FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

   1) IFRS 9 "Financial Instruments" and related amendments

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

      Classification, measurement and impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impact on assets, liabilities and equity for current year

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

Impact on total comprehensive income for current year

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

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

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

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

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

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

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

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

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

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

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

1) IFRS 16 "Leases"

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

Definition of a lease

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

The Group as lessee

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

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

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

The Group expects to apply the following practical expedients:

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

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

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

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

The Group as lessor

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

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

Anticipated impact on assets, liabilities and equity

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

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

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

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

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

c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Basis of Consolidation

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

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

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

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

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

Foreign Currencies

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

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

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

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

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

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

Inventories

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

Investment in Associates

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

Investment Properties

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

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

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

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

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

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

Goodwill

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

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

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

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

Intangible Assets

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

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

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

Impairment of Tangible and Intangible Assets Other than Goodwill

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

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

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

Financial Instruments

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

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

<u>Financial assets</u>

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

a. Measurement categories

   <u>2018</u>

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

   1) Financial assets at FVTPL

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

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

2) Financial assets at amortized cost

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

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

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

3) Investments in equity instruments at FVTOCI

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

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

<u>2017</u>

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

1) Financial assets at FVTPL

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

2) Available-for-sale financial assets

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

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

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

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

3) Loans and receivables

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

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

b. Impairment of financial assets and contract assets

<u>2018</u>

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

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

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

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

<u>2017</u>

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

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

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

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

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

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

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

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

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

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

c. Derecognition of financial assets

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

2018

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

2017

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

Financial liabilities

a. Subsequent measurement

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

b. Derecognition of financial liabilities

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

Provisions

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

Revenue Recognition

2018

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

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

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

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

2017

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

a. Sale of goods

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

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

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

3) The amount of revenue can be measured reliably;

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

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

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

b. Commissions from concessionaires’ sales

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

c. Maintenance and promotion fee income

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

d. Dividend and interest income

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

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

Leasing

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

a. The Group as a lessor

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

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

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

b. The Group as lessee

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

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

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

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

c. Leasehold land and buildings

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

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

Borrowing Costs

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

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

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

Retirement Benefit Costs

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

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

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

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

c. Current and deferred tax for the year

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of goodwill

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

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

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

c. Fair value measurements and valuation processes

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

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

Information on the valuation techniques and inputs used in determining the fair value of investment properties is disclosed in Note 18.

6. CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

a. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 10 for information relating to their reclassification and comparative information for 2017.

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

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

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

December 31, 2018

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

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

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

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

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

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

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

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

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

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

11. FINANCIAL ASSETS MEASURED AT COST - 2017

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

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

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

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

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

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

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

a. Notes receivables

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

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

b. Trade receivables

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

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

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

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

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

December 31, 2018

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

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

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

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

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

December 31, 2017

The aging of trade receivables is as follows:

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

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

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

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

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

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

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

c. Other receivables

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

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

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

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

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

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

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

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

December 31, 2018

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

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

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

2017

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

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

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

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

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

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

14. INVENTORIES

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

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

The cost of goods sold includes:

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

15. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

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

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

(Continued)

Investor	Investee	Main Businesses	Proportion of Ownership (%) December 31 2018	2017	Remark
Bai Yang Investment Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	2	2	
	FEDS Asia Pacific Development Co., Ltd.	Shopping mall	70	70	
	Bai Ding Investment Co., Ltd.	Investment	33	33	
	FEDS New Century Development Co., Ltd.	Shopping mall	100	100	1
	FEDS Development Ltd.	Investment	46	46	
	Pacific China Holdings (HK) Limited	Investment	40	40	
	Far Eastern Big City Shopping Malls Co., Ltd.	Department store	40	40	
Bai Ding Investment Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	13	13	
	Pacific Sogo Department Stores Co., Ltd.	Department store	1	1	
	Far Eastern Hon Li Do Co., Ltd.	Building rental	44	44	
	Far Eastern CitySuper Co., Ltd.	Hypermarket	-	-	
Yu Ming Advertising Agency Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	-	-	
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	-	-	
FEDS Development Ltd.	Shanghai Bai Ding Consultant & Management Co., Ltd.	Consulting service	100	100	
	Chongqing FEDS Co., Ltd.	Department store	100	100	
Ya Tung Department Stores, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	1	1	
FEDS Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	2	2	
FEDS New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Investment	2	2	
	Chubei New Century Shopping Mall Co., Ltd.	Department store	100	100	1
Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Department store	79	79	
Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings (HK) Limited	Investment	60	60	
	Far Eastern Big City Shopping Malls Co., Ltd.	Department store	60	60	
Pacific China Holdings (HK) Limited	Pacific China Holdings Ltd.	Investment	100	100	
Pacific China Holdings Ltd.	Shanghai Pacific Department Stores Co., Ltd.	Department store	73	73	
	Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Department store	100	100	
	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Department store	100	100	
	Chongqing Pacific Consultant & Management Co., Ltd.	Consulting service	100	100	
	Bai Fa China Holdings (HK) Ltd.	Investment	100	100	2
	Pacific (China) Investment Co., Ltd.	Investment	100	100	
Pacific (China) Investment Co., Ltd.	Chengdu FEDS Co., Ltd.	Department store	100	100	4
	Chengdu Beicheng FEDS Co., Ltd.	Department store	-	100	3
	Dalian Pacific Department Store Co., Ltd.	Department store	100	100	

(Concluded)

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

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

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

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

b. Subsidiaries excluded from the consolidated financial statements

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

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

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

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

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

Aggregate information of associates that are not individually material:

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

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

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

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

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

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

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

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

The investments in associates accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the associates' financial statements audited for the same years by other auditors.

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

17. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

18. INVESTMENT PROPERTIES

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

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

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

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

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

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

The fair values of the investment properties as of December 31, 2018 and 2017 were based on the valuations carried out at those dates, on a recurring basis by independent qualified professional valuers, Hong-Kai Chang, Yi-Chih Chang, Yu-Fen Yeh and Kuang-Ping Tai from Savills Real Estate Appraiser Office, a member of certified ROC real estate appraisers.

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

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

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

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

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

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

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

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

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

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

19. INTANGIBLE ASSETS

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

(Continued)

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

(Concluded)

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

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

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

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

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

Computer software	1-10 years
Franchise	45 years

20. PREPAYMENTS FOR LEASES

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

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

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

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

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

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

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

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

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

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

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

21. OTHER ASSETS

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

22. BORROWINGS

a. Short-term borrowings

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

b. Short-term bills payable

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

Outstanding short-term bills payable are as follows:

December 31, 2018

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

December 31, 2017

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

c. Long-term borrowings

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

Interest rate intervals are as follows:

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

23. BONDS PAYABLE

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

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

24. OTHER LIABILITIES

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

25. PROVISIONS

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

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

26. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

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

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

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

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

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

Movements in net defined benefit liabilities are as follows:

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

(Continued)

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

(Concluded)

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

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

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

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

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

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

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

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

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

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

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

27. EQUITY

a. Share capital

Ordinary shares

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

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

b. Capital surplus

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

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

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

c. Retained earnings and dividend policy

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

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

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

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

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

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

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

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

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

d. Special reserve

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

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

e. Other equity items

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

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

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

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

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

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

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

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

f. Non-controlling interests

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

g. Treasury shares

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

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

(In Thousands of Shares)

December 31, 2018

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

December 31, 2017

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

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

28. REVENUE

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

Note: Gross revenues is presented as follows:

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

Contact Balances

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

Refer to Note 13 for the information of notes receivables and trade receivables.

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

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

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

29. NET PROFIT FOR THE YEAR

Net profit for the year includes the following items:

a. Operating costs

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

b. Other income

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

c. Other gains and losses

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

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

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

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

d. Finance costs

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

Information about capitalized interest is as follows:

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

e. Depreciation and amortization

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

f. Operating expenses directly related to investment properties

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

g. Employee benefits expenses

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

h. Employees' compensation and remuneration of directors

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

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

Amount

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

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

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

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

30. INCOME TAX

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

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

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

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

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

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

b. Income tax recognized in other comprehensive income

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

c. Current tax assets and liabilities

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

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

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

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

For the year ended December 31, 2017

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

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

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

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

f. Information about unused loss carryforwards

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

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

h. Income tax assessments

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

31. EARNINGS PER SHARE

Unit: NT$ Per Share

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

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

Net profit for the year

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

Shares

(In Thousands of Shares)

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

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

32. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

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

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

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

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

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

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

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

b. The Group as lessor

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

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

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

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

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

33. CAPITAL MANAGEMENT

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

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

34. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

Fair value hierarchy as at December 31, 2018

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

Fair value hierarchy as at December 31, 2017

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

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

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

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

c. Categories of financial instruments

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

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

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

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Exchange rate risk

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

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

In Thousands of US Dollars

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

Sensitivity analysis

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

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

b) Interest rate risk

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

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

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

Sensitivity analysis

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

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

c) Other price risks

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

Sensitivity analysis

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

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

2) Credit risk

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

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

3) Liquidity risk

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

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

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

December 31, 2018

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

December 31, 2017

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

35. TRANSACTIONS WITH RELATED PARTIES

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

a. The Group's related parties and their relationships

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

(Continued)

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

(Concluded)

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

b. Operating revenue

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

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

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

c. Operating costs and expenses

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

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

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

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

d. Other gains and losses

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

e. Receivables from related parties

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

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

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

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

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

f. Other assets

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

g. Payables to related parties

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

h. Contract liabilities

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

i. Other liabilities

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

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

j. Construction projects

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

k. Disposals of financial assets

For the year ended December 31, 2017

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

l. Loans to related parties

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

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

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

m. Loans from related parties

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

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

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

n. Compensation of key management personnel

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

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

36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2018	2017
Debt investments with no active market	$ -	$ 283,690
Financial assets at amortized cost	280,400	-
Investments accounted for using the equity method	3,504,587	3,492,833
Available-for-sale financial assets	-	1,535,640
Financial assets at FVTOCI	1,783,290	-
Property, plant and equipment	17,400,626	17,587,339
Investment properties	682,999	755,294
	$ 23,651,902	$ 23,654,796

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant commitments

The amount of unrecognized commitments are as follows:

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

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

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

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

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

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

38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2018

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

(Continued)

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

(Concluded)

December 31, 2017

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

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

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

39. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided to others: Table 2.

2) Endorsements/guarantees provided: Table 3.

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

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

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

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

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

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

9) Trading in derivative instruments: None.

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

11) Information on investees: Table 8.

c. Information on investments in mainland China:

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

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

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

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

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

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

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

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

40. OPERATING SEGMENT FINANCIAL INFORMATION

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

a. Segment revenues and results

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

(Continued)

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

(Concluded)

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

b. Segment assets and liabilities

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

c. Revenue from major products

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

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

d. Geographical information

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

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

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

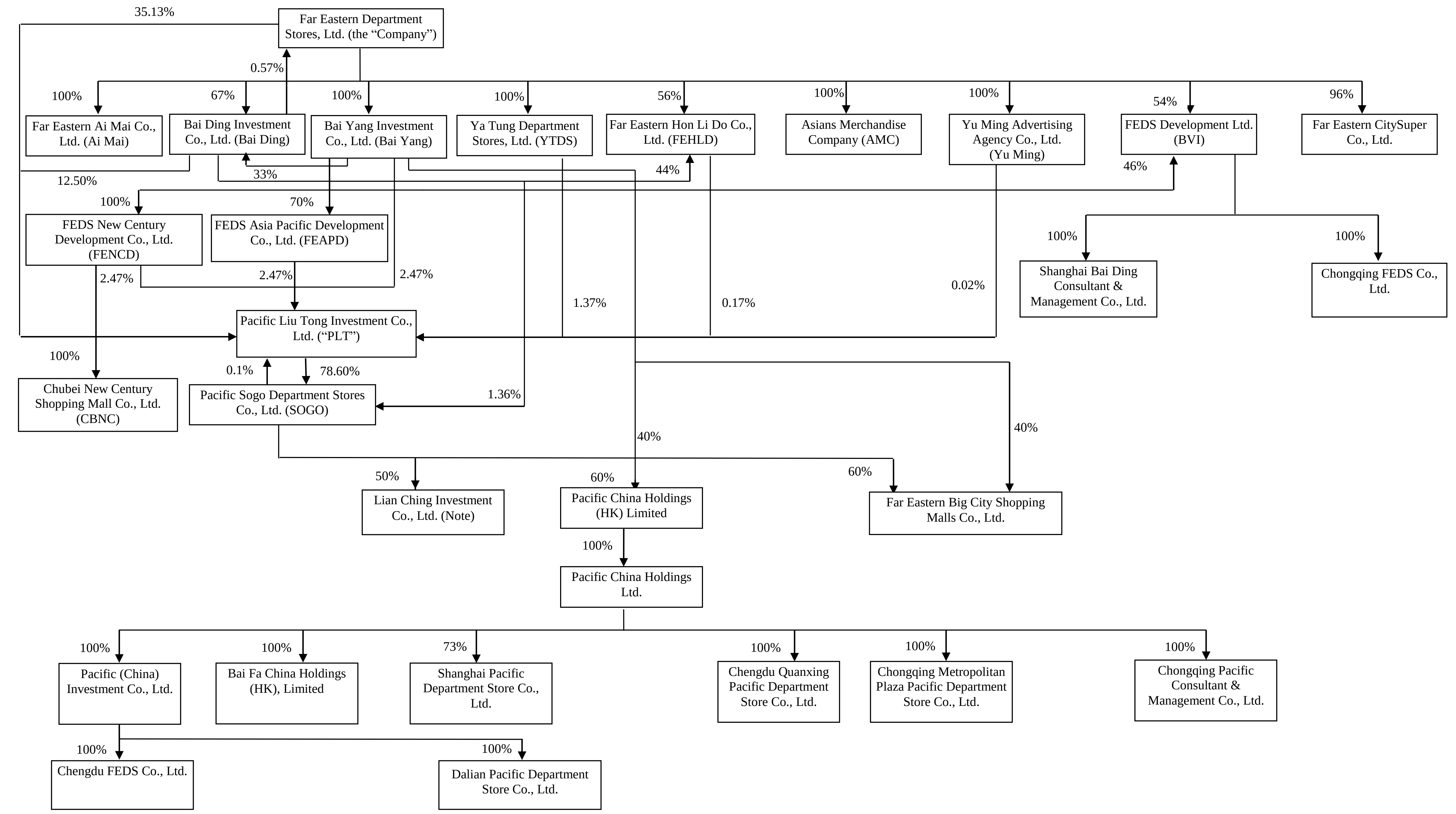
e. Information about major customers

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

TABLE 1

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

DIAGRAM OF INTERCOMPANY RELATIONSHIPS
DECEMBER 31, 2018



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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

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

Note A: Short-term financing.

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

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

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

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

TABLE 3

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amounts Allowable	Endorsement/ Guarantee Provided by Parent Company	Endorsement/ Guarantee Provided by A Subsidiary	Endorsement/ Guarantee Provided to Mainland China
		Name	Nature of Relationship (Note F)										
0	Far Eastern Department Stores, Ltd.	FEDS New Century Development Co., Ltd.	2	$ 17,714,344 (Note A)	$ 30,000	$ 30,000	$ -	$ -	-	$ 29,523,906 (Note B)	Y	-	-
		Bai Yang Investment Co., Ltd.	2	17,714,344 (Note A)	400,000	400,000	-	-	1	29,523,906 (Note B)	Y	-	-
		Bai Ding Investment Co., Ltd.	2	17,714,344 (Note A)	700,000	700,000	350,000	-	2	29,523,906 (Note B)	Y	-	-
		FEDS Development Ltd.	2	17,714,344 (Note A)	2,874,924 (US$ 93,600)	2,874,924 (US$ 93,600)	1,106,478 (US$ 247,241)	-	10	29,523,906 (Note B)	Y	-	-
		Chubei New Century Shopping Mall Co., Ltd.	2	17,714,344 (Note A)	3,700,000	3,700,000	-	-	13	29,523,906 (Note B)	Y	-	-
		Far Eastern CitySuper Co., Ltd.	2	17,714,344 (Note A)	160,000	160,000	-	-	1	29,523,906 (Note B)	Y	-	-
		Pacific Sogo Department Stores Co., Ltd.	2	17,714,344 (Note A)	4,798,653	4,544,806	4,544,806	-	15	29,523,906 (Note B)	Y	-	-
1	Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings Ltd.	2	17,714,344 (Note C)	8,345,266 (US$ 271,700)	8,345,266 (US$ 271,700)	3,848,774 (US$ 125,306)	-	28	29,523,906 (Note D)	-	-	-
		Dalian Pacific Department Store Co., Ltd.	2	17,714,344 (Note C)	410,503 (RMB 78,000) (US$ 2,000)	410,503 (RMB 78,000) (US$ 2,000)	-	-	1	29,523,906 (Note D)	-	-	Y
		Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	2	17,714,344 (Note C)	307,150 (US$ 10,000)	307,150 (US$ 10,000)	-	-	1	29,523,906 (Note D)	-	-	Y
		Far Eastern Department Stores, Ltd.	3	17,714,344 (Note C)	3,005,901	2,848,393	2,848,393	-	10	29,523,906 (Note D)	-	Y	-
2	Pacific China Holdings Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	2	17,714,344 (Note C)	279,706 (RMB 62,500)	134,259 (RMB 30,000)	134,259 (RMB 30,000)	-	-	29,523,906 (Note D)	-	-	Y
3	Far Eastern Big City Shopping Malls Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	362,860 (Note A)	164,396	154,325	154,325	-	1	604,766 (Note B)	-	-	-

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

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

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

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

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

(Continued)

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

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2018				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far Eastern Department Stores, Ltd.	Shares							
	Asia Cement Corporation	4	Financial assets at fair value through other comprehensive income - non-current	50,000	$ 1,697,517	1	$ 1,697,517	35,000 thousand shares of Asia Cement Corporation pledged for loans and commercial papers issued of the investor company
	Far Eastern New Century Corporation	3	Financial assets at fair value through other comprehensive income - non-current	19,964	557,006	-	557,006	
	Kaohsiung Rapid Transit Corporation	-	Financial assets at fair value through other comprehensive income - non-current	6,286	29,355	2	29,355	
	Yuan Ding Leasing Corp.	-	Financial assets at fair value through other comprehensive income - non-current	7,309	69,892	9	69,892	
	Yuan Ding Co., Ltd.	4	Financial assets at fair value through other comprehensive income - non-current	3	10	-	10	
	Yuan Shi Digital Technology Co., Ltd.	4	Financial assets at fair value through other comprehensive income - non-current	1,041	571	1	571	
Bai Ding Investment Co., Ltd.	Shares							
	Far Eastern Department Stores, Ltd.	2	Financial assets at fair value through other comprehensive income - current	8,207	128,850	1	128,850	
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	14,814	502,949	-	502,949	5,200 thousand shares of Asia Cement Corporation pledged for commercial papers issued of the investor company
	Far Eastern New Century Corporation	6	Financial assets at fair value through other comprehensive income - non-current	15,812	441,141	-	441,141	15,000 thousand shares of Far Eastern New Century Corporation pledged for loans of the investor company
	Chung-Nan Textile Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,984	81,531	5	81,531	
	Ding Ding Management Consultants Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	216	5,168	5	5,168	
	Yue Ding Industry Co., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	2,476	43,301	2	43,301	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10	
	Ding Sheng Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	39,600	345,312	18	345,312	
Bai Yang Investment Co., Ltd.	Shares							
	Far Eastern International Bank	8	Financial assets at fair value through other comprehensive income - current	22,102	221,023	1	221,023	
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	3,849	130,690	-	130,690	
	U-Ming Marine Transport Corp.	8	Financial assets at fair value through other comprehensive income - non-current	200	6,450	-	6,450	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10	
Far Eastern Hon Li Do Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	986	11,522	-	11,522	

(Continued)

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

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

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

Note A: There was an increase in cash capital.

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Pacific Sogo Department Stores Co., Ltd.	Sogo Department Store Co., Ltd.	Associate	$ 125,035	-	$ 125,035	Collection expedited	$ 532	$ 125,035
	Far Eastern Big City Shopping Malls Co., Ltd.	Subsidiary	101,231	-	-	-	-	-
FEDS Development Ltd. (BVI)	Far Eastern New Century (China) Investment Co., Ltd.	The associate of investor that has significant influence over the Group.	969,171 (Note B)	-	-	-	-	-
	Yuan Ding Enterprise (Shanghai) Co., Ltd.	The associate of investor that has significant influence over the Group.	256,777 (Note B)	-	-	-	-	-
	Chongqing FEDS Co., Ltd.	Subsidiary	1,119,720 (Note A)	-	-	-	-	-
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Same ultimate parent company	258,827 (Note B)	-	-	-	-	-
Pacific China Holdings Ltd.	Chengdu FEDS Co., Ltd.	Subsidiary	652,520 (Note B)	-	-	-	-	-
Pacific China Holdings (HK) Limited.	Pacific China Holdings Ltd.	Subsidiary	107,868 (Note B)	-	-	-	-	-
Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	Same ultimate parent company	557,018 (Note B)	-	-	-	-	-
	Dalian Pacific Department Store Co., Ltd.	Same ultimate parent company	186,186 (Note B)	-	-	-	-	-
Chengdu FEDS Co., Ltd.	Chengdu Quanxing Pacific Department Store Co., Ltd.	Same ultimate parent company	427,905	-	-	-	-	-
Chongqing Pacific Consultant & Management Co., Ltd	Chengdu Baiyang Industry Co., Ltd.	Associate	108,414 (Note A)	-	-	-	-	-

Note A: The cash dividend receivable.

Note B: This balance refers to fund lending.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Number	Transacting Company	Counter party	Flow of Transaction (Note A)	Status			
				Account	Amount (Note C)	Condition	Ratio to Consolidated Operating Revenue or Assets (Note B)
0	Far Eastern Department Stores, Ltd.	FEDS Asia Pacific Development Co., Ltd.	1	Operating expenses	$ 228,000	Rent was based on market rates and paid monthly	1
1	FEDS Asia Pacific Development Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Operating revenue	(228,000)	Rent was based on market rates and received monthly	1
2	Pacific Sogo Department Stores Co., Ltd.	Far Eastern Big City Shopping Malls Co., Ltd.	3	Operating revenue	(313,914)	Rent was based on market rates and received monthly	1
3	Far Eastern Big City Shopping Malls Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	Operating costs and expenses	313,914	Rent was based on market rates and paid monthly	1

Note A: Flow of transaction:

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

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

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

(Continued)

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

Note A: 1. Associate.
2. Subsidiary.

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

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

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

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

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

(Continued)

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

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

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

Note F: Three investment types are as follows:

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

(Concluded)