Far Eastern Department Stores, Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards 10 “Consolidated and Separate Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

FAR EASTERN DEPARTMENT STORES, LTD.

By

DOUGLAS HSU
Chairman

March 21, 2018

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Far Eastern Department Stores, Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

<u>Evaluation of Impairment Loss of Goodwill</u>

As of December 31, 2017, the goodwill of the Group was NT$4,932,782 thousand, accounted for 5% of total consolidated assets, which is material to the consolidated financial statements. Under IAS 36, management must test impairment annually.

The goodwill of the Group mainly derived from the merger and acquisition of operating segments in mainland China. When testing goodwill for impairment, management should evaluate whether the recoverable amount is higher than the carrying amount. In determining the recoverable amount, management should estimate the future cash flows from operating segments in mainland China and determine the optimal discount rate. Significant assumptions involve both judgments made by management and material estimation uncertainty. Thus, the evaluation of impairment loss of goodwill is considered a key audit matter. For the accounting policy related to impairment loss of the goodwill, refer to Notes 4, 5 and 18 of the accompanying consolidated financial statements.

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

1. Evaluating the expertise, competency and independence of external valuation specialists mandated by management. Verifying the qualification of valuation specialists to ensure their objectivity and assignment are not influenced or restricted, and the methodology conducted is under regulation.

2. With support from our internal financial consultancy specialists, evaluating the appropriateness of significant assumptions applied by management, including cash flows forecasts, revenue growth rates and discount rates used.

Fair Value Evaluation of Investment Properties

As of December 31, 2017, the carrying amount of investment properties was NT$8,738,216 thousand, accounting for 8% of total consolidated assets, which is material to the consolidated financial statements. The Group's investment properties are subsequently measured using the fair value model. 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 Group and market rentals.

Since the cash flow forecasts are subject to economic conditions, which have a high level of measurement uncertainty, we have resultantly identified the fair value evaluation of investment properties as a key audit matter. Refer to Notes 4, 5 and 17 to the accompanying consolidated financial statements for the relevant detailed information.

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

1. Evaluating the expertise, competency and independence of external valuation specialists mandated by management. Verifying the qualification of valuation specialists to ensure their objectivity and assignment are not influenced or restricted, and the methodology conducted is under regulation.

2. Reviewing significant lease contracts to ensure the accuracy of fundamental information for cash flow forecasts.

3. With support from our internal financial consultancy specialists, evaluating the appropriateness of significant assumptions applied, including capitalization rates and discount rates used.

Others Matter

We have also audited the parent company only financial statements of Far Eastern Department Stores, Ltd. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including members of the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 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 Kuo-Tyan Hung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 21, 2018

<u>*Notice to Readers*</u>

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 16,116,484	15	$ 13,509,941	13
Financial assets at fair value through profit or loss - current (Note 7)	496,455	1	504,315	-
Available-for-sale financial assets - current (Notes 8 and 36)	233,523	-	446,079	-
Debt investments with no active market - current (Notes 9 and 36)	1,914,388	2	587,511	-
Notes receivable (Note 10)	1,131	-	15,894	-
Trade receivables (Note 10)	1,113,758	1	767,248	1
Trade receivables from related parties (Notes 10 and 35)	126,364	-	163,085	-
Other receivables (Notes 10 and 35)	1,784,033	2	1,829,561	2
Current tax assets (Note 30)	3,079	-	88,192	-
Inventories (Note 11)	2,583,275	2	2,761,106	3
Prepayments (Notes 19 and 35)	870,134	1	978,303	1
Non-current assets held for sale (Note 12)	-	-	10,515	-
Other current assets (Notes 20 and 35)	69,068	-	79,317	-
Total current assets	25,311,692	24	21,741,067	20
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 8 and 36)	2,944,887	3	3,522,515	3
Financial assets measured at cost - non-current (Note 14)	608,037	-	609,521	1
Debt investments with no active market - non-current (Notes 9 and 36)	227,000	-	229,000	-
Investments accounted for using the equity method (Notes 15 and 36)	8,444,059	8	8,438,059	8
Property, plant and equipment (Notes 16, 35 and 36)	43,699,225	41	43,626,582	41
Investment properties (Notes 17 and 36)	8,738,216	8	10,166,796	10
Intangible assets (Note 18)	5,059,516	5	6,244,854	6
Deferred tax assets (Note 30)	719,578	1	1,023,507	1
Long-term prepayments for lease (Notes 19 and 35)	8,176,674	8	8,615,400	8
Other non-current assets (Notes 20 and 35)	1,779,567	2	1,978,309	2
Total non-current assets	80,396,759	76	84,454,543	80
TOTAL	$ 105,708,451	100	$ 106,195,610	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 21, 35 and 36)	$ 13,084,956	12	$ 9,886,363	10
Short-term bills payable (Notes 21 and 36)	2,514,700	3	2,690,946	3
Notes payable (Note 23)	3,071	-	37,892	-
Trade payables (Note 23)	18,285,105	17	16,250,674	15
Trade payables to related parties (Notes 23 and 35)	127,880	-	113,817	-
Other payables (Notes 24, 27 and 35)	4,250,840	4	4,518,254	4
Current tax liabilities (Note 30)	539,394	1	740,459	1
Provisions - current (Note 25)	6,828	-	18,596	-
Advance receipts (Note 35)	7,456,419	7	7,594,619	7
Deferred revenue - current (Note 24)	83,761	-	92,267	-
Current portion of bonds payable (Note 22)	998,149	1	-	-
Current portion of long-term borrowings (Notes 21 and 36)	3,500,000	3	5,965,315	6
Other current liabilities (Notes 24 and 35)	264,545	-	278,656	-
Total current liabilities	51,115,648	48	48,187,858	46
NON-CURRENT LIABILITIES				
Bonds payable (Notes 22 and 36)	-	-	996,282	1
Long-term borrowings (Notes 21 and 36)	13,258,102	13	14,959,267	14
Provisions - non-current (Note 25)	26,465	-	27,995	-
Deferred tax liabilities (Note 30)	1,915,480	2	2,053,903	2
Net defined benefit liabilities (Note 26)	945,908	1	982,919	1
Other non-current liabilities (Notes 24 and 35)	1,588,670	1	2,544,584	2
Total non-current liabilities	17,734,625	17	21,564,950	20
Total liabilities	68,850,273	65	69,752,808	66
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Common shares	14,169,406	13	14,169,406	13
Capital surplus	3,315,931	3	3,319,868	3
Retained earnings				
Legal reserve	3,013,281	3	2,899,856	3
Special reserve	2,643,743	3	2,529,594	2
Unappropriated earnings	2,274,946	2	2,013,557	2
Total retained earnings	7,931,970	8	7,443,007	7
Other equity	3,678,521	3	3,795,400	4
Treasury shares	(97,110)	-	(97,110)	-
Total equity attributable to owners of the Company	28,998,718	27	28,630,571	27
NON-CONTROLLING INTERESTS	7,859,460	8	7,812,231	7
Total equity	36,858,178	35	36,442,802	34
TOTAL	$ 105,708,451	100	$ 106,195,610	100

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 28 and 35)	$ 41,166,982	100	$ 43,496,489	100
OPERATING COSTS (Notes 11, 29 and 35)	20,673,607	50	21,595,367	50
GROSS PROFIT	20,493,375	50	21,901,122	50
OPERATING EXPENSES (Notes 26, 29 and 35)				
Selling and marketing expenses	1,036,753	3	1,176,453	3
General and administrative expenses	16,369,898	40	17,563,553	40
Total operating expenses	17,406,651	43	18,740,006	43
OPERATING PROFIT	3,086,724	7	3,161,116	7
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 29)	213,248	-	240,977	1
Other gains and losses (Notes 16, 18, 29 and 35)	(116,574)	-	(843,912)	(2)
Finance costs (Notes 29 and 35)	(445,376)	(1)	(428,315)	(1)
Share of loss of associates accounted for using the equity method	(39,180)	-	(8,585)	-
Total non-operating income and expenses	(387,882)	(1)	(1,039,835)	(2)
PROFIT BEFORE INCOME TAX	2,698,842	6	2,121,281	5
INCOME TAX EXPENSE (Note 30)	853,820	2	625,723	1
NET PROFIT FOR THE YEAR	1,845,022	4	1,495,558	4
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 26, 27 and 30)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(78,408)	-	(174,835)	(1)
Share of other comprehensive loss of associates accounted for using the equity method	(3,666)	-	(3,538)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	13,325	-	30,137	-
	(68,749)	-	(148,236)	(1)

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FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ 53,290	-	$ 80,511	-
Unrealized loss on available-for-sale financial assets	(140,221)	-	(189,429)	-
Share of other comprehensive loss of associates accounted for using the equity method	(3,528)	-	(31,856)	-
	(90,459)	-	(140,774)	-
Other comprehensive (loss) income for the year, net of income tax	(159,208)	-	(289,010)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,685,814	4	$ 1,206,548	3
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 1,535,986	3	$ 1,134,252	3
Non-controlling interests	309,036	1	361,306	1
	$ 1,845,022	4	$ 1,495,558	4
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 1,363,957	3	$ 797,192	2
Non-controlling interests	321,857	1	409,356	1
	$ 1,685,814	4	$ 1,206,548	3
EARNINGS PER SHARE (Note 31)				
Basic	$ 1.09		$ 0.81	
Diluted	$ 1.09		$ 0.80	

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
			Retained Earnings (Note 27)			Other Equity (Note 27)						
	Share Capital (Note 27)	Capital Surplus (Note 27)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Gain on Property Revaluation	Treasury Shares (Note 27)	Total	Non-controlling Interests (Note 27)	Total Equity
BALANCE AT JANUARY 1, 2016	$ 14,169,406	$ 3,315,420	$ 2,728,379	$ 2,461,168	$ 2,673,946	$ 57,483	$ 1,767,337	$ 2,170,970	$ (97,110)	$ 29,246,999	$ 7,604,872	$ 36,851,871
Appropriation of 2015 earnings												
Legal reserve	-	-	171,477	-	(171,477)	-	-	-	-	-	-	-
Special reserve	-	-	-	68,426	(68,426)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,416,940)	-	-	-	-	(1,416,940)	-	(1,416,940)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(158,320)	(158,320)
	-	-	171,477	68,426	(1,656,843)	-	-	-	-	(1,416,940)	(158,320)	(1,575,260)
Net profit for the year ended December 31, 2016	-	-	-	-	1,134,252	-	-	-	-	1,134,252	361,306	1,495,558
Other comprehensive (loss) income for the year ended December 31, 2016, net of income tax	-	-	-	-	(136,670)	790	(201,180)	-	-	(337,060)	48,050	(289,010)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	997,582	790	(201,180)	-	-	797,192	409,356	1,206,548
Difference between equity purchase price and carrying amount arising from actual acquisition of subsidiary	-	-	-	-	(1,128)	-	-	-	-	(1,128)	1,128	-
Adjustments resulting from investments in associates accounted for using the equity method	-	4,448	-	-	-	-	-	-	-	4,448	5,381	9,829
Decreases in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(50,186)	(50,186)
BALANCE AT DECEMBER 31, 2016	$ 14,169,406	$ 3,319,868	$ 2,899,856	$ 2,529,594	$ 2,013,557	$ 58,273	$ 1,566,157	$ 2,170,970	$ (97,110)	$ 28,630,571	$ 7,812,231	$ 36,442,802
Appropriation of 2016 earnings												
Legal reserve	-	-	113,425	-	(113,425)	-	-	-	-	-	-	-
Special reverse	-	-	-	114,149	(114,149)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(991,858)	-	-	-	-	(991,858)	-	(991,858)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(273,138)	(273,138)
	-	-	113,425	114,149	(1,219,432)	-	-	-	-	(991,858)	(273,138)	(1,264,996)
Net profit for the year ended December 31, 2017	-	-	-	-	1,535,986	-	-	-	-	1,535,986	309,036	1,845,022
Other comprehensive (loss) income for the year ended December 31, 2017, net of income tax	-	-	-	-	(55,150)	27,775	(144,654)	-	-	(172,029)	12,821	(159,208)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	1,480,836	27,775	(144,654)	-	-	1,363,957	321,857	1,685,814
Adjustments resulting from investments in associates accounted for using the equity method	-	(3,937)	-	-	(15)	-	-	-	-	(3,952)	(1,490)	(5,442)
BALANCE AT DECEMBER 31, 2017	$ 14,169,406	$ 3,315,931	$ 3,013,281	$ 2,643,743	$ 2,274,946	$ 86,048	$ 1,421,503	$ 2,170,970	$ (97,110)	$ 28,998,718	$ 7,859,460	$ 36,858,178

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 2,698,842	$ 2,121,281
Adjustments for:		
Depreciation expenses	2,650,811	2,929,003
Amortization expenses	44,687	40,377
Impairment loss (reversal of impairment loss) recognized on receivables	(7,062)	20,682
Net loss on financial assets or liabilities at fair value through profit or loss	2,851	36,290
Finance costs	445,376	428,315
Interest income	(74,855)	(57,458)
Dividend income	(138,393)	(183,519)
Share of loss of associates accounted for using the equity method	39,180	8,585
Gain on disposal of investments	(428,971)	-
Loss on disposal of property, plant and equipment	223,336	40,617
Loss on disposal of intangible assets	3,261	306
Gain on disposal of non-current assets held for sale	(6,628)	-
Impairment loss recognized on financial assets	2,055	2,055
Impairment loss recognized on intangible assets	1,205,840	998,411
Impairment loss recognized on property, plant and equipment	2,040	177,228
Unrealized gain on physical inventory and slow-moving inventories	(1,734)	(159,305)
Loss (gain) on changes in fair value of investment properties	9,061	(127,937)
Amortization of prepayments	25,903	28,301
Amortization of prepayments for lease	325,824	327,040
(Reversal) recognition of provisions	(13,548)	11,898
Reversal of deferred revenue	(92,267)	(98,552)
Reversal of unrealized purchase discounts	(1,506)	(106,012)
Net changes in operating assets and liabilities		
Financial assets held for trading	5,009	(189,494)
Notes receivable	14,763	(12,501)
Trade receivables	(355,141)	(251,606)
Trade receivables from related parties	36,721	95,407
Other receivables	52,691	(229,922)
Inventories	181,071	501,451
Prepayments	148,600	(2,821)
Other current assets	10,249	10,785
Notes payable	(34,821)	(14,332)
Trade payables	2,034,431	(355,292)
Trade payables to related parties	14,063	(5,937)
Other payables	(979,615)	(297,819)
Deferred revenue	83,761	92,267

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FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Advance receipts	$ 71,379	$ (231,858)
Other current liabilities	(14,111)	(31,108)
Net defined benefit liabilities	(92,161)	16,041
Cash generated from operations	8,090,992	5,530,867
Dividends received	238,940	673,437
Interest paid	(431,023)	(411,026)
Interest received	67,559	49,417
Income tax returned	3,125	500
Income tax paid	(799,617)	(341,734)
Net cash generated from operating activities	7,169,976	5,501,461
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of debt investments with no active market	(1,324,877)	187,336
Acquisition of investments accounted for using the equity method	(286,655)	(74,000)
Acquisition of available-for-sale assets	(92,331)	-
Proceeds from sale of available-for-sale financial assets	1,171,836	-
Decrease in prepaid long-term investments	84,174	96,164
Proceeds from disposal of non-current assets held for sale	13,500	-
Payments for property, plant and equipment	(1,825,793)	(1,685,232)
Proceeds from disposal of property, plant and equipment	1,940	8,097
Payments for intangible assets	(53,748)	(42,348)
Payments for investment properties	(1,481)	(2,593)
Decrease in other non-current assets	77,909	28,871
Net cash used in investing activities	(2,235,526)	(1,483,705)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	137,230,416	107,709,464
Repayments of short-term borrowings	(133,883,006)	(107,049,812)
Proceeds from short-term bills payable	29,826,307	30,934,339
Repayments of short-term bills payable	(30,002,553)	(30,594,413)
Proceeds from long-term borrowings	67,111,036	45,644,837
Repayments of long-term borrowings	(71,280,600)	(45,509,200)
Decrease in other non-current liabilities	(35,184)	(45,513)
Dividends paid to owners of the Company	(992,035)	(1,417,029)
Dividends paid to non-controlling interests	(267,424)	(197,397)
Decrease in non-controlling interests	-	(50,186)
Net cash used in financing activities	(2,293,043)	(574,910)

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
EFFECTS OF EXCHANGE RATE CHANGES	$ (34,864)	$ 40,465
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,606,543	3,483,311
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	13,509,941	10,026,630
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 16,116,484	$ 13,509,941

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

1. GENERAL INFORMATION

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

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 21, 2018.

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

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

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

1) Amendment to IFRS 8 "Operating Segments"

IFRS 8 was amended by the Annual Improvements to IFRSs 2010-2012 Cycle to require the disclosure of the judgments made by management in applying the aggregation criteria to operating segments, including a description of the aggregated operating segments and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker. The judgments made in applying the aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

2) Amendments to IFRS 13 "Fair Value Measurement"

The basis for the conclusions of IFRS 13 was amended by the Annual Improvements to IFRSs 2010-2012 Cycle to clarify that when the amendments became effective in 2017, the short-term receivables and payables with no stated interest rates were measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

3) Amendment to IAS 36 “Impairment of Assets”

The amendment “Disclosures for Non-financial Assets” clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group are required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured using the present value technique. The amendment will be applied retrospectively.

4) IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount are certain and the accounting for a provision whose timing or amount are not certain. The Group accrues a related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as the generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

5) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and added requirements for the disclosures of related party transactions and goodwill.

The amendments stipulate that other Group or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group’s respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation conditions after a business combination and the expected benefits on the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions is enhanced. Refer to Note 35 for the related disclosure.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC for application starting from 2018

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets are stated as follows:

For the invested debt instruments, if the contractual cash flows that are solely for payments of principal and interest on the principal amount outstanding, the classification and measurement requirements are stated as follows:

a) If the objective of business model is to hold the financial asset to collect the contractual cash flows, such assets are measured at the amortized cost. Interest revenue should be recognized in profit or loss by using the effective interest method, continuously assessed for impairment and the impairment loss or reversal of impairment loss should be recognized in profit and loss.

b) If the objective of business model is to hold the financial asset both to collect the contractual cash flows and to sell the financial assets, such assets are measured at fair value through other comprehensive income (FVTOCI) and are continuously assessed for impairment. Interest revenue should be recognized in profit or loss by using the effective interest method. A gain or loss on a financial asset measured at FVTOCI should be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When such financial asset is derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The other financial assets which do not meet the aforementioned criteria should be measured at the fair value through profit or loss (FVTPL). However, the Group may irrevocably designate an investment in equity instruments (that is not held for trading) as measured at FVTOCI. All relevant gains and losses shall be recognized in other comprehensive income, except for dividend income which is recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gains or losses previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares classified as available-for-sale will be designated as at FVTOCI and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead.

b) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as at amortized cost, because on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding and the objective of the Group’s business model is not to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the Expected Credit Loss Model. A loss allowance is required for financial assets measured at amortized cost and contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute financing transactions.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In relation to debt instrument investments, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit loss model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity when retrospectively applying the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is detailed below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Available-for-sale financial assets - current	$ 233,523	$ (233,523)	$ -
Financial assets at FVTOCI - current	-	233,523	233,523
Account receivables (including related parties)	1,240,122	3,445	1,243,567
Other receivables	1,784,033	(369)	1,783,664
Available-for-sale financial assets - non-current	2,944,887	(2,944,887)	-
Financial assets at FVTOCI - non-current	-	3,437,077	3,437,077
Financial assets measured at cost - non-current	608,037	(608,037)	-
Investments accounted for using the equity method	8,444,059	26,012	8,470,071
Total effect on assets	$ 15,254,661	$ (86,759)	$ 15,167,902
Retained earnings	$ 7,931,970	$ 92,444	$ 8,024,414
Other equity	3,678,521	(179,203)	3,499,318
Total effect on equity	$ 11,610,491	$ (86,759)	$ 11,523,732

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts”, and a number of revenue-related interpretations.

When applying IFRS 15, the Group shall recognize revenue by applying the following steps:

- Identifying the contract with the customer;
- Identifying the performance obligations in the contract;
- Determininge the transaction price;
- Allocatinge the transaction price to the performance obligations in the contracts; and
- Recognizeinge revenue when the entity satisfies a performance obligation.

IFRS 15 and related amendment require that when another party is involved in providing goods or services to a customer, the Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. Since a specified good or service is a distinct good or service, the Group determines whether it is a principal or an agent for each specified good or service.

The Group is a principal if it obtains control of any one of the following:

a) The good or another asset that it then transfers to the customer.

b) The right to a service to be performed by another party which gives the Group the ability to direct that party to provide the service to the customer on its behalf.

c) A good or service from another party that it then combines with other goods or services in providing a specified good or service to the customer.

Indicators to support the Group's assessment of whether it controls a specified good or service include, (but are not limited to), the following:

a) The Group is primarily responsible for fulfilling the promise to provide the specified good or service.

b) The Group has inventory risk before or after the specified good or service is transferred to the customer.

c) The Group has discretion in establishing the price of the specified good or service.

Under IFRS 15, the Group obtains control of the specified goods or services before they are transferred to the customer and, therefore, is acting as a principal in the transaction. Currently, the Group determines whether it is a principal or an agent based on its exposure to the significant risks and rewards of the goods or services and considers itself an agent in the transaction.

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

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognizes the cumulative effect of the change in retained earnings on January 1, 2018.

In addition, the Group will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

The anticipated impact on assets, liabilities and equity when retrospectively applying IFRS 15 as of January 1, 2018 is detailed below:

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Advance receipts	$ 7,456,419	$ (7,456,419)	$ -
Deferred revenue	83,761	(83,761)	-
Contract liabilities - current	-	7,540,180	7,540,180
Total effect on liabilities	$ 7,540,180	$ -	$ 7,540,180

3) Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

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

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

4) Amendments to IAS 40 "Transfers of Investment Property"

The amendments clarify that the Group should transfer an item of property to, or from, investment property when, and only when, a property meets, or ceases to meet, the definition of an investment property and there is evidence of its change in use. In isolation, a change in management's intentions for the use of a piece of property does not provide evidence of a change in use. The amendments also clarify that the evidence of change in use is not limited to those illustrated in IAS 40.

The Group will reclassify the item of property as necessary according to the amendments to reflect the conditions that exist at the date of initial application. In addition, the Group will disclose the reclassified amounts at the date of initial application and the reclassified amounts should be included in the reconciliation of the carrying amount of investment property. The Group may elect to apply IAS 40 retrospectively to each prior reporting period presented, if this is possible without the use of hindsight.

5) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

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

The Group will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

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

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use asset separately from the interest expense accrued on the lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Presentation

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

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

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

b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a) Assets held primarily for the purpose of trading;

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

c) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

a) Liabilities held primarily for the purpose of trading;

b) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

c) Liabilities for which the 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.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

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

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

See Note 13 and Table 8 for details on subsidiaries, including the percentages of their ownership and main businesses.

Refer to Table 1 for the diagram of intercompany relationships of the consolidated financial statements for the year ended December 31, 2017.

Foreign Currencies

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

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the 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 (as appropriate attributed to owners of the Company and non-controlling interests, respectively).

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

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

Inventories

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

Investment in Associates

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

Investment Properties

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

Investment properties are measured initially at cost, (including transaction costs), and are subsequently measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are recognized in profit or loss when they arise.

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

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

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

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

Goodwill

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

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

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

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

Intangible Assets

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

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

Impairment of Tangible and Intangible Assets Other than Goodwill

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

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

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

Non-current Assets Held for Sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue 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.

<u>Financial assets</u>

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

a. Measurement category

   The Group's financial assets are classified as financial assets at FVTPL, available-for-sale financial assets, and loans and receivables.

   1) Financial assets at FVTPL

      Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Refer to Note 34 for detailed information on fair value measurement.

   2) Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investments are disposed of or are determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Refer to Note 34 for detailed information on the method of fair value measurement used.

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

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

3) Loans and receivables

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

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

b. Impairment of financial assets

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

For financial assets measured at amortized cost, the assets are assessed for impairment on a collective basis even if they were assessed as not impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

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

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

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

c. Derecognition of financial assets

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

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

Financial liabilities

a. Subsequent measurement

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

b. Derecognition

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

Provisions

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

Revenue Recognition

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

a. Sale of goods

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

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

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

3) The amount of revenue can be measured reliably;

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

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

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

b. Commissions from concessionaires' sales

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

c. Maintenance and promotion fee income

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

d. Dividend and interest income

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

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

Leasing

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

a. The Group as a lessor

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

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

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

b. The Group as lessee

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

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

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

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

c. Leasehold land and buildings

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

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

Borrowing Costs

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

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

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

Retirement Benefit Costs

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

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

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

Taxation

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

a. Current tax

   According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve the retention of earnings.

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

b. Deferred tax

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

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

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

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

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

c. Current and deferred tax for the year

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of goodwill

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

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

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

c. Fair value measurements and valuation processes

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

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

Information on the valuation techniques and inputs used in determining the fair value of investment properties is disclosed in Note 17.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand and revolving funds	$ 279,775	$ 258,472
Checking accounts and demand deposits	11,299,067	5,017,439
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	3,688,023	1,222,772
Commercial papers	849,619	7,011,258
	$ 16,116,484	$ 13,509,941

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

	December 31	
	2017	**2016**
Cash in bank	0.001%-2.025%	0.001%-1.430%
Commercial papers	0.380%-0.560%	0.370%-0.560%

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

	December 31	
	2017	**2016**
Financial assets held for trading		
Non-derivative financial assets		
Beneficiary certificates	$ 410,264	$ 413,197
Listed and over-the-counter (OTC) shares	86,191	91,118
	$ 496,455	$ 504,315

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	**2016**
Listed and OTC shares	$ 3,178,410	$ 3,968,594
Current	$ 233,523	$ 446,079
Non-current	2,944,887	3,522,515
	$ 3,178,410	$ 3,968,594

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

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

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

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

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	**2016**
Time deposits with original maturities of more than 3 months	$ 1,857,698	$ 530,820
Pledged deposits	283,690	285,691
	$ 2,141,388	$ 816,511
Current	$ 1,914,388	$ 587,511
Non-current	227,000	229,000
	$ 2,141,388	$ 816,511

a. As of December 31, 2017 and 2016, the annual market rate intervals of debt investments with no active market were 0.30%-2.10% and 0.300%-3.000%, respectively.

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

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

	December 31	
	2017	2016
Notes receivable		
Operating	$ 638	$ 15,665
Non-operating	2,287	2,023
Less: Allowance for impairment loss	(1,794)	(1,794)
	$ 1,131	$ 15,894
Trade receivables		
Trade receivables	$ 1,376,505	$ 1,074,213
Less: Allowance for impairment loss	(136,383)	(143,880)
	$ 1,240,122	$ 930,333
Other receivables		
Other receivables	$ 2,179,317	$ 2,229,614
Less: Allowance for impairment loss	(395,284)	(400,053)
	$ 1,784,033	$ 1,829,561

a. Trade receivables

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

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

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

The aging of trade receivables is as follows:

	December 31	
	2017	2016
Not overdue	$ 1,175,444	$ 851,205
Days overdue		
Up to 30 days	50,661	65,319
31 to 60 days	12,776	12,652
More than 60 days	137,624	145,037
	$ 1,376,505	$ 1,074,213

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

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

	December 31	
	2017	2016
Up to 30 days	$ 50,661	$ 65,319
31 to 60 days	12,776	12,652
More than 60 days	1,241	1,157
	$ 64,678	$ 79,128

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

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ 11,307	$ 208,629	$ 219,936
Add: Impairment losses recognized on receivables	-	4	4
Less: Impairment losses reversed	-	(75,526)	(75,526)
Less: Amounts written off during the year as uncollectibles	-	(534)	(534)
Balance at December 31, 2016	11,307	132,573	143,880
Add: Impairment losses recognized on receivables	30	-	30
Less: Impairment losses reversed	-	(7,527)	(7,527)
Balance at December 31, 2017	$ 11,337	$ 125,046	$ 136,383

b. Other receivables

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

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

FEDS Development agrees to offer a one-year loan to FENC(China) with a credit of RMB216,700 thousand, and also provides an unsecured and interest-free loan to YDEC(Shanghai) with a credit of RMB59,000 thousand. Revolving lines of credit are allowed. As of December 31, 2017, FENC(China) had made a drawdown of RMB216,560 thousand, and YDEC(Shanghai) had made a drawdown of RMB57,377 thousand. The actual borrowing amounts of these loans were recognized as other receivables within the Group.

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

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

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

	December 31	
	2017	**2016**
Up to 30 days	$ 287	$ 941
31 to 60 days	201	158
More than 60 days	1,101	1,670
	$ 1,589	$ 2,769

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

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

	Individually Assessed for Impairment	**Collectively Assessed for Impairment**	**Total**
Balance at January 1, 2016	$ 37,231	$ 289,152	$ 326,383
Add: Impairment losses recognized on receivables	96,500	978	97,478
Less: Impairment losses reversed	-	(1,274)	(1,274)
Less: Amounts written off as uncollectibles	-	(204)	(204)
Foreign exchange translation losses	-	(22,330)	(22,330)
Balance at December 31, 2016	$ 133,731	$ 266,322	$ 400,053

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at December 31, 2016	$ 133,731	$ 266,322	$ 400,053
Add: Impairment losses recognized on receivables	435	-	435
Less: Amounts written off as uncollectibles	(6)	-	(6)
Effect of exchange rate changes	-	(5,198)	(5,198)
Balance at December 31, 2017	$ 134,160	$ 261,124	$ 395,284

The Group recognized impairment loss on other receivables amounting to $0 and $96,500 thousand as of December 31, 2017 and 2016, respectively. The Group did not hold any collateral or other credit enhancements for these balances.

11. INVENTORIES

	December 31	
	2017	2016
Merchandise	$ 2,583,275	$ 2,761,106
Allowance for inventory devaluation	$ 99,738	$ 101,408
Allowance for losses on physical inventory	$ 22,295	$ 22,359
Allowance for unrealized purchase discounts	$ 3,004	$ 4,510

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 were $20,333,921 thousand and $21,242,789 thousand, respectively.

The cost of goods sold includes:

	For the Year Ended December 31	
	2017	2016
Reversed unrealized loss on physical inventory and slow-moving inventory	$ 1,734	$ 159,305
Reversed unrealized purchase discounts	$ 1,506	$ 106,012

12. NON-CURRENT ASSETS HELD FOR SALE

	December 31, 2016
Buildings and facilities held for sale	
Cost	$ 39,262
Less: Accumulated depreciation	28,751
	10,511

(Continued)

	December 31, 2016
Plant, transportation and miscellaneous equipment held for sale	
Cost	50
Less: Accumulated depreciation	46
	4
Non-current assets held for sale	$ 10,515

(Concluded)

Far Eastern Ai Mai Co., Ltd. (AIMAI) ended the operation of the Da-Zhi branch in December 2016, disposing part of the buildings and facilities in January 2017 at $17,143 thousand (net of tax) and recognized a gain on disposal of non-current assets held for sale of $6,632 thousand. As of December 31, 2017, a total of $12,643 thousand has been collected.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

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

Investor	Investee	Main Businesses	Proportion of Ownership (%) December 31 2017	2016	Remark
Far Eastern Department Stores, Ltd.	Far Eastern Ai Mai Co., Ltd.	Hypermarket	100	100	
	Bai Yang Investment Co., Ltd.	Investment	100	100	
	Bai Ding Investment Co., Ltd.	Investment	67	67	
	Yu Ming Advertising Agency Co., Ltd.	Advertising and importation of certain merchandise	100	100	
	Far Eastern Hon Li Do Co., Ltd.	Building rental	56	56	
	FEDS Development Ltd.	Investment	54	54	
	Ya Tung Department Stores, Ltd.	Department store	100	100	
	Far Eastern CitySuper Co., Ltd.	Hypermarket	96	96	
	Pacific Liu Tong Investment Co., Ltd.	Investment	35	35	
	Asians Merchandise Company	Trading	100	100	
Bai Yang Investment Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	2	2	
	FEDS Asia Pacific Development Co., Ltd.	Shopping mall	70	70	
	Bai Ding Investment Co., Ltd.	Investment	33	33	
	FEDS New Century Development Co., Ltd.	Shopping mall	100	100	1
	FEDS Development Ltd.	Investment	46	46	
	Pacific China Holdings (HK) Limited	Investment	40	40	
	Far Eastern Big City Shopping Malls Co., Ltd.	Department store	40	40	
Bai Ding Investment Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	13	13	
	Pacific Sogo Department Stores Co., Ltd.	Department store	1	1	
	Far Eastern Hon Li Do Co., Ltd.	Building rental	44	44	
	Far Eastern CitySuper Co., Ltd.	Hypermarket	-	-	
Yu Ming Advertising Agency Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	-	-	
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	-	-	
FEDS Development Ltd.	Tianjin FEDS Co., Ltd.	Department store	-	49	2,3
	Shanghai Bai Ding Consultant & Management Co., Ltd.	Consulting service	100	100	
	Chongqing FEDS Co., Ltd.	Department store	100	100	
Ya Tung Department Stores, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	1	1	
FEDS Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	2	2	
FEDS New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	2	2	
	Chubei New Century Shopping Mall Co., Ltd.	Department store	100	100	1
Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Department store	79	79	
Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings (HK) Limited	Investment	60	60	
	Far Eastern Big City Shopping Malls Co., Ltd.	Department store	60	60	

(Continued)

Investor	Investee	Main Businesses	Proportion of Ownership (%) December 31 2017	2016	Remark
Pacific China Holdings (HK) Limited	Pacific China Holdings Ltd.	Investment	100	100	
Pacific China Holdings Ltd.	Shanghai Pacific Department Stores Co., Ltd.	Department store	73	73	
	Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Department store	100	100	
	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Department store	100	100	
	Beijing Xidan Pacific Department Store Co., Ltd.	Department store	-	-	4
	Chongqing Pacific Consultant & Management Co., Ltd.	Consulting service	100	100	
	Bai Fa China Holdings (HK) Ltd.	Investment	100	100	5
	Pacific (China) Investment Co., Ltd.	Investment	100	100	
	Tianjin FEDS Co., Ltd.	Department store	-	34	2,3
Pacific (China) Investment Co., Ltd.	Wuxi FEDS Co., Ltd.	Department store	-	100	6
	Chengdu FEDS Co., Ltd.	Department store	100	100	9
	Chengdu Beicheng FEDS Co., Ltd.	Department store	100	100	7
	Dalian Pacific Department Store Co., Ltd.	Department store	100	100	
Chongqing Pacific Consultant & Management Co., Ltd.	Tianjin FEDS Co., Ltd.	Department store	-	17	2,3
	Chongqing Liyang Department Store Co., Ltd.	Department store	-	100	8

(Concluded)

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

2) On January 29, 2015, the board of directors of Tianjin FEDS Co., Ltd. (Tianjin FEDS) approved the cessation of operating activities starting from March 1, 2015. The board of directors of Tianjin FEDS approved the liquidation report on November 7, 2017 and the dissolution procedures were completed on December 21, 2017.

3) Tianjin FEDS increased its capital in cash in June 2016, and Pacific China Holdings Ltd. acquired 34% ownership. Since the new shares were not subscribed for by Chongqing Pacific Consultant & Management Co., Ltd. at its existing percentage of ownership, its percentage of ownership decreased from 51% to 17%.

4) On September 18, 2012, the board of directors of Beijing Xidan Pacific Department Store Co., Ltd. (Beijing Xidan) approved the liquidation report and went into liquidation. On December 1 2015, the board of directors of Beijing Xidan approved the liquidation report and the dissolution procedures, which were completed on March 4, 2016.

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

6) The board of directors approved to end operations from 2016 and also approved liquidation on April 28, 2017. On September 30, 2017, the board of directors approved the liquidation report and the dissolution procedures, which were completed on November 24, 2017.

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

8) Chongqing Liyang Department Store Co., Ltd. completed the liquidation procedures in July 2017.

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

b. Subsidiaries excluded from the consolidated financial statements

			Proportion of Ownership (%)		
			December 31		
Investor	Investee	Main Businesses	2017	2016	Remark
Pacific Sogo Department Stores Co., Ltd.	Pacific Sogo Investment Co., Ltd.	Investment	100	100	1, 2
	Lian Ching Investment Co., Ltd.	Investment	50	50	1

1) As Pacific Sogo Investment Co., Ltd. (PSIC) was under liquidation and the amount of Lian Ching Investment Co., Ltd. had been written off to zero, no liabilities were undertaken by the Group and the accounts are not disclosed in the consolidated financial statements.

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

14. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2017	2016
Domestic unlisted common shares	$ 599,134	$ 600,618
Overseas unlisted common shares	8,903	8,903
	$ 608,037	$ 609,521

Management believed that the above investments of unlisted common shares held by the Group had fair values which could not be reliably measured as the range of the reasonable fair value estimates was so significant; therefore, they were measured at cost less impairment at the end of the reporting period.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2017	2016
Associates that are not individually material	$ 8,444,059	$ 8,438,059

Aggregate information of associates that are not individually material:

	For the Year Ended December 31	
	2017	2016
The Group's share of:		
Loss from continuing operations	$ (39,180)	$ (8,585)
Other comprehensive loss	(7,194)	(35,394)
Total comprehensive loss for the year	$ (46,374)	$ (43,979)

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

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

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

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

In September 2016, SOGO bid with the court for 7,021 thousand shares of Pacific Department Store Co., Ltd., which were originally owned by PSIC in the amount of $74,000 thousand. Thus, the Group's percentage of ownership of Pacific Department Store Co., Ltd. increased to 32%.

In August 2016, 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 12,342 thousand shares.

Chongqing Pacific Consultant & Management Co., Ltd. (CPCM) invested RMB75,000 thousand in Chengdu Baiyang Industry Co., Ltd. (CDBI) and acquired 33% of the voting rights of CDBI. CPCM signed a contract to ensure long-term cooperation with its Joint Venture Partner, Chengdu Department Emporium Group Co., Ltd. (CDEG), and they agreed that CPCM would pay CDBI a security deposit of RMB425,000 thousand. Under the cooperation contract, the allocation of retained earnings of CDBI to CPCM will be at certain percentages stated in the contract and not at their respective percentages of ownership. The contract further states that CDBI should not be liquidated and CPCM should not transfer its equity (including voting rights) in CDBI to any party. The security deposit of RMB425,000 thousand can be transferred in stages as capital of CDBI and recognized as a long-term investment prepayment. When the percentage of the allocation of retained earnings, which had been requested by CDEG, exceeds a certain percentage of the allocation of retained earnings as stated in the contract, CPCM may simultaneously request to get back 50% of the allocated retained earnings and the security deposit. As of December 31, 2017, CDBI had returned RMB99,583 thousand to CPCM.

The Group's share of losses of its associates are limited to the percentage of its interest in those associates. The amount of unrecognized share of losses of those associates extracted from the relevant audited financial statements of associates, both for the period and cumulatively, is as follows:

	For the Year Ended December 31, 2016
Unrecognized share of losses of associates for the year	$ 49,832
Accumulated unrecognized share of losses of associates	$ 98,958

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, 2017 and 2016 were based on the associates' financial statements audited for the same years by other auditors.

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

16. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Buildings and Facilities	Decorative Facilities	Equipment Held under Finance Leases	Plant, Transportation and Miscellaneous Equipment	Construction in Progress	Total
Cost								
Balance at January 1, 2016	$ 12,600,554	$ 21,651,314	$ 9,408,238	$ 13,710,184	$ 11,190,427	$ 3,718,104	$ 1,981,302	$ 73,720,123
Additions (deductions)	-	(589)	223,017	292,874	-	273,237	555,690	1,344,229
Disposals	-	-	(93,710)	(744,142)	(695,856)	(187,312)	(2,028)	(1,723,048)
Reclassified as held for sale	-	-	(39,262)	-	-	(50)	-	(39,312)
Reclassification	-	-	18,063	108,943	-	35,363	(3,556)	158,813
Effect of exchange differences	-	(127,517)	-	(278,937)	-	(12,560)	(86)	(419,100)
Balance at December 31, 2016	$ 12,600,554	$ 21,523,208	$ 9,516,346	$ 13,088,922	$ 10,494,571	$ 3,286,782	$ 2,531,322	$ 73,041,705
Accumulated depreciation and impairment								
Balance at January 1, 2016	$ -	$ (6,547,970)	$ (5,329,254)	$ (9,244,169)	$ (4,886,948)	$ (2,098,896)	$ -	$ (28,107,237)
Disposals	-	-	76,981	706,988	695,855	185,920	-	1,665,744
Reclassified as held for sale	-	-	28,751	-	-	46	-	28,797
Impairment losses	-	-	(38,039)	(99)	(123,186)	15,904	-	(177,228)
Depreciation expense	-	(461,140)	(676,886)	(1,380,427)	(340,190)	(300,847)	-	(3,159,490)
Effect of exchange differences	-	117,596	-	206,949	-	9,746	-	334,291
Balance at December 31, 2016	$ -	$ (6,891,514)	$ (5,938,447)	$ (9,710,758)	$ (4,654,469)	$ (2,219,935)	$ -	$ (29,415,123)
Carrying amount at December 31, 2016	$ 12,600,554	$ 14,631,694	$ 3,577,899	$ 3,378,164	$ 5,840,102	$ 1,066,847	$ 2,531,322	$ 43,626,582
Cost								
Balance at January 1, 2017	$ 12,600,554	$ 21,523,208	$ 9,516,346	$ 13,088,922	$ 10,494,571	$ 3,286,782	$ 2,531,322	$ 73,041,705
Additions (deductions)	-	-	206,227	484,944	3,059	142,248	748,036	1,584,514
Disposals	-	-	(130,306)	(1,101,880)	(36,464)	(191,383)	-	(1,460,033)
Transfer from investment properties	1,119,585	290,193	6789	4,433	-	-	-	(1,421,000)
Reclassification	-	-	25,481	137,840	-	22,872	(11,528)	174,665
Effect of exchange differences	-	(29,681)	-	(70,741)	-	(2,540)	(39)	(103,001)
Balance at December 31, 2017	$ 13,720,139	$ 21,783,720	$ 9,624,537	$ 12,543,518	$ 10,461,166	$ 3,257,979	$ 3,267,791	$ 74,658,850
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ -	$ (6,891,514)	$ (5,938,447)	$ (9,710,758)	$ (4,654,469)	$ (2,219,935)	$ -	$ (29,415,123)
Disposals	-	-	126,865	892,715	36,464	174,525	-	1,230,569
Impairment losses	-	-	-	-	-	(2,040)	-	(2,040)
Depreciation expense	-	(465,631)	(679,089)	(1,113,750)	(327,324)	(270,408)	-	(2,856,202)
Effect of exchange differences	-	27,388	-	53,808	-	1,975	-	83,171
Balance at December 31, 2017	$ -	$ (7,329,757)	$ (6,490,671)	$ (9,877,985)	$ (4,945,329)	$ (2,315,883)	$ -	$ (30,959,625)
Carrying amount at December 31, 2017	$ 13,720,139	$ 14,453,963	$ 3,133,866	$ 2,665,533	$ 5,515,837	$ 942,096	$ 3,267,791	$ 43,699,225

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

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

Chengdu Beicheng FEDS Co., Ltd. evaluated the prospective profits and determined to end their operations in April 2017. The impairment tests were applied to property, plant and equipment based on their recoverable amounts, and $2,040 thousand was recognized as an impairment loss.

AIMAI evaluated the prospective profits and determined to end operations of its Kaohsiung and Da-Zhi branches in the 4th quarter of 2016. The impairment tests were applied to the property, plant and equipment of both branches based on their recoverable amounts, and $177,228 thousand was recognized as an impairment loss.

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

13. INVESTMENT PROPERTIES

	Land	Buildings and Facilities	Total
Balance at January 1, 2016	$ 6,462,088	$ 3,574,178	$ 10,036,266
Additions	-	2,593	2,593
Gain (loss) on changes in the fair value of investment properties	272,164	(144,227)	127,937
Balance at December 31, 2016	6,734,252	3,432,544	10,166,796
Additions	-	1,481	1,481
Transferred to property, plant and equipment	(1,119,585)	(301,415)	(1,421,000)
Gain (loss) on changes in the fair value of investment properties	55,571	(64,632)	(9,061)
Balance at December 31, 2017	$ 5,670,238	$ 3,067,978	$ 8,738,216

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

Some of the Group's investment properties had been leased out under operating leases having lease terms between 1-7.5 years. Except for the minimum lease payments, some of the Group's lease contracts included contingent lease clauses, and the Group should adjust rentals on the basis of the Consumer Price Index per annum. The rental incomes generated for the years ended December 31, 2017 and 2016 were $138,880 thousand and $136,146 thousand, respectively.

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

	December 31	
	2017	2016
Not later than 1 year	$ 125,930	$ 113,822
1 year to 5 years	245,061	129,006
Later than 5 years	-	840
	$ 370,991	$ 243,668

The fair values of the investment properties as of December 31, 2017 and 2016 were based on the valuations carried out at those dates, on a recurring basis by independent qualified professional valuers, Hong-Kai Chang, Yi-Chih Chang, Yu-Fen Yeh and Kuang-Ping Tai from Savills Real Estate Appraiser Office, a member of certified ROC real estate appraisers.

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

	December 31	
	2017	2016
Expected future cash inflows	$ 22,218,353	$ 25,138,470
Expected future cash outflows	3,088,061	3,895,860
Expected future cash inflows, net	$ 19,130,292	$ 21,242,610

	December 31	
	2017	2016
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 5-14 years, taking into account the annual rental growth rate. The interest income on rental deposits was extrapolated by the one-year average deposit interest rate, and the disposal value was determined by the direct capitalization method under the income approach. The expected future cash outflows on investment properties included expenditures such as property taxes, insurance premiums, management fees, maintenance costs and replacement allowances. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustments to the government-announced land value, the tax rate promulgated under the Construction Cost Index and the House Tax Act and construction costs.

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

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

	December 31	
	2017	2016
Estimated total sales price	$ 801,791	$ 852,601
Rate of return	16%-18%	20%
Overall capital interest rate	2.20%-3.29%	1.18%-3.21%

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

Refer to Note 36 for the information on the carrying amounts of investment properties pledged as security.

18. INTANGIBLE ASSETS

	Goodwill	Computer Software	Total
Cost			
Balance at January 1, 2016	$ 7,631,973	$ 275,676	$ 7,907,649
Additions	-	42,348	42,348
Disposals	-	(1,447)	(1,447)
Reclassification	-	2,347	2,347
Effect of exchange differences	-	(4,922)	(4,922)
Balance at December 31, 2016	$ 7,631,973	$ 314,002	$ 7,945,975
Accumulated amortization and impairment			
Balance at January 1, 2016	$ (494,940)	$ (171,717)	$ (666,657)
Impairment losses recognized	(998,411)	-	(998,411)
Amortization expense	-	(40,377)	(40,377)
Disposals	-	1,141	1,141
Effect of exchange differences	-	3,183	3,183
Balance at December 31, 2016	$ (1,493,351)	$ (207,770)	$ (1,701,121)
Carrying amounts at December 31, 2016	$ 6,138,622	$ 106,232	$ 6,244,854
Cost			
Balance at January 1, 2017	$ 7,631,973	$ 314,002	$ 7,945,975
Additions	-	53,748	53,748
Disposals	-	(8,349)	(8,349)
Reclassification	-	15,159	15,159
Effect of exchange differences	-	(1,231)	(1,231)
Balance at December 31, 2017	$ 7,631,973	$ 373,329	$ 8,005,302
Accumulated amortization and impairment			
Balance at January 1, 2017	$ (1,493,351)	$ (207,770)	$ (1,701,121)
Impairment losses recognized	(1,205,840)	-	(1,205,840)
Amortization expense	-	(44,687)	(44,687)
Disposals	-	5,088	5,088
Effect of exchange differences	-	774	774
Balance at December 31, 2017	$ (2,699,191)	$ (246,595)	$ (2,945,786)
Carrying amounts at December 31, 2017	$ 4,932,782	$ 126,734	$ 5,059,516

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

At the end of each reporting period, the Group reviews the carrying amounts of goodwill by comparing its recoverable amount with its carrying amount to determine whether there is any indication that those assets have suffered an impairment loss, amounting to $1,205,840 thousand in 2017 and $998,411 thousand in 2016. That is because, the actual profits from mainland China in 2017 did not achieve their target profits from mainland China.

The recoverable amount of this cash-generating unit was determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management, and a discount rate of 11.00% and 10.30% per annum for the years ended December 31, 2017 and 2016, respectively.

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

The following intangible asset was amortized on a straight-line basis over its estimated useful life as follows:

Computer software	1-10 years

19. PREPAYMENTS FOR LEASES

	December 31	
	2017	2016
SOGO - BR4 (a)	$ 5,305,965	$ 5,571,263
FEDS - Xinyi Division A13 - land use right (b)	2,236,168	2,298,572
FEDS Asia Pacific Development - Kaohsiung (c)	644,452	665,934
Dalian Pacific Department Store Co., Ltd. (d)	171,333	285,234
Far Eastern Ai Mai Co., Ltd. - Hsinchu (e)	116,167	139,401
Shanghai Pacific Department Stores - land use right (f)	93,874	111,819
Chubei New Century Shopping Mall Co., Ltd. - land use right (g)	14,643	14,951
	$ 8,582,602	$ 9,087,174
Current (recognized in prepayments)	$ 405,928	$ 471,774
Non-current	8,176,674	8,615,400
	$ 8,582,602	$ 9,087,174

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

   SOGO paid deposits of $23,637 thousand to the DRTS under the TCG and $38,278 thousand to the Department of Finance under the TCG. SOGO also paid operating deposits of $182,324 thousand to the DRTS under the TCG. SOGO’s total refundable deposits were $244,239 thousand as of December 31, 2017.

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

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

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

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

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

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

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

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

20. OTHER ASSETS

	December 31	
	2017	2016
Refundable deposits (Note 32)	$ 1,655,510	$ 1,725,299
Long-term prepayments	34,848	56,454
Lease incentives	38,616	36,254
Others	119,661	239,619
	$ 1,848,635	$ 2,057,626
Current	$ 69,068	$ 79,317
Non-current	1,779,567	1,978,309
	$ 1,848,635	$ 2,057,626

21. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Credit loans	$ 12,260,667	$ 9,698,492
Secured loans (Note 36)	824,289	187,871
	$ 13,084,956	$ 9,886,363
Interest rate intervals are as follows:		
Credit loans	0.900%-5.550%	0.900%-10.20%
Secured loans	0.920%-4.850%	1.150%-4.220%

b. Short-term bills payable

	December 31	
	2017	2016
Commercial papers	$ 2,516,000	$ 2,692,000
Less: Unamortized discount on bills payable	1,300	1,054
	$ 2,514,700	$ 2,690,946

Outstanding short-term bills payable are as follows:

December 31, 2017

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

December 31, 2016

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial papers						
China Bills Finance	$ 877,000	$ 286	$ 876,714	0.500%-1.298%	Shares	$ 65,875
Mega Bills Finance	572,000	174	571,826	0.950%	Shares	649,342
Grand Bills Finance	512,000	294	511,706	0.692%-0.850%	-	-
International Bills Finance	336,000	99	335,901	0.450%-0.640%	Shares	71,145
Taiwan Finance	200,000	117	199,883	0.770%	-	-
Taiwan Cooperative Bills Finance	150,000	71	149,929	0.670%	-	-
Ta Ching Bill Finance	45,000	13	44,987	0.540-0.570%	-	-
	$ 2,692,000	$ 1,054	$ 2,690,946			$ 786,362

c. Long-term borrowings

	December 31	
	2017	2016
Syndicated loans		
Taiwan Cooperative Bank, CTBC Bank, etc. (1)	$ -	$ 4,132,800
Taiwan Cooperative Bank and Hua Nan Commercial Bank, etc. (2)	-	350,000
	-	4,482,800
Secured loans (3)	10,500,000	12,500,000
Credit loans (4)	5,610,000	1,945,000
Revolving commercial papers (5)	648,102	1,996,782
	16,758,102	20,924,582
Less: Current portion	3,500,000	5,965,315
	$ 13,258,102	$ 14,959,267

1) SOGO obtained from 4 banks, consisting of the Taiwan Cooperative Bank, CTBC Bank, and others, a $6,000,000 thousand syndicated loan, comprising types A, B and C. The term is from December 2014 to December 2019. SOGO had repaid the loan in advance in July 2017.

2) SOGO obtained from 3 banks, consisting of the Taiwan Cooperative Bank, Hua Nan Commercial Bank and Agricultural Bank of Taiwan, a $2,000,000 thousand syndicated medium-term loan with monthly interests payments and a term from April 2012 to April 2017, which had been entirely drawn down. The first repayment is due in 42 months after the first loan drawdown, with subsequent repayments to be made in 4 installments every 6 months and all repayments to be made at equal amounts. SOGO had repaid the loan in advance in February 2017.

3) Other than the remaining amounts of secured loans signed with the financial institutions of $10,500,000 thousand on December 31, 2017 and $12,500,000 thousand on December 31, 2016, there were the revolving lines of credit contracts recorded as medium-term loans. FEDS's secured loan contract of $3,000,000 thousand ther Mega international Commercial Bank with monthly interests repayments and a term of five years had been entirely drawn down. The loan had been repaid in advance in June 2017.

4) For credit loans amounting to $4,010,000 thousand on December 31, 2017 and $1,445,000 thousand on December 31, 2016, the Group negotiated medium-term and long-term loan contracts, and the Group allowed the extension of the repayment deadlines for these loans. Thus, these obligations were classified as long-term loans. The credit loans with the following banks as of December 31, 2017 are as follows:

   a) SOGO's credit loan of $1,000,000 thousand was obtained from the Land Bank of Taiwan, and the loan term is for the period December 2009 to December 2019 with interest due monthly. The loan was fully repaid in advance in January 2017.

   b) Yuanta Commercial Bank Co., Ltd.: FEDS's loan of $800,000 thousand dollars was used by $700,000 thousand dollars, and the loan term is for the period from July 2012 to July 2017. The loan had been repaid in July 2017.

   c) FEDS's credit loan of $1,000,000 thousand dollars from the Bank of Taiwan had been entirely drawn down, and the loan term was for the period December 2014 to December 2017. The loan was repaid in December 2017.

   d) FEDS's credit loan of $600,000 thousand from the Bank of China (Taipei Branch) is a medium-term loan, and a revolving line of credit of the loan is allowed.

   e) FEDS's credit loan of $1,000,000 thousand from KGI Bank had been entirely drawn down, and the loan term is for the period March 2017 to March 2020.

   f) $245,000 thousand dollars had been drawn down from Bai Yang Investment Co., Ltd's credit loan of $800,000 thousand from Taishin International Bank, and the loan term is for the period May 2016 to May 2018. The loan had been repaid in January 2017.

   g) CBNC obtained a syndicated medium-term loan contract with a credit of $3,700,000 thousand from 10 banks, consisting of Hua Nan Commercial Bank (the Managing bank), Taipei Fubon Financial Bank and Chang Hwa Commercial Bank (the three leading Banks of the syndicated loan). The term of the unsecured syndicated loan was five years from the first loan drawdown date onward, and the first loan drawdown should not be later than two years after the date of the contract. A revolving line of credit of the loan is not allowed, and interest rates are based on interest reference rates plus 1%, but no less than 1.80%, with a floating interest rate. The Company is the guarantor of the aforementioned unsecured syndicated loan contract; and as of December 31, 2017, CBNC has not yet drawn down the loan amount.

The conditions of the unsecured syndicated loan contract are as follows:

i. CBNC is required to provide the value of the land use rights which were acquired from the BOT investment contract signed with the Hsinchu County Government as collateral for the syndicated medium-term loan to the Managing Bank with the first priority line of credit mortgages.

ii. Another requirement under the syndicated loan contract is that the Company should hold the equity of CBNC directly or indirectly with an overall percentage of ownership higher than 50%, maintaining control over CBNC's business operations.

5) The Group negotiated other medium-term and long-term commercial paper secured loan contracts, and the Group allowed the extension of the repayment deadlines for these loans. Thus, these obligations were classified as long-term loans.

22. BONDS PAYABLE

	December 31	
	2017	**2016**
Secured domestic bonds payable	$ 1,000,000	$ 1,000,000
Less: Unamortized discount on bonds payable	1,851	3,718
	998,149	996,282
Less: Current portions	998,149	-
	$ -	$ 996,282

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

23. NOTES PAYABLE AND TRADE PAYABLES (INCLUDING RELATED PARTIES)

	December 31	
	2017	**2016**
Notes payable		
Operating	$ -	$ 46
Non-operating	3,071	37,846
	$ 3,071	$ 37,892
Trade payables	$ 18,412,985	$ 16,364,491

24. OTHER LIABILITIES

	December 31	
	2017	2016
Other payables		
Lease incentives	$ 1,134,423	$ 2,167,154
Payables for salaries and bonuses	769,592	775,519
Payables for purchases of equipment	314,015	573,477
Payables for rentals	209,715	384,691
Payables for remuneration of directors and supervisors	193,727	194,985
Payables for employees' compensation	120,934	127,008
Payables for dividends	75,319	67,734
Others	2,504,246	2,220,404
	$ 5,321,971	$ 6,510,972
Deferred revenue		
Arising from customer loyalty program	$ 83,761	$ 92,267
Other liabilities		
Deposits received	$ 490,811	$ 531,552
Others	291,273	298,970
	$ 782,084	$ 830,522
Current		
Other payables	$ 4,250,840	$ 4,518,254
Deferred revenue	$ 83,761	$ 92,267
Other liabilities	$ 264,545	$ 278,656
Non-current		
Other liabilities	$ 1,588,670	$ 2,544,584

25. PROVISIONS

	December 31	
	2017	2016
Dismantling obligation	$ 33,293	$ 46,591
Current	$ 6,828	$ 18,596
Non-current	26,465	27,995
	$ 33,293	$ 46,591

	Dismantling Obligation
Balance at January 1, 2016	$ 34,058
Additions	11,898
Unwinding of discount	635
Balance at December 31, 2016	46,591
Usage	(13,548)
Unwinding of discount	250
Balance at December 31, 2017	$ 33,293

26. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

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

The pension costs of YMAC both amounted to $13 thousand in 2017 and 2016, and the accrued pension liabilities on December 31, 2017 and 2016 both amounted to $611 thousand.

FEHLD terminated sales on July 1, 2000. Thus, the employees of FEHLD became the employees of AIMAI. The length of services of the employees at FEHLD is carried forward to accumulate and calculate the defined benefit plans at AIMAI. If the employees retire, the calculation of pension costs would be based on the length of service at FEHLD. The accrued pension liabilities on December 31, 2017 and 2016 were $778 thousand and $1,199 thousand, respectively. These accrued pension liabilities were provisions for the aforementioned pension.

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

	FEDS	AIMAI	YTDS	SOGO
December 31, 2017				
Present value of defined benefit obligation	$ 742,897	$ 258,508	$ 11,176	$ 641,256
Fair value of the plan assets	(505,389)	(22,105)	(9,005)	(172,819)
Net defined benefit liabilities	$ 237,508	$ 236,403	$ 2,171	$ 468,437
December 31, 2016				
Present value of defined benefit obligation	$ 805,974	$ 240,346	$ 11,353	$ 735,353
Fair value of the plan assets	(491,413)	(23,329)	(9,173)	(288,002)
Net defined benefit liabilities	$ 314,561	$ 217,017	$ 2,180	$ 447,351

Movements in net defined benefit liabilities are as follows:

	FEDS			AIMAI		
	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2016	$ 881,675	$ (704,911)	$ 176,764	$ 231,746	$ (41,825)	$ 189,921
Service cost						
Current service cost	10,809	-	10,809	2,221	-	2,221
Net interest expense (income)	13,100	(10,574)	2,526	3,187	(614)	2,573
Recognized in profit or loss	23,909	(10,574)	13,335	5,408	(614)	4,794
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	-	53,024	53,024	-	385	385
Actuarial loss - changes in demographic assumptions	10,619	-	10,619	9,282	-	9,282
Actuarial loss - changes in financial assumptions	20,599	-	20,599	2,983	-	2,983
Actuarial loss - experience adjustments	40,220	-	40,220	15,148	-	15,148
Recognized in other comprehensive income	71,438	53,024	124,462	27,413	385	27,798
Contributions from the employer	-	-	-	-	(5,496)	(5,496)
Benefits paid	(171,048)	171,048	-	(24,221)	24,221	-
Balance at December 31, 2016	$ 805,974	$ (491,413)	$ 314,561	$ 240,346	$ (23,329)	$ 217,017
Balance at January 1, 2017	$ 805,974	$ (491,413)	$ 314,561	$ 240,346	$ (23,329)	$ 217,017
Service cost						
Current service cost	8,329	-	8,329	1,803	-	1,803
Net interest expense (income)	9,963	(6,031)	3,932	3,004	(326)	2,678
Recognized in profit or loss	18,292	(6,031)	12,261	4,807	(326)	4,481
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	-	15,485	15,485	-	56	56
Actuarial loss - changes in demographic assumptions	6,394	-	6,394	14,285	-	14,285
Actuarial loss - changes in financial assumptions	-	-	-	3,179	-	3,179
Actuarial loss - experience adjustments	866	-	866	8,188	-	8,188
Recognized in other comprehensive income	7,260	15,485	22,745	25,652	56	25,708
Contributions from the employer	-	(112,059)	(112,059)	-	(10,803)	(10,803)
Benefits paid	(88,629)	88,629	-	(12,297)	12,297	-
Balance at December 31, 2017	$ 742,897	$ (505,389)	$ 237,508	$ 258,508	$ (22,105)	$ 236,403

	YTDS			SOGO		
	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**	**Present Value of the Defined Benefit Obligation**	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2016	$ 13,581	$ (8,949)	$ 4,632	$ 741,813	$ (313,071)	$ 428,742
Service cost						
Current service cost	96	-	96	13,194	-	13,194
Net interest expense (income)	168	(112)	56	11,127	(4,891)	6,236
Recognized in profit or loss	264	(112)	152	24,321	(4,891)	19,430
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	-	48	48	-	2,755	2,755
Actuarial loss - changes in demographic assumptions	60	-	60	25,637	-	25,637
Actuarial loss - changes in financial assumptions	-	-	-	844	-	844
Actuarial gain - experience adjustments	(2,552)	-	(2,552)	(4,217)	-	(4,217)
Recognized in other comprehensive income	(2,492)	48	(2,444)	22,264	2,755	25,019
Contributions from the employer	-	(160)	(160)	-	(25,341)	(25,341)
Benefits paid	-	-	-	(53,045)	52,546	(499)
Balance at December 31, 2016	$ 11,353	$ (9,173)	$ 2,180	$ 735,353	$ (288,002)	$ 447,351
Balance at January 1, 2017	$ 11,353	$ (9,173)	$ 2,180	$ 735,353	$ (288,002)	$ 447,351
Service cost						
Current service cost	91	-	91	8,255	-	8,255
Prior service cost	-	-	-	699	-	699
Net interest expense (income)	142	(116)	26	9,192	(3,756)	5,436
Recognized in profit or loss	233	(116)	117	18,146	(3,756)	14,390
Remeasurement						
Return on plan assets (excluding amounts included in net interest)	-	27	27	-	1,221	1,221
Actuarial loss - changes in demographic assumptions	15	-	15	22,702	-	22,702
Actuarial loss - changes in financial assumptions	145	-	145	-	-	-
Actuarial gain - experience adjustments	(165)	-	(165)	6,010	-	6,010
Recognized in other comprehensive income	(5)	27	22	28,712	1,221	29,933
Contributions from the employer	-	(148)	(148)	-	(23,237)	(23,237)
Benefits paid	(405)	405	-	(140,955)	140,955	-
Balance at December 31, 2017	$ 11,176	$ (9,005)	$ 2,171	$ 641,256	$ (172,819)	$ 468,437

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

1) Investment risk: The plan assets are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments of the plan assets.

3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	FEDS	AIMAI	YTDS	SOGO
December 31, 2017				
Discount rates	1.250%	1.125%	1.125%	1.250%
Expected rates of salary increase	2.000%	1.000%	2.000%	2.250%
December 31, 2016				
Discount rates	1.250%	1.250%	1.250%	1.250%
Expected rates of salary increase	2.000%	1.000%	2.000%	2.250%

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

	FEDS	AIMAI	YTDS	SOGO
December 31, 2017				
Discount rate(s)				
0.25% increase	$ (19,490)	$ (7,013)	$ (288)	$ (18,918)
0.25% decrease	$ 20,244	$ 7,299	$ 299	$ 19,713
Expected rate(s) of salary increase				
0.25% increase	$ 19,729	$ 7,160	$ 292	$ 19,154
0.25% decrease	$ (19,093)	$ (6,914)	$ (282)	$ (18,479)
December 31, 2016				
Discount rate(s)				
0.25% increase	$ (20,930)	$ (6,305)	$ (308)	$ (20,491)
0.25% decrease	$ 21,751	$ 6,554	$ 321	$ 21,329
Expected rate(s) of salary increase				
0.25% increase	$ 21,185	$ 6,423	$ 313	$ 20,688
0.25% decrease	$ (20,491)	$ (6,208)	$ (303)	$ (19,981)

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

	FEDS	AIMAI	YTDS	SOGO
December 31, 2017				
The expected contributions to the plan for the next year	$ 6,200	$ 4,922	$ 144	$ 22,092
The average duration of the defined benefit obligation	10.8 year	10.9 year	10.3 year	12.0 year

(Continued)

	FEDS	AIMAI	YTDS	SOGO
December 31, 2016				
The expected contributions to the plan for the next year	$ -	$ 5,453	$ 151	$ 24,956
The average duration of the defined benefit obligation	10.9 year	10.5 year	11.0 year	11.3 year

(Concluded)

27. EQUITY

a. Share capital

Common shares

	December 31	
	2017	2016
Number of shares authorized (in thousands)	1,750,000	1,750,000
Shares authorized	$ 17,500,000	$ 17,500,000
Number of shares issued and fully paid (in thousands)	1,416,941	1,416,941
Shares issued	$ 14,169,406	$ 14,169,406

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

b. Capital surplus

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance in excess of common shares	$ 2,142,074	$ 2,142,074
Treasury share transactions	1,173,346	1,173,346
May only be used to offset a deficit		
Changes in percentage of ownership interest in associates	511	4,448
	$ 3,315,931	$ 3,319,868

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

	Issuance in Excess of Common Shares	Treasury Share Transactions	Changes in Percentage of Ownership Interest in Associates	Total
Balance at January 1, 2016	$ 2,142,074	$ 1,173,346	$ -	$ 3,315,420
Changes in percentage of ownership interest in associates	-	-	4,448	4,448
Balance at December 31, 2016	2,142,074	1,173,346	4,448	3,319,868
Changes in percentage of ownership interest in associates	-	-	(3,937)	(3,937)
Balance at December 31, 2017	$ 2,142,074	$ 1,173,346	$ 511	$ 3,315,931

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation were approved in the Company's shareholders meeting held on June 17, 2016. The policy of employees' compensation and remuneration of directors was set up in the Company's Articles of Incorporation separately.

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

The Company's distribution of dividends depends on economic conditions, tax obligations, and operating requirements for cash. For an orderly system of dividend distribution, the dividends are distributed in accordance with the Articles of Incorporation. 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.

Except for non-ROC resident shareholders, all shareholders are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2016 and 2015, which were approved in the shareholders' meetings on June 20, 2017 and June 17, 2016, respectively, are as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2016	2015	2016	2015
Legal reserve	$ 113,425	$ 171,477		
Special reserve	114,149	68,426		
Cash dividends	991,858	1,416,940	$ 0.7	$ 1.0

The appropriation of the earnings for 2017 was proposed by the board of directors on March 21, 2018. The appropriations and dividends per share are as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 153,599	
Special reserve	12,543	
Cash dividends	1,416,940	$ 1.0

The appropriation of earnings for 2017 was resolved in the shareholders' meeting held on June 21, 2018.

d. Special reserve

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	$ 2,529,594	$ 2,461,168
Appropriation in respect of net increases in the fair value of investment properties	114,149	68,426
Balance, end of year	$ 2,643,743	$ 2,529,594

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

e. Other equity items

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

	For the Year Ended December 31	
	2017	**2016**
Balance, beginning of year	$ 58,273	$ 57,483
Exchange differences on translating the financial statements of foreign operations	29,974	1,607
Share of exchange difference of associates accounted for using the equity method	(2,199)	(817)
Balance, end of year	$ 86,048	$ 58,273

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

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

	For the Year Ended December 31	
	2017	**2016**
Balance, beginning of year	$ 1,566,157	$ 1,767,337
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	284,894	(189,817)
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(429,542)	-
Share of unrealized loss on available-for-sale financial assets of associates accounted for using the equity method	(6)	(11,363)
Balance, end of year	$ 1,421,503	$ 1,566,157

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

f. Non-controlling interests

	For the Year Ended December 31	
	2017	**2016**
Balance, beginning of year	$ 7,812,231	$ 7,604,872
Attributable to non-controlling interests:		
Share of profit for the year	309,036	361,306
Cash dividends distributed by subsidiaries	(273,138)	(158,320)
Exchange differences on translating the financial statements of foreign operations	23,316	78,904
Unrealized gain on available-for-sale financial assets	4,427	388
Remeasurement of defined benefit plans	(16,384)	(13,894)
Related income tax	2,785	2,328

(Continued)

	For the Year Ended December 31	
	2017	2016
Adjustments relating to changes of associates accounted for using the equity method	$ (1,490)	$ 5,381
Share of other comprehensive income of associates accounted for using the equity method	(1,323)	(19,676)
Difference between equity purchase price and carrying amount arising from actual acquisition of subsidiary	-	1,128
Decreases in non-controlling interests	-	(50,186)
Balance, end of year	$ 7,859,460	$ 7,812,231

(Concluded)

g. Treasury shares

(In Thousands of Shares)

Purpose of Buy-Back	Shares Held by the Company's Subsidiaries
Number of shares at December 31, 2017 and December 31, 2016	8,207

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

(In Thousands of Shares)

December 31, 2017

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

December 31, 2016

Name of Subsidiary	Number of Shares Held	Carrying Amount	Market Price
Bai Ding Investment	8,207	$ 97,110	$ 131,299

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

28. REVENUE

	For the Year Ended December 31	
	2017	2016
Sales of goods (Note)	$ 24,257,581	$ 25,444,773
Commissions from concessionaires' sales (Note)	12,794,159	13,922,004
Maintenance and promotion fee income	1,845,277	1,867,255
Rental income from property	1,420,631	1,422,261
Others	849,334	840,196
	$ 41,166,982	$ 43,496,489

Note: Gross revenues is presented as follows:

	For the Year Ended December 31	
	2017	2016
Concessionaires' sales	$ 89,128,993	$ 92,121,242
Sale of goods	24,696,213	25,822,784
	$ 113,825,206	$ 117,944,026

29. NET PROFIT FOR THE YEAR

Net profit for the year includes the following items:

a. Operating costs

	For the Year Ended December 31	
	2017	2016
Operating costs		
Cost of sales	$ 20,333,921	$ 21,242,789
Rental costs	299,497	207,379
Others	40,189	145,199
	$ 20,673,607	$ 21,595,367

b. Other income

	For the Year Ended December 31	
	2017	2016
Interest income		
Bank deposits	$ 66,993	$ 47,344
Others	7,862	10,114
	74,855	57,458
Dividend income	138,393	183,519
	$ 213,248	$ 240,977

c. Other gains and losses

	For the Year Ended December 31	
	2017	2016
(Loss) gain arising on changes in fair value of investment properties, net	$ (9,061)	$ 127,937
Loss arising on financial assets classified as held for trading, net (Note)	(2,851)	(36,290)
Foreign exchange gain (loss), net	74,681	(170,718)
Loss on disposal of property, plant and equipment, net	(223,336)	(40,617)
Gain on disposal of property, plant and equipment	6,628	-
Gain on disposal of investment	428,971	-
Impairment loss on intangible assets	(1,205,840)	(998,411)
Impairment loss on property, plant and equipment	(2,040)	(177,228)
Other gains	1,251,964	846,126
Other losses	(435,690)	(394,711)
	$ (116,574)	$ (843,912)

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

a) Losses arising on changes in fair value in 2017 and 2016 were $2,996 thousand and $36,512 thousand, respectively and;

b) Gains on disposal of financial assets classified as held for trading in 2017 and 2016 were $145 thousand and $222 thousand respectively.

d. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	$ 454,249	$ 440,306
Interest on bonds	19,367	19,363
Other interest expense	29,107	27,982
Total interest expenses for financial liabilities measured at amortized cost	502,723	487,651
Add: Reversal of unwinding of discounts on provisions	250	635
Less: Amounts included in the cost of qualifying assets	(57,597)	(59,971)
	$ 445,376	$ 428,315

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized interest	$ 57,597	$ 59,971
Capitalization rate interval	1.0500%-1.8417%	1.2700%-1.7978%

e. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 2,856,202	$ 3,159,490
Less: Adjustments to receipts in advance and depreciation	(205,391)	(230,487)
	2,650,811	2,929,003
Intangible assets (including amortization expense)	44,687	40,377
	$ 2,695,498	$ 2,969,380
An analysis of deprecation by function		
Operating costs	$ 75,951	$ 74,429
Operating expenses	2,574,860	2,854,574
	$ 2,650,811	$ 2,929,003
An analysis of amortization by function		
Operating expenses	$ 44,687	$ 40,377

f. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2017	2016
Direct operating expenses from investment properties that generated rental income	$ 71,407	$ 75,434
Direct operating expenses from investment properties that did not generate rental income	70,585	85,858
	$ 141,992	$ 161,292

g. Employee benefits expenses

	For the Year Ended December 31	
	2017	2016
Post-employment benefits		
Defined contribution plan	$ 206,574	$ 234,567
Defined benefit plan (Note 26)	31,262	37,724
	237,836	272,291
Other employee benefits	4,564,671	4,642,956
Total employee benefits expenses	$ 4,802,507	$ 4,915,247
An analysis of employee benefits expenses by function		
Operating expenses	$ 4,802,507	$ 4,915,247

h. Employees’ compensation and remuneration of directors

The Company accrued employees’ compensation and remuneration of directors at a rate of 2% to 3.5% and a rate of no higher than 2.5%, respectively, of net profit before income tax, employees’ compensation, and remuneration of directors. The employees’ compensation and remuneration of directors for the years ended December 31, 2017 and 2016, which have been approved by the Company’s board of directors on March 21, 2018 and March 20, 2017, respectively, are as follows:

	For the Year Ended December 31	
	2017	**2016**
Employees’ compensation	3.2%	3.2%
Remuneration of directors	2.4%	2.4%

Amount

	For the Year Ended December 31	
	2017	**2016**
	Cash	**Cash**
Employees’ compensation	$ 60,395	$ 47,016
Remuneration of directors	45,296	35,262

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

There was no difference between the actual amounts of employees’ compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016 and 2015.

Information on the employees’ compensation and remuneration of directors resolved by the Company’s board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

30. INCOME TAX

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

	For the Year Ended December 31	
	2017	**2016**
Current income tax		
In respect of the current year	$ 547,106	$ 827,751
Income tax on unappropriated earnings	55	373
Adjustments for the prior years	422	(4,402)
	547,583	823,722
Deferred tax		
In respect of the current year	211,032	11,330
Adjustments to deferred tax attributable to changes in tax rates and laws	91,717	(116,631)
Adjustments for the prior years	3,488	(92,698)
	306,237	(197,999)
Income tax expense recognized in profit or loss	$ 853,820	$ 625,723

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

	For the Year Ended December 31	
	2017	**2016**
Profit before income tax from continuing operations	$ 2,698,842	$ 2,121,281
Income tax expense calculated at the statutory rate	$ 622,672	$ 208,712
Nondeductible expenses in determining taxable income	14,538	144,452
Deferred tax effect of earnings of subsidiaries	(667,039)	(441,122)
Tax-exempt income	(91,479)	(37,644)
Unrecognized investment credits	1,155	-
Income tax on unappropriated earnings	55	373
Land value increment tax	-	28,324
Unrecognized loss carryforwards	926,052	275,036
Unrecognized deductible temporary differences	53,631	580,026
Adjustments for prior years' income tax	3,910	(97,100)
Others	(9,675)	(35,334)
Income tax expense recognized in profit or loss	$ 853,820	$ 625,723

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by $104,818 thousand and $178,840 thousand, respectively, in 2018.

As the status of the 2018 appropriation of the 2017 earnings is uncertain, the potential income tax consequences of the 2017 additional tax of 10% on unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	**2016**
In respect of the current year		
Remeasurement on defined benefit plans	$ 13,325	$ 30,137

c. Current tax assets and liabilities

	December 31 2017	December 31 2016
Current tax assets		
Benefits of tax losses to be carried back to recover taxes paid in prior periods	$ 2,656	$ 3,164
Tax refund receivable	423	85,028
	$ 3,079	$ 88,192
Current tax liabilities		
Income tax payable	$ 539,394	$ 740,459

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2017

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
Deferred tax assets					
Temporary differences					
Lease incentives	$ 233,476	$ (22,373)	$ -	$ (1,389)	$ 209,714
Investments accounted for using the equity method	26,328	(18,124)	-	-	8,204
Differences of pension in determining taxable income	160,195	(19,544)	13,325	-	153,976
Allowance for inventory devaluation	20,224	(551)	-	-	19,673
Allowance for impairment loss for receivables	37,415	(1,719)	-	-	35,696
Promotion expense on coupons	17,387	(3,149)	-	-	14,238
Investments in subsidiaries	163,909	(146,957)	-	-	16,952
Investment properties	37,290		-	-	37,290
Impairment losses	8,904	(8,726)	-	-	178
Other payables	41,691	(226)	-	-	41,465
Others	28,534	(1,314)	-	(236)	26,984
	775,353	(222,683)	13,325	(1,625)	564,370
Loss carryforwards	248,154	(91,315)	-	(1,631)	155,208
	$ 1,023,507	$ (313,998)	$ 13,325	$ (3,256)	$ 719,578

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

For the year ended December 31, 2016

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
Deferred tax assets					
Temporary differences					
Lease incentives	$ 285,070	$ (44,977)	$ -	$ (6,617)	$ 233,476
Investments accounted for using the equity method	39,048	(12,720)	-	-	26,328
Differences of pension in determining taxable income	128,934	1,124	30,137	-	160,195
Allowance for inventory devaluation	63,092	(42,868)	-	-	20,224
Allowance for impairment loss for receivables	34,622	2,793	-	-	37,415
Promotion expense on coupons	17,394	(7)	-	-	17,387
Investments in subsidiaries	17,926	145,983	-	-	163,909
Investment properties	18,133	19,157	-	-	37,290
Impairment losses	-	8,904	-	-	8,904
Other payables	-	41,691	-	-	41,691
Others	25,457	4,129	-	(1,052)	28,534
	629,676	123,209	30,137	(7,669)	775,353
Loss carryforwards	97,718	154,968	-	(4,532)	248,154
	$ 727,394	$ 278,177	$ 30,137	$ (12,201)	$ 1,023,507
Deferred tax liabilities					
Temporary differences					
Depreciation	$ 797,402	$ 22,881	$ -	$ -	$ 820,283
Reserve for land revaluation increment tax	508,719	-	-	-	508,719
Investment properties	391,556	28,324	-	-	419,880
Investments in subsidiaries	252,485	35,450	-	(17,416)	270,519
Others	41,233	(6,477)	-	(254)	34,502
	$ 1,991,395	$ 80,178	$ -	$ (17,670)	$ 2,053,903

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

	December 31	
	2017	**2016**
Loss carryforwards		
Expiry in 2027	$ 3,458,509	$ -
Expiry in 2026	1,172,477	1,626,493
Expiry in 2025	974,952	2,085,484
Expiry in 2024	827,861	1,815,163
Expiry in 2023	592,523	1,058,025
Expiry in 2022	113,858	1,048,848
Expiry in 2021	84,200	293,834
Expiry in 2020	84,736	84,736
Expiry in 2019	212,874	115,743
Expiry in 2018	430,513	339,977
Expiry in 2017	-	875,466
	$ 7,952,503	$ 9,343,769
Deductible temporary differences	$ 1,202,591	$ 3,650,732

f. Information about unused loss carryforwards

As of December 31, 2017, information about loss carryforwards are as follows:

Remaining Creditable Amount	Expiry Year
$ 3,461,972	2027
1,740,191	2026
983,952	2025
869,357	2024
626,099	2023
157,966	2022
123,851	2021
84,736	2020
247,382	2019
465,607	2018
$ 8,761,113	

g. Integrated income tax

	December 31	
	2017	**2016**
Imputation credits account	$ - Note	$ 301,468

	For the Year Ended December 31	
	2017	**2016**
Tax deduction ratio for distribution earnings	Note	27.56%

Note: Related information for 2017 is not applicable since the imputation tax system was abolished per the amended Income Tax Act announced in February 2018.

h. Income tax assessments

Income tax returns for the Group's entities in ROC have been assessed by the tax authorities through 2015, except for YTDS has been assessed by the tax authorities through 2016.

31. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	**2016**
Basic earnings per share	$ 1.09	$ 0.81
Diluted earnings per share	$ 1.09	$ 0.80

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

Net profit for the year

	For the Year Ended December 31	
	2017	**2016**
Net profit for the year	$ 1,535,986	$ 1,134,252
Effect of potentially dilutive common shares:		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 1,535,986	$ 1,134,252

Shares

(In Thousands of Shares)

	For the Year Ended December 31	
	2017	**2016**
Weighted average number of common shares outstanding used in the computation of basic earnings per share	1,408,734	1,408,734
Effect of potentially dilutive common shares:		
Employees' compensation	5,237	4,527
Weighted average number of common shares outstanding used in the computation of dilutive earnings per share	1,413,971	1,413,261

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

32. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

In addition to the transaction described in Note 19 to the consolidated financial statements, the Group signed operating lease arrangements with related parties and unrelated parties in line with its business operations.

As of December 31, 2017 and 2016, the deposit paid for operating lease arrangements were $1,063,690 thousand and $1,117,176 thousand, respectively.

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

	December 31	
	2017	**2016**
Not later than 1 year	$ 3,752,994	$ 4,196,167
Later than 1 year but not later than 5 years	10,185,176	13,735,685
Later than 5 years	16,633,122	24,433,289
	$ 30,571,292	$ 42,365,141

Under non-cancelable sublease commitments, the Group expected to receive minimum sublease payments of $165,918 thousand and $23,132 thousand as of December 31, 2017 and 2016, respectively.

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

	For the Year Ended December 31	
	2017	**2016**
Minimum lease payments	$ 3,742,002	$ 4,540,460
Contingent rentals	233,269	324,146
Sub-lease payments received	(54,111)	(49,272)
	$ 3,921,160	$ 4,815,334

b. The Group as lessor

For investment properties that are leased out under operating lease agreements, refer to Note 17.

As of December 31, 2017 and 2016, the deposits received by the Group through operating lease contract were $162,255 thousand and $155,270 thousand, respectively.

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

	December 31	
	2017	**2016**
Not later than 1 year	$ 633,272	$ 495,247
Later than 1 year but not later than 5 years	1,498,733	1,285,139
Later than 5 years	617,923	1,058,150
	$ 2,749,928	$ 2,838,536

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

33. CAPITAL MANAGEMENT

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

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

34. FINANCIAL INSTRUMENTS

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

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

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

Fair value hierarchy as at December 31, 2017

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

Fair value hierarchy as at December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	$ 504,315	$ -	$ -	$ 504,315
Available-for-sale financial assets				
Listed common shares Equity investments	$ 3,968,594	$ -	$ -	$ 3,968,594

There were no transfers between Level 1 and 2 in both 2017 and 2016.

c. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
FVTPL		
Held for trading	$ 496,455	$ 504,315
Loans and receivables (1)	22,929,381	18,796,652
Available-for-sale financial assets (2)	3,786,447	4,578,115
Financial liabilities		
Measured at amortized cost (3)	56,313,688	55,775,926

1) The balances included the carrying amount of cash and cash equivalents, debt investments with no active market, notes receivable and trade receivables (including related parties), other receivables and refundable deposits, which were measured at amortized cost.

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

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

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Exchange rate risk

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

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

In Thousands of US Dollars

	December 31	
	2017	**2016**
Assets		
USD	$ 91,315	$ 75,051
Liabilities		
USD	$ 139,874	$ 98,612

Sensitivity analysis

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

If exchange rates had been 1% higher or lower and all other variables were held constant, the profit before income tax or equity of the Group for 2017 and 2016 would decrease/increase by $14,451 thousand and $7,598 thousand, respectively,

b) Interest rate risk

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

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

	December 31	
	2017	**2016**
Fair value interest rate risk		
Financial assets	$ 6,679,030	$ 9,050,539
Financial liabilities	13,352,308	16,214,841
Cash flow interest rate risk		
Financial assets	7,303,752	3,375,184
Financial liabilities	20,003,599	19,355,899

Sensitivity analysis

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

If interest rates had been 100 basis points higher or lower and all other variables had been held constant, the income before income taxes for the years ended December 31, 2017 and 2016 would have decreased/increased by $126,998 thousand and $159,807 thousand, respectively.

c) Other price risks

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

Sensitivity analysis

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

If equity prices had been 5% higher or lower, the income before income tax for the years ended December 31, 2017 and 2016 would increase/decrease by $24,823 thousand and $25,216 thousand, respectively, as a result of the changes in fair value of held-for-trading investments. The pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would have increased/decreased by $158,921 thousand and $198,430 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

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

To maintain the quality of trade receivables, the Group manages credit risk by assessing customers' credit elements, such as financial status, historical transactions, etc., and obtains an adequate amount of collaterals as guarantees from the customers with high credit risk. In addition, the Group reviews the recoverable amount of each trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. On the credit risk management of bank deposits and other financial instruments, the Group trades with the counterparties comprising banks with high credit ratings. Among the balances of trade receivables on December 31, 2016, trade receivables from the Company A are $103,875 thousand. Except for the above, the Group had no other trade receivables from a single customer, which the amount of trade receivables achieves 10% of the total trade receivables.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the use of bank borrowings and ensures compliance with loan covenants.

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

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

December 31, 2017

	On Demand or Not Later than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Later than 5 Years	Total
Non-derivative financial liabilities							
Short-term borrowings	$ 13,084,956	$ -	$ -	$ -	$ -	$ -	$ 13,084,956
Short-term bills payable	2,514,700	-	-	-	-	-	2,514,700
Notes payable	3,071	-	-	-	-	-	3,071
Trade payables	18,285,105	-	-	-	-	-	18,285,105
Trade payables to related parties	127,880	-	-	-	-	-	127,880
Other payables	4,050,914	-	-	-	-	-	4,050,914
Bond payables (including current portion)	998,149	-	-	-	-	-	998,149
Long-term borrowings (including current portion)	3,500,000	10,238,102	3,020,000	-	-	-	16,758,102
Deposits received	87,541	249,261	45,142	82,094	6,872	19,901	490,811

December 31, 2016

	On Demand or Not Later than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Later than 5 Years	Total
Non-derivative financial liabilities							
Short-term borrowings	$ 9,886,363	$ -	$ -	$ -	$ -	$ -	$ 9,886,363
Short-term bills payable	2,690,946	-	-	-	-	-	2,690,946
Notes payable	37,892	-	-	-	-	-	37,892
Trade payables	16,250,674	-	-	-	-	-	16,250,674
Trade payables to related parties	113,817	-	-	-	-	-	113,817
Other payables	4,343,818	-	-	-	-	-	4,343,818
Bond payables	-	996,282	-	-	-	-	996,282
Long-term borrowings (including current portion)	5,965,315	9,163,400	3,795,867	2,000,000	-	-	20,924,582
Deposits received	96,527	313,962	43,064	4,137	60,434	13,428	531,552

35. TRANSACTIONS WITH RELATED PARTIES

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

a. The Group's related parties and their relationships

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

(Continued)

Related Party	Relationship with the Group
Far Eastern General Contractor Inc.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Apparel Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
YDT Technology International Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern New Century (China) Investment Co., Ltd. (FENCI (China))	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern General Contractor Inc.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Kai Yuan International Investment Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Ding Yuan International Investment Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuan Ding Enterprise (Shanghai) Co., Ltd. (YDEC (Shanghai))	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
An Ho Garment 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)
Yadong Ready Mixed Concrete Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Da Ju Fiber Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Yuan-Ze University	Other related party (the same chairman)
Far Eastern Medical Foundation (FEMF)	Other related party (the same chairman)
Oriental Union Chemical Corp.	Other related party (the same chairman)
U-Ming Marine Transport Corp.	Other related party (the same chairman)
Oriental Institute of Technology	Other related party (the same chairman)
Tranquil Enterprise Ltd. (TEL)	Other related party (the same chairman)
Hong-Tong Developing Co., Ltd.	Other related party
Sogo New Life Foundation	Other related party
Pacific Sogo Social Welfare Foundation	Other related party
Ding Ding Management Consultants Co., Ltd.	Other related party
Oriental Securities Investment Advisory Co., Ltd.	Other related party (subsidiary of OSC)
Chengdu Zhongtie Ruicheng Building Co.,Ltd	Other related party (mainland cooperative enterprise)
Chengdu Tai Bai Consultant and Management Co., Ltd.	Other related party (mainland cooperative enterprise)

(Continued)

Related Party	Relationship with the Group
Shanghai Xujiahui Commercial Co., Ltd.	Other related party (mainland cooperative enterprise)
Far Eastern International Bank (FEIB)	Other related party (the president of the Company is its vice president)
CitySuper (Hong Kong)	Other related party (other related party of Subsidiary Far Eastern CitySuper)
CitySuper (Labuan) Ltd.	Other related party (investor of Far Eastern CitySuper accounted for using the equity method)
CitySuper Ltd.	Other related party (the parent company of CitySuper (Labuan) Ltd.)
Yuanbo Asset Management Company	Other related party (subsidiary of FEIL)

(Concluded)

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

b. Operating revenue

	For the Year Ended December 31	
	2017	2016
Sales of goods (Note)		
The associates of investor that has significant influence over the Group	$ 61,433	$ 66,771
Associates	4,627	7,965
Other related parties	3,710	4,979
Investor that has significant influence over the Group	1,428	1,371
	$ 71,198	$ 81,086

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

	For the Year Ended December 31	
	2017	2016
Other operating revenue		
The associates of investor that has significant influence over the Group	$ 40,690	$ 38,044
Other related parties	31,466	20,828
Associates	12,790	19,564
Investor that has significant influence over the Group	-	77
	$ 84,946	$ 78,513

c. Operating costs and expenses

	For the Year Ended December 31	
	2017	2016
Operating costs (Note)		
The associates of investor that has significant influence over the Group	$ 132,792	$ 150,207
Other related parties	20,687	27,388
Investor that has significant influence over the Group	143	46
	$ 153,622	$ 177,641

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

	For the Year Ended December 31	
	2017	2016
Operating expenses (Note)		
The associates of investor that has significant influence over the Group	$ 770,262	$ 741,874
Associates	557,939	644,164
Other related parties	479,796	472,019
Investor that has significant influence over the Group	119,543	111,342
	$ 1,927,540	$ 1,969,399

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

d. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Other gains		
The associates of investor that has significant influence over the Group	$ 18,149	$ 24,540
Other related parties	17,544	16,357
Investor that has significant influence over the Group	3,220	7,250
Associates	1,140	9,497
	$ 40,053	$ 57,644
Other losses		
Associates	$ 7,217	$ 7,271
Investor that has significant influence over the Group	1	1
	$ 7,218	$ 7,272

e. Receivables from related parties

	December 31 2017	December 31 2016
Trade receivables, net		
The associates of investor that has significant influence over the Group	$ 51,658	$ 13,700
Associates (Note)		
FEEC	-	103,875
Others	48,637	30,387
	48,637	134,262
Other related parties	22,403	12,973
Investor that has significant influence over the Group	3,666	2,150
	$ 126,364	$ 163,085

Note: As of December 31, 2017 and 2016, the amounts of allowance for impairment loss on receivables were $128,450 thousand and $129,557 thousand, respectively.

	December 31 2017	December 31 2016
Other receivables		
The associates of investor that has significant influence over the Group (1)		
FENCI (China)	$ 986,323	$ 1,006,834
YDEC (Shanghai)	261,322	267,528
Others	10,453	16,303
	1,258,098	1,290,665
Associates	15,388	9,347
Other related parties (2)	4,947	5,561
Investor that has significant influence over the Group	296	308
	$ 1,278,729	$ 1,305,881

1) As of December 31, 2017 and 2016, the amounts of finance to related parties were $1,247,645 thousand and $1,274,362 thousand, respectively.

2) As of December 31, 2017 and 2016, the amounts of allowances for impairment loss were $16,181 thousand for both of these dates.

f. Other assets

	December 31 2017	December 31 2016
Prepayments		
Other related parties	$ 2,889	$ 2,889
Associates	166	37,848
The associates of investor that has significant influence over the Group	96	104
	$ 3,151	$ 40,841

(Continued)

	December 31	
	2017	2016
Prepayments for lease		
Other related parties	$ 265,298	$ 265,298
Other current assets		
Associates	$ 570	$ 570
Other non-current asset		
Long-term prepayments		
The associates of investor that has significant influence over the Group	$ -	$ 3,587
Leasing incentives		
The associates of investor that has significant influence over the Group	$ 7,924	$ 10,256
Other related parties	1,494	1,646
	$ 9,418	$ 11,902
Refundable deposits		
Associates	$ 136,363	$ 128,519
The associates of investor that has significant influence over the Group	44,818	44,818
	$ 181,181	$ 173,337
Long-term prepayments for lease		
Other related parties		
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	$ 5,040,667	$ 5,305,964

(Concluded)

g. Payables to related parties

	December 31	
	2017	2016
Trade payables		
The associates of investor that has significant influence over the Group	$ 125,810	$ 107,151
Other related parties	2,059	6,661
Investor that has significant influence over the Group	11	5
	$ 127,880	$ 113,817
Other payables		
Associates	$ 282,478	$ 249,922
The associates of investor that has significant influence over the Group	272,117	351,880
Other related parties	104,123	102,312
Investor that has significant influence over the Group	44,902	42,522
	$ 703,620	$ 746,636

h. Other liabilities

	December 31	
	2017	2016
Advance receipts		
The associates of investor that has significant influence over the Group	$ 3,018	$ 3,499
Other related parties	3,012	1,883
Associates	1,425	77
	$ 7,455	$ 5,459
Other current liabilities		
Associates	$ 5,907	$ 3,857
The associates of investor that has significant influence over the Group	196	7,131
Other related parties	15	150
Investor that has significant influence over the Group	-	157
	$ 6,118	$ 11,295
Other non-current liabilities		
Leasing incentive		
The associates of investor that has significant influence over the Group	$ 92,791	$ 84,556
Deposits received		
The associates of investor that has significant influence over the Group	$ 28,860	$ 21,422
Other related parties	1,032	1,032
	$ 29,892	$ 22,454
Others		
Other related parties	$ 29,759	$ 30,013

i. Construction projects

The Group contracted out construction projects to the associate of investor that has significant influence over the Group. The construction costs in 2017 and 2016 were $419,439 thousand and $368,670 thousand, respectively.

j. Disposals of financial assets

For the year ended December 31, 2017

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

k. Loans to related parties

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

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

	December 31, 2016			
Related Party	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Income
FENCI (China)	$ 3,186,491	$ 1,006,834	-	$ -
YDEC (Shanghai)	$ 686,778	$ 267,528	-	$ -

l. Loans from related parties

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

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

	December 31, 2016			
Related Party	Maximum Balance	Ending Balance	Interest Rate (%)	Finance Cost
FEIB	$ 1,103,000	$ 132,000	1.10-1.15	$ 3,339

m. Compensation of key management personnel

	For the Year Ended December 31	
	2017	**2016**
Short-term employee benefits	$ 112,697	$ 124,858
Post-employment benefits	5,143	2,012
	$ 117,840	$ 126,870

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.

36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for goods purchases, long/short-term borrowings, short-term bills payable and administrative proceedings:

	December 31	
	2017	**2016**
Debt investments with no active market	$ 283,690	$ 285,691
Investments accounted for using the equity method	3,492,833	3,458,943
Available-for-sale financial assets	1,535,640	1,422,270
Property, plant and equipment	17,587,339	17,774,052
Investment properties	755,294	779,404
	$ 23,654,796	$ 23,720,360

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2017 and 2016 are as follows:

a. Significant commitments

The amount of unrecognized commitments are as follows:

	December 31	
	2017	**2016**
Acquisition of property, plant and equipment	$ 2,180,109	$ 459,339
Acquisition of intangible assets	-	1,528
	$ 2,180,109	$ 460,867

b. Min-Chiang Chang sued for the allegedly illegal passing of a special shareholders' meeting by Pacific Liu Tong Investment (PLTI) on May 9, 2002 (for the by-election of directors and supervisors) and September 21, 2002 (for the capital subscription of $4,000,000 thousand and amendments of the Articles of Incorporation).

Min-Chiang Chang claimed that both of the special shareholders' meetings were invalid, and requested nullifying the election of PLTI's directors and supervisors on May 14, 2002 and the capital subscription and amendments of the Articles of Incorporation on October 11, 2002.

In addition, Min-Chiang Chang demanded that PLTI pay him $5,000 thousand plus interest as remuneration of directors for the period from September 20, 2002 to April 13, 2005. The Taiwan High Court ruled to dismiss Min-Chiang Chang's appeals in July 2011. Thus, Min-Chiang Chang filed an appeal with the Taiwan Supreme Court.

Under Court Reference Year 102 Letter Tai Shang No. 91 verdict, issued by the Taiwan Supreme Court on January 17, 2013, the Court rejected Min-Chiang Chang's appeals to nullify (a) the shareholders' resolution of PLTI on September 21, 2002; and (b) the capital subscription and registration of the amendments of Article of Incorporation on October 11, 2002. The case was then remanded to the Taiwan High Court for trial. The rest of Min-Chiang Chang's appeals were also rejected by the Taiwan Supreme Court.

In September 2013, Heng-Long Li filed an appeal to nullify the PLTI board of directors' resolution passed on September 21, 2002 and requested that the Ministry of Economic Affairs (the MOEA) cancel the registration on October 11, 2002 for the capital subscription. As of December 31, 2017, the case was still pending at the Taiwan Taipei District Court. As to the resolution approved of in the special shareholders' meeting and the elected board of directors of PLTI on September 21, 2002, the chairman of PLTI and director, Heng-Long Li and Yong-Ji Lai, respectively, were sued for committing forgery, falsifying documents to make a false entry, and causing a public official to make an entry which Heng-Long Li and Yong-Ji Lai knew to be false in a public document. The Taiwan High Court (Year 99 Chin Shang Zhong keng I tzu No. 4) made the judgment on December 15, 2016 that Heng-Long Li and Yong-Ji Lai were innocent of the criminal charges filed.

Min-Chiang Chang filed an incidental civil suit in connection with the criminal case of forgery against Ming-Zong Kuo, owing to Ming-Zong Kuo already knowing that Hua-De Lin, Heng-Long Li and Yong-Ji Lai were appointed as the fiduciaries of Pacific Liu Tong Investment (PLTI). Min-Chiang Chang claimed that Ming-Zong Kuo colluded with Hua-De Lin, Heng-Long Li and Yong-Ji Lai to use their positions to carry out transactions that resulted in Min-Chiang Chang's losses. According to the incidental civil suit in connection with the criminal case of forgery by Heng-Long Li (Year 93 Letter Chin Shang Zhong Su No. 6) in the Taiwan High Court, Min-Chiang Chang asked the Taiwan High Court to declare that the relevant equity interests in PLTI of FEDS and of FENC and their subsidiaries were a fabrication, i.e. they never existed. In October 2009, Min-Chiang Chang lost the suit and then appealed with the Taiwan High Court. Min-Chiang Chang later raised an appeal with the Taiwan Supreme Court, and the decision of the original criminal case made by the Taiwan High Court was revoked by the Taiwan Supreme Court on March 25, 2010. Under Article 510 of The Code of Criminal Procedure, the Taiwan Supreme Court remanded the criminal case and the incidental civil suit with the Taiwan High Court. The Taiwan High Court (Year 99 Minsheng I tzu No. 1) made the judgment on December 15, 2016 that Min-Chiang Chang lost the suit.

c. Pacific Construction Co., Ltd. (Pacific Construction), Taiwan Chong-Cuang Ltd. (Chong-Cuang) and Pacific Department Store Co., Ltd. (Pacific Department Store) asserted that Hua-De Lin, Yong-Ji Lai, and Heng-Long Li violated the delegation of Min-Chiang Chang and Pacific Construction, and Douglas Hsu, Mao-De Huang, Guan-Jyun Li, and Ming-Zong Kuo, together with the knowledge of such violations and their positions in the Company, implemented transactions that jeopardized the benefit of Min-Chiang Chang and Pacific Construction. Pacific Construction, Chong-Cuang, and Pacific Department Store, after the 2016 pronouncement No. 3 of the Taiwan Taipei District Court (the TTDC), filed a civil lawsuit requesting the return of the 144,296 thousand, 74,300 thousand, and 9,965 thousand shares of SOGO held by Pacific Liu Tong Investment to Pacific Construction, Chong-Cuang, and Pacific Department Store, respectively. Furthermore, Heng-Long Li, Douglas Hsu, FEDS, Hua-De Lin, Yong-Ji Lai, Guan-Jyun Li, Mao-De Huang, and Ming-Zong Kuo shall pay Pacific Construction, Chong-Cuang and Pacific Department Store $13,575,145 thousand, $7,960,148 thousand, and $2,800,336 thousand, respectively. Per the decision of the THC dated September 7, 2010, defendants -

Douglas Hsu, Mao-De Huang, and Guan-Jyun Li - were found not guilty for the criminal charges while the lawsuit shall be transferred to the civil court for trial in accordance with the civil litigation process. However, per the decision of the THC, Year 99 Letter Zhong Su No. 47, on February 27, 2018, the Court rejected the plaintiff's appeals to other defendants (including PLTI, FEDS, Heng-Long Li, Yong-Ji Lai, Hua-De Lin, and Ming-Zong Kuo).

d. A letter from the Ministry of Economic Affairs (the 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 (the SAC), the Year 101 Letter Kun No. 1589 and No. 1681 verdicts made by the THC, and the Year 106 Letter Tsai Shang No. 86 verdict made by the SAC, confirmed that the shareholders' meeting was legal and rejected the appeal of the SOGO shareholders.

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

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

e. Pacific Department Store asserted that SOGO injured the trademark, and raised an appeal to the president Qing-Wen Huang and the general manager Ding-Song WanGuo of SOGO for violation of the trademark law. After being sued by the TTDC (Year 106 Annual detective No.2264) on November 27, 2017, SOGO received a complaint proposed by the Pacific Department Store in January. In the complaint, the president Qing-Wen Huang and the general manager Ding-Song WanGuo were asked to compensate an amount of $72,226,923 thousand, and also to post the judgment on the front pages of several newspapers for 30 days. The criminal case (TTDC Year 106 Zhi Yi Zi Note.70) and criminal case supplementary civil action (TTDC Year 106 Zhi Zhong Note.9) are still pending in the TTDC.

38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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. Considering the safety of the public and the rights and equity of the shareholders, the Company carried out the building demolition in March 2018. The management evaluated that the impact on both operations and finance was not significant. The Company is filing a claim with insurers actively and the amount of actual loss is still being estimated as of the release date of the consolidated financial statements of the Company for the years ended December 31, 2017 and 2016.

39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies are disclosed. The significant assets and liabilities denominated in foreign currencies are as follows:

December 31, 2017

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 10,438	29.7600 (USD:NTD)	$ 310,622
USD	80,877	6.5342 (USD:RMB)	2,406,900
RMB	527,652	4.5545 (RMB:NTD)	2,403,190
			$ 5,120,712
Non-monetary items			
Associates accounted for using the equity method			
RMB	423,405	4.5545 (RMB:NTD)	$ 1,928,400
Financial assets measured at cost			
USD	294	30.2750 (USD:NTD)	8,903
			$ 1,937,303

(Continued)

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	29,944	29.7600(USD:NTD)	$ 891,136
USD	109,930	6.5342(USD:RMB)	3,271,523
RMB	36,113	4.5545(RMB:NTD)	164,479
			$ 4,327,138

(Concluded)

December 31, 2016

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 13,683	32.250 (USD:NTD)	$ 441,289
USD	61,368	6.937 (USD:RMB)	1,979,120
			$ 2,420,409
Non-monetary items			
Associates accounted for using the equity method			
RMB	440,615	4.649 (RMB:NTD)	$ 2,048,419
Financial assets measured at cost			
USD	294	30.275 (USD:NTD)	8,903
			$ 2,057,322
Financial liabilities			
Monetary items			
USD	28,576	32.250 (USD:NTD)	$ 921,561
USD	70,036	6.937 (USD:RMB)	2,258,668
			$ 3,180,229

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

	For the Year Ended December 31			
	2017		2016	
Functional Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1.0000 (NTD:NTD)	$ 11,389	1.0000 (NTD:NTD)	$ (11,240)
RMB	4.5053 (RMB:NTD)	63,292	4.8588 (RMB:NTD)	(159,478)
		$ 74,681		$ (170,718)

40. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided to others: Table 2.

2) Endorsements/guarantees provided: Table 3.

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

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

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

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

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

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

9) Trading in derivative instruments: None.

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

11) Information on investees: Table 8.

c. Information on investments in mainland China:

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

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

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.

c) The amount of property transactions and the amount of the resultant gains or losses: None.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 3.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 2.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

41. OPERATING SEGMENT FINANCIAL INFORMATION

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

a. Segment revenues and results

	Segment Revenue For the Year Ended December 31		Segment Profit For the Year Ended December 31	
	2017	2016	2017	2016
ROC	$ 37,621,304	$ 39,332,854	$ 4,020,142	$ 4,166,904
China	3,545,678	4,163,635	(933,418)	(1,005,788)
Total for continuing operations	$ 41,166,982	$ 43,496,489	3,086,724	3,161,116
Interest income			74,855	57,458
Dividend income			138,393	183,519
Loss arising on financial assets classified as held for trading, net			(2,851)	(36,290)
Foreign exchange gain (loss), net			74,681	(170,718)
Loss on disposal of property, plant and equipment, net			(223,336)	(40,617)
Gain on disposal of property, plant and equipment			6,628	-
Gain on disposal of investment			428,971	-

(Continued)

	Segment Revenue		Segment Profit	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
(Loss) gain arising on changes in fair value of investment properties, net			$ (9,061)	$ 127,937
Finance costs			(445,376)	(428,315)
Share of profits of associates accounted for using the equity method			(39,180)	(8,585)
Impairment loss on intangible assets			(1,205,840)	(998,411)
Impairment loss on property, plant and equipment			(2,040)	(177,228)
Other gains			1,251,964	846,126
Other losses			(435,690)	(394,711)
Profit before income tax			$ 2,698,842	$ 2,121,281

(Concluded)

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in 2017 and 2016.

b. Segment assets and liabilities

	December 31	
	2017	2016
Segment assets		
ROC	$ 92,043,486	$ 93,470,099
China	13,665,994	12,726,080
Adjustments and eliminations	(1,029)	(569)
Consolidated total assets	$ 105,708,451	$ 106,195,610
Segment liabilities		
ROC	$ 55,551,721	$ 57,343,838
China	13,298,552	12,408,970
Consolidated total liabilities	$ 68,850,273	$ 69,752,808

c. Revenue from major products

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

	For the Year Ended December 31	
	2017	2016
Retail sales revenue	$ 37,051,740	$ 39,366,777
Other operating revenues	4,115,242	4,129,712
	$ 41,166,982	$ 43,496,489

d. Geographical information

The Group operates in two principal geographical areas - ROC and China. The Group's revenue from external customers by geographical location and information about its non-current assets by geographical location are detailed below.

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2017	2016	2017	2016
ROC	$ 37,621,304	$ 39,332,854	$ 61,875,989	$ 63,346,314
China	3,545,678	4,163,635	3,922,858	5,561,994
	$ 41,166,982	$ 43,496,489	$ 65,798,847	$ 68,908,308

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

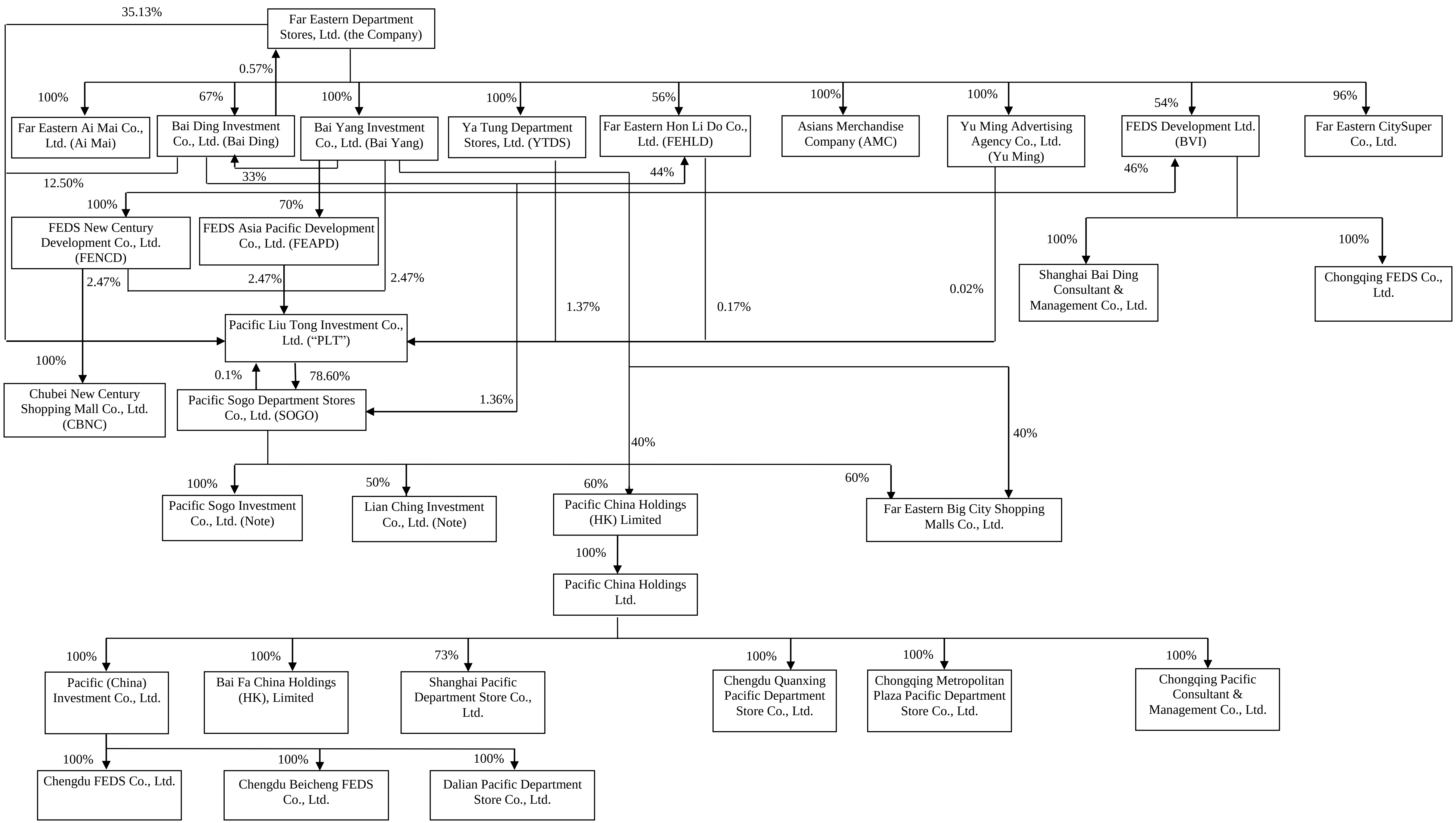
e. Information about major customers

There is no revenue from any individual customer comprising over 10% or more of the Group's gross revenue for 2017 and 2016.

TABLE 1

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

DIAGRAM OF INTERCOMPANY RELATIONSHIPS
DECEMBER 31, 2017



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

TABLE 2

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	$ -	-	$ -	$ 4,259,486 (Note B)	$ 4,259,486 (Note B)
		Pacific Liu Tong Investment Co., Ltd.	Other receivables	Y	500,000	-	-	-	(Note A)	-	Transaction	-	-	-	4,259,486 (Note B)	4,259,486 (Note B)
2	Chongqing FEDS Co., Ltd.	Chengdu Beicheng FEDS Co., Ltd.	Other receivables	Y	455,450 (RMB 100,000,000)	455,450 (RMB 100,000,000)	-	3.574576%-4.374855%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Chongqing Pacific Consultant & Management Co., Ltd.	Other receivables	Y	364,360 (RMB 80,000,000)	364,360 (RMB 80,000,000)	204,953 (RMB 45,000,000)	3.175%-4.35%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Dalian Pacific Department Store Co., Ltd.	Other receivables	Y	455,450 (RMB 100,000,000)	455,450 (RMB 100,000,000)	118,417 (RMB 26,000,000)	3.574576%-4.374855%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Wuxi FEDS Co., Ltd.	Other receivables	Y	683,175 (RMB 150,000,000)	-	-	3.574576%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Tianjin FEDS Co., Ltd.	Other receivables	Y	455,450 (RMB 100,000,000)	-	-	-	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Chengdu FEDS Co., Ltd.	Other receivables	Y	1,366,350 (RMB 300,000,000)	1,366,350 (RMB 300,000,000)	255,052 (RMB 56,000,000)	3.574576%-4.374855%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
3	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	318,815 (RMB 70,000,000)	318,815 (RMB 70,000,000)	182,180 (RMB 40,000,000)	3.35%-4.1%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Chongqing Pacific Consultant & Management Co., Ltd.	Other receivables	Y	318,815 (RMB 70,000,000)	318,815 (RMB 70,000,000)	214,062 (RMB 47,000,000)	3.175%-4.35%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
4	Pacific China Holding Ltd.	Wuxi FEDS Co., Ltd.	Other receivables	Y	595,200 (US$ 20,000,000)	-	-	3.02167%-3.03889%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Chengdu FEDS Co., Ltd.	Other receivables	Y	1,517,760 (US$ 51,000,000)	1,517,760 (US$ 51,000,000)	1,220,160 (US$ 41,000,000)	3.01333%-3.62188%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Pacific China Holdings (HK) Limited	Other receivables	Y	297,600 (US$ 10,000,000)	297,600 (US$ 10,000,000)	-	-	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Chengdu Beicheng FEDS Co., Ltd.	Other receivables	Y	297,600 (US$ 10,000,000)	297,600 (US$ 10,000,000)	-	3.24444%-3.48167%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
5	Pacific China Holdings (HK) Limited	Pacific China Holding Ltd.	Other receivables	Y	297,600 (US$ 10,000,000)	297,600 (US$ 10,000,000)	102,672 (US$ 3,450,000)	2.07%-3.93%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
6	Pacific (China) Investment Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	45,545 (RMB 10,000,000)	45,545 (RMB 10,000,000)	4,655 (RMB 1,022,000)	4.08%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
7	FEDS Development Ltd.	Yuan Ding Enterprise (Shanghai) Co., Ltd.	Other receivables	Y	524,843 (US$ 3,250,000) (RMB 94,000,000)	268,716 (RMB 59,000,000)	261,322 (RMB 57,377,000)	-	(Note A)	-	Transaction	-	-	-	5,799,744 (Note C)	11,599,487 (Note D)
		Far Eastern New Century (China) Investment Co., Ltd.	Other receivables	Y	2,972,097 (US$ 34,000,000) (RMB 430,400,000)	986,960 (RMB 216,700,000)	986,323 (RMB 216,560,000)	-	(Note A)	-	Transaction	-	-	-	5,799,744 (Note C)	11,599,487 (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: As to Pacific Sogo Investment Co., Ltd. was under liquidation and the amount of Lian Ching Investment Co., Ltd. had been written off to zero, no liabilities were undertaken by the Company and the accounts are not disclosed in the financial statement.

TABLE 3

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(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. (the "Company")	FEDS New Century Development Co., Ltd.	3	$ 17,399,231 (Note A)	$ 30,000	$ 30,000	$ -	$ -	-	$ 28,998,718 (Note B)	Y	-	-
		Bai Yang Investment Co., Ltd.	2	17,399,231 (Note A)	400,000	-	-	-	-	28,998,718 (Note B)	Y	-	-
		Bai Ding Investment Co., Ltd.	2	17,399,231 (Note A)	700,000	700,000	424,000	-	2	28,998,718 (Note B)	Y	-	-
		FEDS Development Ltd.	2	17,399,231 (Note A)	2,785,536 (US$ 93,600,000)	2,785,536 (US$ 93,600,000)	1,049,899 (US$ 29,800,000) (RMB 35,800,000)	-	10	28,998,718 (Note B)	Y	-	-
		Chubei New Century Shopping Mall Co., Ltd.	3	17,399,231 (Note A)	3,700,000	3,700,000	-	-	13	28,998,718 (Note B)	Y	-	-
		Far Eastern CitySuper Co., Ltd.	2	17,399,231 (Note A)	160,000	160,000	-	-	1	28,998,718 (Note B)	Y	-	-
		Pacific Sogo Department Stores Co., Ltd.	3	17,399,231 (Note A)	4,698,039	4,335,697	4,335,697	-	15	28,998,718 (Note B)	Y	-	-
1	Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings Ltd.	3	17,399,231 (Note C)	8,472,672 (US$ 284,700,000)	8,085,792 (US$ 271,700,000)	4,201,279 (US$ 141,172,000)	-	28	28,998,718 (Note D)	-	-	-
		Dalian Pacific Department Store Co., Ltd.	3	17,399,231 (Note C)	355,251 (RMB 78,000,000)	355,251 (RMB 78,000,000)	124,288 (RMB 27,289,000)	-	1	28,998,718 (Note D)	-	-	Y
		Chengdu FEDS Co., Ltd.	3	17,399,231 (Note C)	1,119,220 (US$ 7,000,000) (RMB 200,000,000)	1,119,220 (US$ 7,000,000) (RMB 200,000,000)	-	-	4	28,998,718 (Note D)	-	-	Y
		Far Eastern Department Stores, Ltd.	4	17,399,231 (Note C)	2,863,195	2,675,541	2,675,541	-	9	28,998,718 (Note D)	-	Y	-
		Chengdu Beicheng FEDS Co., Ltd.	3	17,399,231 (Note C)	136,635 (RMB 30,000,000)	-	-	-	-	28,998,718 (Note D)	-	-	Y
2	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chengdu Beicheng FEDS Co., Ltd.	3	17,399,231 (Note C)	182,180 (RMB 40,000,000)	-	-	-	-	28,998,718 (Note D)	-	-	Y
3	Far Eastern Big City Shopping Malls Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	4	351,517 (Note A)	164,396	164,396	164,396	-	1	585,862 (Note B)	-	-	-

(Continued)

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

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

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

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

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

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

1. Trading partner.
2. Majority owned subsidiary.
3. The Company and subsidiary own over 50% ownership of the investee company.
4. Company's subsidiary or investee of subsidiary of parent company.
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.

(Concluded)

TABLE 4

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(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, 2017				Note
				Shares (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far Eastern Department Stores, Ltd. (the Company)	Shares							
	Asia Cement Corporation	4	Available-for-sale financial assets - non-current	50,000	$ 1,410,014	1	$ 1,410,014	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	Available-for-sale financial assets - non-current	19,964	535,045	-	535,045	
	Kaohsiung Rapid Transit Corporation	-	Financial assets measured at cost - non-current	6,286	40,753	2	40,753 (Note B)	
	Yuan Ding Leasing Corp.	-	Financial assets measured at cost - non-current	7,309	62,560	9	62,560 (Note B)	
	Yuan Ding Co., Ltd.	4	Financial assets measured at cost - non-current	3	10	-	10 (Note B)	
	Yuan Shi Digital Technology Co., Ltd	4	Financial assets measured at cost - non-current	1,041	571	1	571 (Note B)	
Bai Ding Investment Co., Ltd.	Shares							
	Far Eastern Department Stores, Ltd.	2	Available-for-sale financial assets - current	8,207	123,105	1	123,105	
	Asia Cement Corporation	7	Available-for-sale financial assets - non-current	14,814	417,766	-	417,766	5,200 thousand shares of Asia Cement Corporation pledged for commercial papers issued of the investor company
	Far Eastern New Century Corporation	6	Available-for-sale financial assets - non-current	15,812	423,749	-	423,749	15,000 thousand shares of Far Eastern New Century Corporation pledged for loans of the investor company
	Chung-Nan Textile Co., Ltd.	-	Financial assets measured at cost - non-current	2,984	81,390	5	81,390 (Note B)	
	Ding Ding Management Consultants Co., Ltd.	8	Financial assets measured at cost - non-current	216	11,817	5	11,817 (Note B)	
	Yue Ding Industry Co., Ltd.	7	Financial assets measured at cost - non-current	2,246	16,930	2	16,930 (Note B)	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets measured at cost - non-current	1	10	-	10 (Note B)	
	Ding Sheng Investment Co., Ltd.	-	Financial assets measured at cost - non-current	39,600	396,000	18	396,000 (Note B)	
Bai Yang Investment Co., Ltd.	Shares							
	Far Eastern International Bank	8	Available-for-sale financial assets - current	21,519	205,292	1	205,292	
	Asia Cement Corporation	7	Available-for-sale financial assets - non-current	3,849	108,555	-	108,555	
	U-Ming Marine Transport Corp.	8	Available-for-sale financial assets - non-current	200	7,300	-	7,300	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets measured at cost - non-current	1	10	-	10 (Note B)	
Far Eastern Hon Li Do Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	986	11,470	-	11,470	
Yu Ming Advertising Agency Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,730	31,748	-	31,748	
	Shares							
	Asia Cement Corporation	7	Available-for-sale financial assets - non-current	1,506	42,458	-	42,458	

(Continued)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2017				Note
				Shares (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
FEDS New Century Development Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	9,532	$ 110,828	-	$ 110,828	
FEDS Development Ltd.	Shares							
	Kowloon Cement Corp., Ltd.	7	Financial assets measured at cost - non-current	46	8,903	2	8,903 (Note B)	
Pacific Sogo Department Stores Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Flagship Security Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	150	2,572	-	2,572	
	DWS Global Multi - Asset Income Plus FOF-A	-	Financial assets at fair value through profit or loss - current	5,000	52,800	-	52,800	
	Shares							
	CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss - current	297	1,264	-	1,264	
	Quanta computer Inc.	-	Financial assets at fair value through profit or loss - current	1	45	-	45	
	Pacific Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	7,931	84,861	2	84,861	
	DBTEL Inc.	-	Financial assets at fair value through profit or loss - current	10	22	-	22	
	Oriental Union Chemical Corp.	8	Available-for-sale financial assets - current	546	17,281	-	17,281	
	U-Ming Marine Transport Corp.	8	Available-for-sale financial assets - current	300	10,950	-	10,950	
	Pacific Liu Tong Investment Co., Ltd.	1	Financial assets measured at cost - non-current	800	4,019	-	4,019 (Note B)	
	E-Shou Hi-tech Co., Ltd.	-	Financial assets measured at cost - non-current	18,300	-	15	- (Note B)	
	Tain Yuan Investment Co., Ltd.	-	Financial assets measured at cost - non-current	98,000	-	20	- (Note B)	
	PURETEK Corp.	-	Financial assets measured at cost - non-current	119	-	-	- (Note B)	
	Pacific 88 Co., Ltd.	-	Financial assets measured at cost - non-current	16	-	1	- (Note B)	
	Yuan Shi Digital Technology Co., Ltd	7	Financial assets measured at cost - non-current	1,041	-	1	- (Note B)	
Pacific China Holdings Ltd.	Shares							
	Oversea Development Corp.	-	Financial assets measured at cost - non-current	2,250	-	15	- (Note B)	
	Taiwan Ocean Farming Corp.	-	Financial assets measured at cost - non-current	2,250	-	15	- (Note B)	
Pacific Liu Tong Investment Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	17,273	200,845	-	200,845	

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.

Note B: The financial assets measured at cost were determined at the book value of the investment company.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(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 (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Adjusted Item (Note A)	Shares (Thousands)	Amount
FEDS Development Ltd.	Shares														
	Bai Yang Investment Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	652,991	$ 6,632,712	350,000	$ 3,500,000 (Note B)	-	$ -	$ -	$ -	$ (414,923)	1,002,991	$ 9,717,789
Bai Yang Investment Co., Ltd.	Shares														
	Pacific China Holdings (HK) Limited	Investments accounted for using the equity method	-	Associate	7,600	(117,875)	38,000	1,155,524 (Note C)	-	-	-	-	(768,992)	45,600	268,657
Pacific Sogo Department Stores Co., Ltd.	Shares														
	Pacific China Holdings (HK) Limited	Investments accounted for using the equity method	-	Subsidiary	11,400	681,114	57,000	1,733,286 (Note D)	-	-	-	-	(1,153,488)	68,400	1,260,912
Pacific China Holdings (HK) Limited	Shares														
	Pacific China Holdings Ltd.	Investments accounted for using the equity method	-	Subsidiary	39,000	817,426	95,000	2,888,095 (Note E)	-	-	-	-	(1,898,181)	134,000	1,807,340
Pacific China Holdings Ltd.	Shares														
	Pacific (China) Investment Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	-	(4,444,975)	-	4,634,376 (Note F)	-	-	-	-	(34,877)	-	154,524
Pacific (China) Investment Co., Ltd.	Shares														
	Wuxi FEDS Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	-	(1,143,083)	-	1,185,366 (Note G)	-	-	(61,803) (Note J)	-	19,520	-	-
	Chengdu Beicheng FEDS Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	-	(339,777)	-	473,040 (Note H)	-	-	-	-	(85,175)	-	48,088
	Chengdu FEDS Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	-	(3,021,749)	-	2,330,359 (Note I)	-	-	-	-	38,854	-	(652,536)

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

Note B: There was an increase of NT$3,500,000 thousand in cash capital.

Note C: There was an increase of NT$38,000 thousand in cash capital.

Note D: There was an increase of US$57,000 thousand in cash capital.

Note E: There was an increase of US$95,000 thousand in cash capital.

Note F: There was an increase of US$154,000 thousand in cash capital.

Note G: There was an increase of US$38,000 thousand in cash capital.

Note H: There was an increase of US$16,000 thousand in cash capital.

Note I: There was an increase of US$78,500 thousand in cash capital.

Note J: The liquidation of investment return in 2017.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(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	$ 128,450	-	$ 128,450	Collection expedited	$ 466	$ 128,450
FEDS Development Ltd. (BVI)	Far Eastern New Century (China) Investment Co., Ltd.	The associate of investor that has significant influence over the Company.	986,323 (Note B)	-	-	-	-	-
	Yuan Ding Enterprise (Shanghai) Co., Ltd	The associate of investor that has significant influence over the Company.	261,322 (Note B)	-	-	-	-	-
	Chongqing FEDS Co., Ltd.	Subsidiary	1,139,536 (Note A)	-	-	-	-	-
Pacific China Holdings Ltd.	Chengdu FEDS Co., Ltd.	Subsidiary	1,231,177 (Note B)	-	-	-	-	-
Pacific China Holdings (HK) Limited.	Pacific China Holdings Ltd.	Subsidiary	103,226 (Note B)	-	-	-	-	-
Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	Same ultimate parent company	204,953 (Note B)	-	-	-	-	-
	Dalian Pacific Department Store Co., Ltd.	Same ultimate parent company	118,869 (Note B)	-	-	-	-	-
	Chengdu FEDS Co., Ltd.	Same ultimate parent company	258,469 (Note B)	-	-	-	-	-
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Same ultimate parent company	185,824 (Note B)	-	-	-	-	-
	Chongqing Pacific Consultant & Management Co., Ltd.	Same parent company	214,062 (Note B)	-	-	-	-	-
Chengdu FEDS Co., Ltd.	Chengdu Quanxing Pacific Department Store Co., Ltd.	Same ultimate parent company	380,671	-	-	-	-	-

Note A: The cash dividend receivable.
Note B: This balance refers to fund lending.

TABLE 7

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Number	Transacting Company	Counter party	Flow of Transaction (Note A)	Status			
				Account	Amount (Note C)	Condition	Ratio to Consolidated Operating Revenue or Assets (Note B)
0	Far Eastern Department Stores, Ltd. (the "Company")	FEDS Asia Pacific Development Co., Ltd.	1	Operating expenses	$ 228,000	Rent was based on market rates and paid monthly	1
1	FEDS Asia Pacific Development Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Operating revenue	(228,000)	Rent was based on market rates and received monthly	1
2	Pacific Sogo Department Stores Co., Ltd.	Far Eastern Big City Shopping Malls Co., Ltd.	3	Operating revenue	(289,627)	Rent was based on market rates and received monthly	1
3	Far Eastern Big City Shopping Malls Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	Operating costs and expenses	289,627	Rent was based on market rates and paid monthly	1

Note A: Flow of transaction:

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

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A
				December 31, 2017	December 31, 2016	Shares (Thousands)	Percentage of Ownership (%)	Carrying Amount			
Far Eastern Department Stores, Ltd.	Bai Yang Investment Co., Ltd.	Taiwan	Investment	$ 8,922,181	$ 5,422,181	1,002,991	100	$ 9,717,789	$ (395,102)	$ (395,070)	2
	Oriental Securities Corporation	Taiwan	Securities brokerage	143,652	143,652	140,297	20	1,938,207	160,017	(31,459	1
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,764,210	1,764,210	281,734	35	3,704,783	293,833	103,220	2
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	33,357	33,357	119,981	67	2,139,362 (Note C)	301,565	201,242	2
	Far Eastern Ai Mai Co., Ltd.	Taiwan	Hypermarket	1,535,538	1,535,538	87,744	100	1,314,056	38,604	38,604	2
	FEDS Development Ltd.	British Virgin Island	Investment	125,058	125,058	218	54	1,393,499	174,486	105,296	2
	Yu Ming Advertising Agency Co., Ltd.	Taiwan	Advertising and importation of certain merchandise	33,000	33,000	3,500	100	82,986	3,339	3,339	2
	Ya Tung Department Stores, Ltd.	Taiwan	Department store	519,292	319,292	21,000	100	85,410	(93,272)	(93,272)	2
	Ding Ding Integrated Marketing Service Co.	Taiwan	Marketing	64,500	64,500	6,939	10	33,782	326	33	1
	Asians Merchandise Company	U.S.A.	Trading	5,316	5,316	950	100	4,342	33	33	2
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building rental	40,278	40,278	1,571	56	11,801	423	353	2
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic commerce	-	49,850	-	-	-	(137,511)	(65,043)	1
	Far Eastern CitySuper Co., Ltd.	Taiwan	Hypermarket	478,269	478,269	47,827	96	92,847	(34,236)	(32,749)	2
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	163,292	18,716	15	153,133	(268,490)	(40,273)	1
Bai Ding Investment Co., Ltd.	Oriental Securities Corporation	Taiwan	Securities brokerage	163,563	163,563	97,116	14	1,341,760	160,017		1
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	658,129	658,129	100,250	13	1,331,976	293,833		2
	Far Eastern International Leasing Corp.	Taiwan	Leasing	301,125	301,125	22,203	5	322,226	85,692		1
	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	33,490	33,490	11,254	1	145,136	395,698		2
	Yu Ming Trading Co.	Taiwan	Importation of certain merchandise	21,291	21,291	4,838	47	66,605	1,586		1
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building rental	28,672	28,672	1,259	44	12,968	423		2
	Far Eastern CitySuper Co., Ltd.	Taiwan	Hypermarket	-	-	2	-	1	(34,236)		2
FEDS Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	280,277	293,833		2
FEDS New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	280,277	293,833		2
	Chubei New Century Shopping Mall Co., Ltd.	Taiwan	Department store	400,000	400,000	40,000	100	393,353	(668)		2
Bai Yang Investment Co., Ltd.	FEDS Asia Pacific Development Co., Ltd.	Taiwan	Shopping mall	1,522,761	1,522,761	149,100	70	1,776,699	159,976		2
	Far Eastern International Leasing Corp.	Taiwan	Leasing	1,555,590	1,555,590	132,388	30	1,657,601	85,692		1
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	577,457	577,457	60,019	33	1,085,765	301,565		2
	FEDS New Century Development Co., Ltd.	Taiwan	Shopping mall	645,272	645,272	72,000	100	782,939	6,873		2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	280,277	293,833		2
	FEDS Development Ltd.	British Virgin Island	Investment	723,946	723,946	185	46	1,186,577	174,486		2
	Pacific China Holdings (HK) Limited	Hong Kong	Investment	3,597,868	2,442,344	45,600	40	268,657	(2,008,465)		2
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	200,000	200,000	20,000	40	234,345	82,805		2
Ya Tung Department Stores, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	55,000	55,000	11,000	1	155,474	293,833		2
Yu Ming Advertising Agency Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,200	1,200	200	-	2,633	293,833		2
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	8,400	8,400	1,400	-	17,825	293,833		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	9,979,958	395,698		2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	62,480	62,480	6,840	3	98,362	82,874		1
Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings (HK) Limited	Hong Kong	Investment	5,733,286	4,000,000	68,400	60	1,260,912	(2,008,465)		2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	599,000	599,000	60,296	29	647,074	82,874		1
	Lian Ching Investment Co., Ltd.	Taiwan	Investment	270,641	270,641	26,764	50	-	-		2
	Pacific Venture Investment Ltd.	Hong Kong	Investment	357,050	357,050	100,000	48	-	-		1
	Sogo Department Store Co., Ltd.	Taiwan	Credit card business	32,984	32,984	7,120	34	-	-		1
	Pacific Sogo Investment Co., Ltd.	Taiwan	Investment	999,900	999,900	99,990	100	-	-		2
	Ding Ding Integrated Marketing Service Co	Taiwan	Marketing	64,500	64,500	6,939	10	33,782	326		1
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	300,000	300,000	30,000	60	351,517	82,805		2
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic commerce	-	49,850	-	-	-	(137,511)		1
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	163,292	18,716	15	153,133	(268,490)		1

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2017	Original Investment Amount December 31, 2016	Balance as of December 31, 2017 Shares (Thousands)	Balance as of December 31, 2017 Percentage of Ownership (%)	Balance as of December 31, 2017 Carrying Amount	Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A
Pacific China Holdings (HK) Limited	Pacific China Holdings Ltd.	British Virgin Island	Investment	$ 3,987,840	$ 1,160,640	134,000	100	$ 1,807,340	$ (778,325)		2
Pacific China Holdings Ltd.	Bai Fa China Holdings (HK), Limited	Hong Kong	Investment	45	45	2	100	45	-		2

Note A: 1. Associate.
2. Subsidiary.

Note B: The foreign-currency investments were translated at the rate of US$1:NT$29.76 prevailing on December 31, 2017.

Note C: The amount is the investment accounted for using the equity method to $2,236,472 thousand deduct the parent company shares reclassification to treasury shares of $97,110 thousand.

Note D: As Pacific Sogo Investment Co., Ltd. went into liquidation and the amount of Lian Ching Investment Co., Ltd. had been written off to zero, no liabilities were undertaken by the Company and the accounts are not disclosed in the financial statement.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note A)	Method of Investment (Note G)	Accumulated Outflow of Investment from Taiwan as of January 1, 2017 (Note A)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017 (Note A)	Net Income (Loss) of the Investee (Note E)	% Ownership of Direct or Indirect Investment	Share of (Loss) Profit (Note E)	Carrying Amount as of December 31, 2017	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outflow	Inflow						
Shanghai Pacific Department Stores Co., Ltd.	Department store	$ 526,752	2	$ 381,895 (Note B)	$ -	$ -	$ 381,895 (Note B)	$ 59,905	49	$ 2,825	$ 141,708	$ -
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Department store	29,462	2	29,462 (Note B)	-	-	29,462 (Note B)	(101,370)	67	(68,084)	(319,459)	-
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Department store	89,280	2	89,280 (Note B)	-	-	89,280 (Note B)	(133,034)	67	(89,351)	295,506	-
Chongqing Pacific Consultant & Management Co., Ltd.	Consulting service	2,172,480	2	5,952 (Note B)	-	-	5,952 (Note B)	(246,605)	67	(165,630)	835,515	-
Shanghai Pacific Consultant & Management Co., Ltd.	Consulting service	10,416	2	5,104 (Note B)	-	-	5,104 (Note B)	822	33	270	6,179	-
Shanghai Bai Ding Consultant & Management Co., Ltd.	Consulting service	2,976	2	-	-	-	-	(3,680)	100	(3,680)	37,039	-
Tianjin FEDS Co., Ltd.	Department store	-	2	86,304 (Note C)	-	-	86,304 (Note C)	(4,899)	83	(4,086)	-	-
Chongqing FEDS Co., Ltd.	Department store	83,328	2	-	-	-	-	208,375	100	208,375	1,045,707	-
Chengdu Baiyang Industry Co., Ltd.	Department store, logistics and storehouse	1,024,762	2	-	-	-	-	280,394	22	40,501	1,289,017	-
Dalian Pacific Department Store Co., Ltd.	Department store	72,872	2	-	-	-	-	4,834	67	3,247	42,103	-
Chongqing Liyang Department Store Co., Ltd.	Department store	-	2	-	-	-	-	(8,268)	67	(5,553)	-	-
Pacific (China) Investment Co., Ltd.	Investment	6,428,160	2	-	-	-	-	(174,913)	67	(116,826)	103,785	-
Wuxi FEDS Co., Ltd.	Department store	-	2	-	-	-	-	(12,952)	67	(8,699)	-	-
Chengdu FEDS Co., Ltd.	Department store	3,348,000	2	-	-	-	-	(47,499)	67	(31,902)	(438,271)	-
Chengdu Beicheng FEDS Co., Ltd.	Department store	773,760	2	-	-	-	-	(97,914)	67	(65,763)	32,298	-

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ - (Note D)	$235,491 (US$7,913 thousand) (Notes A and D)	$ - (Note F)

Note A: Translated at the rate of US$1:NT$29.76 prevailing on December 31, 2017.

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

Note C: The payment was made by Bai Yang Investment Co., Ltd.

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

Note F: There is no upper limit, as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China (No. 10420420060), which was issued by the Industrial Development Bureau, Ministry of Economic Affairs, ROC.

Note G: 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)