673)	-	\$ 1,540,361
Bai Yang Investment Co., Ltd.	Shares FEDS New Century Development Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	150,000	1,569,156	82,000	820,000 (Note C)	-	-	-	-	(2,618)	232,000	2,386,538
FEDS New Century Development Co., Ltd.	Shares Chubei New Century Shopping Mall Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	118,000	1,171,918	82,000	820,000 (Note D)	-	-	-	-	734	200,000	1,992,652
Far Eastern Department Stores, Ltd.	Shares Ya Tung Department Stores, Ltd.	Investments accounted for using the equity method	-	Subsidiary	21,000	(5,018)	40,000	400,000 (Note E)	20,000	-	-	-	(263,260)	41,000	131,722
Pacific Sogo Department Stores Co., Ltd.	Shares Pacific China Holdings (HK) Limited	Investments accounted for using the equity method	-	Subsidiary	53,520	(120,287)	12,600	384,161 (Note F)	-	-	-	-	(1,543,407)	66,120	(1,279,533)
Pacific China Holdings (HK) Limited	Shares Pacific China Holdings Ltd.	Investments accounted for using the equity method	-	Subsidiary	109,200	(439,800)	21,000	640,500 (Note G)	-	-	-	-	(2,512,393)	130,200	(2,311,693)
Pacific China Holdings Ltd.	Shares Chengdu Quanxing Building Pacific Department Store Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	-	(580,312)	-	662,634 (Note H)	-	-	-	-	(170,903)	-	(88,581)

Note A: The share of comprehensive income or loss using the equity method, cash dividends and capital reduction were used to offset a deficit.

Note B: There was an increase in cash capital of RMB357,880 thousand.

Note C: There was an increase in cash capital of NT\$820,000 thousand.

Note D: There was an increase in cash capital of NT\$820,000 thousand.

Note E: There was an increase in cash capital of NT\$400,000 thousand.

Note F: There was an increase in cash capital of US\$12,600 thousand.

Note G: There was an increase in cash capital of US\$21,000 thousand.

Note H: There was an increase in cash capital of US\$21,000 thousand.

## FAR EASTERN DEPARTMENT STORES, LTD.

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Pacific Sogo Department Stores Co., Ltd.	Sogo Department Store Co., Ltd.	Associate	\$ 123,037	-	\$ 123,037	Collection expedited	\$ 282	\$ 123,037
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Same ultimate parent company	193,977 (Note B)	-	-	-	-	-
Pacific China Holdings (HK) Limited.	Pacific China Holdings Ltd.	Subsidiary	105,832 (Note B)	-	-	-	-	-
Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	Same ultimate parent company	692,107 (Note B)	-	-	-	-	-
Chongqing FEDS Co., Ltd.	Chengdu FEDS Co., Ltd.	Same ultimate parent company	228,899 (Note B)	-	-	-	-	-
Chongqing Pacific Consultant & Management Co., Ltd	Chengdu Baiyang Industry Co., Ltd.	Associate	128,173 (Note A)	-	-	-	-	-

Note A: The cash dividend receivable.

Note B: This balance refers to fund lending.

## FAR EASTERN DEPARTMENT STORES, LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A
				December 31, 2019	December 31, 2018	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Far Eastern Department Stores, Ltd.	Bai Yang Investment Co., Ltd.	Taiwan	Investment	\$ 8,922,181	\$ 8,922,181	924,991	100	\$ 9,104,890	\$ 6,572	\$ 6,603	2
	Oriental Securities Corporation	Taiwan	Securities brokerage	143,652	143,652	140,297	20	1,995,131	250,003	49,151	1
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,764,210	1,764,210	281,734	35	3,781,245	364,972	128,211	2
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	33,357	33,357	119,981	67	2,295,131	157,365	105,118	2
	Far Eastern Ai Mai Co., Ltd.	Taiwan	Hypermarket	1,535,538	1,535,538	87,744	100	1,287,839	4,466	4,466	2
	FEDS Development Ltd.	British Virgin Island	Investment	125,058	125,058	218	54	1,409,738	68,052	42,824	2
	Yu Ming Advertising Agency Co., Ltd.	Taiwan	Advertising and importation of certain merchandise	33,000	33,000	3,500	100	119,878	9,430	9,430	2
	Ya Tung Department Stores, Ltd.	Taiwan	Department store	919,292	519,292	41,000	100	131,722	(7,344)	(7,344)	2
	Ding Ding Integrated Marketing Service Co.	Taiwan	Marketing	64,500	64,500	3,631	10	31,466	(48,697)	(4,870)	1
	Asians Merchandise Company	USA	Trading	5,316	5,316	950	100	4,495	72	72	2
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building rental	40,278	40,278	1,571	56	12,529	573	436	2
	Far Eastern CitySuper Co., Ltd.	Taiwan	Hypermarket	478,269	478,269	47,827	96	36,407	(25,063)	(23,975)	2
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	11,651	15	82,257	(228,345)	(34,252)	1
	Bai Ding Investment Co., Ltd.	Oriental Securities Corporation	Taiwan	Securities brokerage	163,563	163,563	97,116	14	1,381,166	250,003	
Pacific Liu Tong Investment Co., Ltd.		Taiwan	Investment	658,129	658,129	100,250	13	1,359,183	364,972		2
Far Eastern International Leasing Corp.		Taiwan	Leasing	301,125	301,125	22,203	5	323,293	92,784		1
Pacific Sogo Department Stores Co., Ltd.		Taiwan	Department store	33,490	33,490	11,254	1	148,179	485,212		2
Yu Ming Trading Co.		Taiwan	Importation of certain merchandise	21,291	21,291	4,901	47	75,735	2,299		1
Far Eastern Hon Li Do Co., Ltd.		Taiwan	Building rental	28,672	28,672	1,259	44	13,362	573		2
Far Eastern CitySuper Co., Ltd.		Taiwan	Hypermarket	-	-	2	-	1	(25,063)		2
FEDS Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	285,653	364,972		2
FEDS New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	285,653	364,972		2
	Chubei New Century Shopping Mall Co., Ltd.	Taiwan	Department store	2,000,000	1,180,000	200,000	100	1,992,652	734		2
Bai Yang Investment Co., Ltd.	FEDS Asia Pacific Development Co., Ltd.	Taiwan	Shopping mall	1,522,761	1,522,761	149,100	70	1,797,473	152,284		2
	Far Eastern International Leasing Corp.	Taiwan	Leasing	1,555,590	1,555,590	132,388	30	1,663,958	92,784		1
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	577,457	577,457	60,019	33	1,163,610	157,365		2
	FEDS New Century Development Co., Ltd.	Taiwan	Shopping mall	2,425,272	1,425,272	232,000	100	2,386,538	7,701		2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	285,653	364,972		2
	FEDS Development Ltd.	British Virgin Island	Investment	723,946	723,946	185	46	1,200,404	68,052		2
	Pacific China Holdings (HK) Limited	Hong Kong	Investment	3,853,976	3,597,868	44,080	40	(853,022)	(2,202,476)		2
Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	200,000	200,000	20,000	40	259,482	128,438		2	
Ya Tung Department Stores, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	55,000	55,000	11,000	1	158,456	364,972		2
Yu Ming Advertising Agency Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,200	1,200	200	-	2,687	364,972		2
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	8,400	8,400	1,400	-	18,195	364,972		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	10,155,959	485,212		2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	62,480	62,480	6,840	3	138,250	79,142		1
Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings (HK) Limited	Hong Kong	Investment	6,117,447	5,733,286	66,120	60	(1,279,533)	(2,202,476)		2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	599,000	599,000	60,296	29	999,129	79,142		1
	Lian Ching Investment Co., Ltd.	Taiwan	Investment	270,641	270,641	26,764	50	-	-		2
	Pacific Venture Investment Ltd.	Hong Kong	Investment	357,050	357,050	100,000	48	-	-		1
	Sogo Department Store Co., Ltd.	Taiwan	Credit card business	32,984	32,984	7,120	34	-	-		1
	Ding Ding Integrated Marketing Service Co	Taiwan	Marketing	64,500	64,500	3,631	10	31,466	(48,697)		1
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	300,000	300,000	30,000	60	389,222	128,438		2
Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	11,651	15	82,257	(228,345)		1	

(Continued)



Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A
				December 31, 2019	December 31, 2018	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Pacific China Holdings (HK) Limited	Pacific China Holdings Ltd.	British Virgin Island	Investment	\$ 4,646,900	\$ 4,017,320	130,200	100	\$ (2,311,693)	\$ (474,698)		2
Pacific China Holdings Ltd.	Bai Fa China Holdings (HK), Limited	Hong Kong	Investment	46	46	2	100	46	-		2

Note A: 1. Associate.  
2. Subsidiary.

Note B: The foreign-currency investments were translated at the rate of US\$1:NT\$29.98 prevailing on December 31, 2019.

Note C: The amount is the investment accounted for using the equity method to \$2,392,241 thousand deduct the parent company shares reclassification to treasury shares of \$97,110 thousand.

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

(Concluded)

## FAR EASTERN DEPARTMENT STORES, LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note A)	Method of Investment (Note F)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note A)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (Note A)	Net Income (Loss) of the Investee (Note D)	% Ownership of Direct or Indirect Investment	Share of (Loss) Profit (Note D)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outflow	Inflow						
Shanghai Pacific Department Stores Co., Ltd.	Department store	\$ 530,646	2	\$ 384,718 (Note B)	\$ -	\$ -	\$ 384,718 (Note B)	\$ 97,601	49	\$ 18,420	\$ 169,543	\$ -
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Department store	659,260	2	29,680 (Note B)	-	-	29,680 (Note B)	(173,828)	67	(116,750)	(59,494)	-
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Department store	89,940	2	89,940 (Note B)	-	-	89,940 (Note B)	(76,952)	67	(51,684)	(187,171)	-
Chongqing Pacific Consultant & Management Co., Ltd.	Consulting services	2,188,540	2	5,996 (Note B)	-	-	5,996 (Note B)	(26,427)	67	(17,749)	756,538	-
Shanghai Pacific Consultant & Management Co., Ltd.	Consulting services	10,493	2	5,142 (Note B)	-	-	5,142 (Note B)	276	33	91	5,999	-
Shanghai Bai Ding Consultant & Management Co., Ltd.	Consulting services	2,998	2	-	-	-	-	232	100	232	11,011	-
Chongqing FEDS Co., Ltd.	Department store	83,944	2	-	-	-	-	112,135	100	112,135	934,628	-
Chengdu Baiyang Industry Co., Ltd.	Department store, logistics and storehouse	966,930	2	-	-	-	-	19,803	22	-	1,130,884	-
Dalian Pacific Department Store Co., Ltd.	Department store	68,759	2	-	-	-	-	(16,709)	67	(11,222)	12,020	-
Pacific (China) Investment Co., Ltd.	Investment	6,475,680	2	-	-	-	-	(69,372)	67	(45,943)	(13,126)	-
Chengdu FEDS Co., Ltd.	Department store	4,017,320	2	-	-	-	-	(47,826)	67	(32,122)	(81,463)	-
Yuan Ding Enterprise (Shanghai) Co., Ltd.	Wholesale of equipment and consulting services	7,578,319	2	-	-	-	-	(99,779)	20	(16,914)	1,540,361	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ - (Note C)	\$237,232 (US\$7,913 thousand) (Notes A and C)	\$ - (Note E)

Note A: Translated at the rate of US\$1:NT\$29.98 and RMB1:NT\$4.2975 prevailing on December 31, 2019.

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

(Continued)

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

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

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

Note F: Three investment types are as follows:

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

(Concluded)

# FAR EASTERN DEPARTMENT STORES, LTD.

## THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF CASH**

**DECEMBER 31, 2019**

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

---

<b>Item</b>	<b>Rate (%)</b>	<b>Amount</b>
Cash on hand		\$ 1,398
Revolving funds		34,244
Checking accounts		452,607
Demand deposits (Note)	0.001-0.33	<u>50,112</u>
		<u>\$ 538,361</u>

Note: The accounts includes foreign currency deposit of US\$86,299.88, EUR2,388.18 and AUD8,495.59, at an exchange rate of US\$1=NT\$29.98, EUR1=NT\$33.59 and AUD1=NT\$21.005.

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF TRADE RECEIVABLE**

**DECEMBER 31, 2019**

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

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<b>Client Name</b>	<b>Amount</b>
Related parties(Note)	
Far Eastern International Bank	\$ 38,085
Others (Note)	<u>41,449</u>
	<u>79,534</u>
Non-related parties	
National credit card center of R.O.C	95,694
Powertech Technology Inc.	22,576
Citibank Taiwan, Ltd. Credit Card Dep.	23,283
Others (Note)	<u>204,731</u>
	<u>346,284</u>
Less: Allowance for impairment loss	<u>537</u>
	<u>\$ 425,281</u>

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

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF OTHER RECEIVABLES**

**DECEMBER 31, 2019**

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

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<b>Client Name</b>	<b>Amount</b>
Fubon insurance	\$ 188,508
Others (Note)	<u>90,771</u>
	<u>\$ 279,279</u>

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

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF INVENTORIES**

**DECEMBER 31, 2019**

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

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<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Net Realizable Value</b>
Merchandise		
Cosmetics and boutiques	\$ 495,568	\$ 682,789
Supermarket and restaurants	12,521	18,428
Men's fashion	4,697	10,191
Living and lifestyle	<u>190</u>	<u>215</u>
	<u>\$ 512,976</u>	<u>\$ 711,623</u>



## FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance at January 1, 2019		Additions in Investment		Decrease in Investment		Unrealized Profit or Loss Amount	Balance at December 31, 2019		Collateral
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount		Shares (In Thousands)	Amount	
Shares										
Asia Cement Corporation	50,000	\$ 1,697,517	-	\$ -	-	\$ -	\$ 700,007	50,000	\$ 2,397,524	Including 35,000 thousand shares provided as collateral for bank borrowings and issuance
Far Eastern New Century Corporation	19,964	557,006	-	-	-	-	38,931	19,964	595,937	Nil
Yuan Ding Leasing Corp.	7,309	69,892	-	-	-	-	1,033	7,309	70,925	Nil
Kaohsiung Rapid Transit Corporation	6,286	29,355	-	-	-	-	6,727	6,286	36,082	Nil
Yuanshi Digital Technology Co., Ltd.	1,041	571	-	-	-	-	-	1,041	571	Nil
Yuan Ding Co., Ltd.	3	10	-	-	-	-	-	3	10	Nil
		<u>\$ 2,354,351</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ 746,698</u>		<u>\$ 3,101,049</u>	

## FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF CHANGE IN INVESTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Par Value Per Share	Changes in Investment										Balance at December 31, 2019			Market Value or Net Assets Value	
		Balance at January 1, 2019		Adjustment on Initial Application of IFRS 16 Amount	Addition/Decrease in Investment (Note B)		Share of Loss of Subsidiaries and Associates Accounted for Using the Equity Method Amount	Unrealized Gain or Loss on Financial Assets At FVTOCI Amount	Exchange Differences on Translating the Financial Statements of Foreign Operations Amount	Other Amount (Note C)	Shares (In Thousands) (Note A)	%	Amount	Unit Price (NT\$)	Total Amount	
		Shares (In Thousands)	Amount		Shares (In Thousands)	Amount										
BYIC	\$ 10	924,991	\$ 9,131,939	\$ (220,820)	-	\$ -	\$ 6,603	\$ 179,145	\$ 5,477	\$ 2,546	924,991	100	\$ 9,104,890	\$ 9.88	\$ 9,137,884	
PLTI	10	281,734	3,838,530	(80,597)	-	-	128,211	(15,883)	19,290	(108,306)	281,734	35	3,781,245	13.35	3,759,914	
BDIC	10	119,981	2,205,608	(21,879)	-	-	105,118	148,672	5,069	(50,347)	119,981	67	2,392,241	20.02	2,402,075	
OSC	10	140,297	1,949,756	-	-	-	49,151	(2,272)	(307)	(1,197)	140,297	20	1,995,131	14.22	1,994,853	
AIMAI	10	87,744	1,298,433	(6,505)	-	-	4,466	8,323	-	(16,878)	87,744	100	1,287,839	9.76	856,298	
FEDS Development	US\$ 10	218	1,411,729	-	-	-	42,824	4,159	(55,480)	6,506	218	54	1,409,738	5,808.52	1,265,096	
FECS	10	47,827	60,382	-	-	-	(23,975)	-	-	-	47,827	96	36,407	1.65	78,846	
YHDP	10	15,313	116,511	(2)	(3,662)	-	(34,252)	-	-	-	11,651	15	82,257	7.06	82,256	
YMAC	10	3,500	95,804	(57)	-	-	9,430	21,067	14	(6,380)	3,500	100	119,878	34.25	119,878	
DDUN	10	3,399	36,191	(21)	232	-	(4,870)	(1)	(85)	252	3,631	10	31,466	8.67	31,467	
FEHLD	10	1,571	12,480	(216)	-	-	436	(43)	52	(180)	1,571	56	12,529	10.61	16,665	
Asians Merchandise Company (AMC)	US\$ 1	950	4,534	-	-	-	72	-	(111)	-	950	100	4,495	4.73	4,495	
YTDS	10	21,000	(5,018)	(255,349)	20,000	400,000	(7,344)	(619)	752	(700)	41,000	100	131,722	3.21	131,722	
			20,156,879	(585,446)		400,000	275,870	342,548	(25,329)	(174,684)			20,389,838		19,881,449	
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															97,110	97,110
															20,064,787	20,292,728
Less: The differences of accounting treatments from the consolidated financial statements (Note D)															494,072	(22,745)
															494,072	471,327
															\$ 19,570,715	\$ 298,615
															\$ 19,821,401	\$ 19,821,401

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

Note B: DDIM has undertaken the registration of a capital increase from retained earnings, which resulted in a increase of 232 thousand shares in accordance with existing ownership percentage.  
YHDP has capital reduction in July 2019. The Company reduced 3,662 thousand shares in accordance with existing ownership percentage.  
YTDS has capital increase and reduction in December 2019, simultaneously. The Company subscribed for 40,000 thousand shares (\$10 per share) and reduced 20,000 thousand shares.

Note C: The increase of \$252 thousand in retained earnings, increase of \$12,046 thousand in capital surplus, decrease of \$32,194 thousand in actuarial loss and decrease of \$154,788 thousand in cash dividends are in accordance with the existing capital surplus percentage.

Note D: Please see Note 11.

## FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENT OF RIGHT-OF-USE ASSETS

DECEMBER 31, 2019

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

Item	Balance at January 1, 2019	Adjustments on Initial Application of IFRS 16	Addition in	Decrease in	Reclassification	Balance at December 31, 2019	Note
Cost							
Land	\$ -	\$ 4,091,855	\$ 2,093,783	\$ -	\$ 2,005,791	\$ 8,191,429	
Buildings	-	14,467,476	-	-	4,910,710	19,378,186	
Plant, transportation, and miscellaneous equipment	-	-	323	-	-	323	
	<u>\$ -</u>	<u>\$ 18,559,331</u>	<u>\$ 2,094,106</u>	<u>\$ -</u>	<u>\$ 6,916,501</u>	<u>\$ 27,569,938</u>	
Accumulated depreciation							
Land	\$ -	\$ -	\$ (152,646)	\$ -	\$ -	\$ (152,646)	
Buildings	-	(853,509)	(727,524)	-	-	(1,581,033)	
Plant, transportation, and miscellaneous equipment	-	-	(54)	-	-	(54)	
	<u>\$ -</u>	<u>\$ (853,509)</u>	<u>\$ (880,224)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,733,733)</u>	

## FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2019

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

Type	Contract Period	Interest Rates (%)	Balance, End of Year	Loan Commitments	Collateral
Credit loans					
Taipei Fubon Bank	2019/12/11-2020/05/20	0.931	\$ 300,000	\$ 300,000	-
Taishin International Bank	2019/12/13-2020/01/06	0.97	1,500,000	1,500,000	-
Bank of Taiwan	2019/11/29-2020/01/09	0.92	800,000	800,000	-
Mizuho Corporate Bank Ltd.	2019/12/30-2020/01/31	0.9	1,000,000	1,000,000	-
Bank SinoPac Company Limited	2019/12/09-2020/01/09	0.9-1.0	500,000	500,000	-
Hua Nan Commercial Bank	2019/12/25-2020/01/21	0.9	200,000	250,000	-
			<u>4,300,000</u>	<u>4,350,000</u>	
Secured loans					
Bank of Taiwan	2019/12/13-2020/02/11	0.92	<u>700,000</u>	<u>700,000</u>	Land and buildings
			<u>\$ 5,000,000</u>	<u>\$ 5,050,000</u>	

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF SHORT-TERM BILLS PAYABLE**

**DECEMBER 31, 2019**

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

Promissory Institution	Contract Period	Interest Rates (%)	Nominal Amount	Discount Amount	Carrying Amount	Collateral
Mega Bills Finance Co., Ltd.	2019/12/11-2020/01/09	0.730	\$ 600,000	\$ 127	\$ 599,873	-
The Shanghai Commercial & Savings Bank	2019/12/23-2020/01/20	0.482	500,000	251	499,749	-
China Bills Finance Corporation	2019/12/09-2020/01/08	0.500	350,000	64	349,936	-
Grand Bills Finance Corporation	2019/12/20-2020/01/14	0.900	300,000	113	299,887	-
International Bills Finance Corporation	2019/12/17-2020/01/06	0.700	200,000	29	199,971	-
Taiwan Cooperative Bills Finance Corporation	2019/12/16-2020/01/14	0.830	200,000	74	199,926	-
Taiwan Finance Corporation	2019/12/13-2020/01/02	0.700	200,000	5	199,995	-
Ta Ching Bills Finance Corporation	2019/12/12-2020/01/07	0.740	150,000	25	149,975	-
			<u>\$ 2,500,000</u>	<u>\$ 688</u>	<u>\$ 2,499,312</u>	

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF TRADE PAYABLE**

**DECEMBER 31, 2019**

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

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<b>Vendor Name</b>	<b>Amount</b>
Related parties (Note)	\$ 56,943
Unrelated parties	
Others (Note)	<u>3,612,036</u>
	<u>\$ 3,668,979</u>

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

## FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENT OF LONG-TERM BORROWING

DECEMBER 31, 2019

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

Type and Creditor	Contract Period	Repayment Terms	Interest Rates (%)	Current	Non-current	Total	Collateral
A revolving line of credit of commercial paper loans							
KGI Bank				\$ -	\$ 1,200,000	\$ 1,200,000	
Less: Unamortized discount	2021.06.15	A revolving line of credit of loans is allowed	0.399-0.429	-	243	243	
				<u>-</u>	<u>1,199,757</u>	<u>1,199,757</u>	
Secured loans							
Bank of Taiwan	2021.01.18	A revolving line of credit of loans is allowed	0.92	-	2,100,000	2,100,000	Land and building
Hua Nan Commercial Bank	2021.07.26	A revolving line of credit of loans is allowed	0.90	-	6,000,000	6,000,000	Land and building
Hua Nan Commercial Bank	2020.03.04	A non-revolving line of credit	1.72	2,000,000	-	2,000,000	Land and building
				<u>2,000,000</u>	<u>8,100,000</u>	<u>10,100,000</u>	
Credit loans							
Mega Bank	2020.09.25	A revolving line of credit of loans is allowed	1.00	500,000	-	500,000	-
CTBC Bank	2021.10.31	A revolving line of credit of loans is allowed	1.20	-	1,000,000	1,000,000	-
Bank of China	2021.07.22	A revolving line of credit of loans is allowed	0.90	-	1,000,000	1,000,000	-
Bank of Taiwan	2021.01.18	A revolving line of credit of loans is allowed	0.92	-	500,000	500,000	-
				<u>500,000</u>	<u>2,500,000</u>	<u>3,000,000</u>	
				<u>\$ 2,500,000</u>	<u>\$ 11,799,757</u>	<u>\$ 14,299,757</u>	

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF LEASE LIABILITIES**

**DECEMBER 31, 2019**

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

<b>Item</b>	<b>Summary</b>	<b>Lease Period</b>	<b>Discount Rates</b>	<b>Balance at December 31, 2019</b>	<b>Note</b>
Land		2003/10/31-2053/10/30	1.17%-1.72%	\$ 5,957,228	-
Buildings		2011/12/29-2041/12/31	0.90%-1.72%	9,370,285	-
Miscellaneous equipment		2019/03/01-2024/02/28	0.92%	<u>275</u>	-
				15,327,788	
Transfer into current liabilities within a year				<u>(929,821)</u>	
				<u>\$ 14,397,967</u>	



**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF OPERATING COST  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Cost of goods sold	
Inventories, beginning of year	\$ 378,188
Add: Purchases	4,097,515
Less: Inventories, end of year	(512,976)
Less: Transferred to operating expenses	<u>(398)</u>
	3,962,329
Rental cost	171,075
Others	<u>35,358</u>
	<u>\$ 4,168,762</u>

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Expected Credit Loss	Total
Advertising	\$ 294,631	\$ -	\$ -	\$ 294,631
Payroll	-	1,034,273	-	1,034,273
Depreciation	-	1,566,458	-	1,566,458
Utilities	-	252,925	-	252,925
Tax	-	262,854	-	262,854
Others (Note)	<u>84,131</u>	<u>825,030</u>	<u>513</u>	<u>909,674</u>
	<u>\$ 378,762</u>	<u>\$ 3,941,540</u>	<u>\$ 513</u>	<u>\$ 4,320,815</u>

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

## FAR EASTERN DEPARTMENT STORES, LTD.

### STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	2019			2018		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Employees' benefits expenses						
Salary and bonus	\$ -	\$ 977,745	\$ 977,745	\$ -	\$ 949,390	\$ 949,390
Labor and health insurance	-	83,686	83,686	-	79,150	79,150
Pension	-	39,410	39,410	-	41,184	41,184
	-	56,528	56,528	-	42,330	42,330
Others	-	26,340	26,340	-	31,187	31,187
	<u>\$ -</u>	<u>\$ 1,183,709</u>	<u>\$ 1,183,709</u>	<u>\$ -</u>	<u>\$ 1,143,241</u>	<u>\$ 1,143,241</u>
Depreciation	<u>\$ 88,000</u>	<u>\$ 1,566,458</u>	<u>\$ 1,654,458</u>	<u>\$ 68,723</u>	<u>\$ 947,340</u>	<u>\$ 1,016,063</u>
Amortization	<u>\$ -</u>	<u>\$ 26,757</u>	<u>\$ 26,757</u>	<u>\$ -</u>	<u>\$ 18,678</u>	<u>\$ 18,678</u>

Note A: As of December 31, 2019 and 2018, the Company had 1,403 and 1,301 employees, which include 6 and 7 directors not serving concurrently as employees, respectively.

Note B: As of December 31, 2019 and 2018, the Company's average employees' benefits expenses were \$807 thousand and \$851 thousand, respectively.

Note C: As of December 31, 2019 and 2018, the Company's average employees' salary and bonus were \$700 thousand and \$734 thousand, respectively.

Note D: Average employees' salary and bonus adjusted (4.63%).