Far Eastern Department Stores, Ltd.

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

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

<u>Evaluation of Impairment Loss of Goodwill in Investments in Subsidiaries</u>

Carrying amounts of investments in subsidiaries of Company include the goodwill acquired through indirect investment of Pacific Liu Tong Investment Co. Ltd. towards operating segments in mainland China. Under IAS 36, the management of the Company must test for impairment annually. When testing goodwill for impairment, the management should evaluate whether the recoverable amount is higher than the carrying amount. In determining recoverable amount, management should estimate the future cash flows from operating segments in mainland China and determine the optimal discount rate. Significant assumptions involve both judgments made by management and material estimation uncertainty. Thus, the evaluation of impairment loss of goodwill in subsidiaries is considered a key audit matter. For the accounting policy related to investments in subsidiaries, please refer to Notes 4(6) and 5(1) of the accompanying financial statements, in which the goodwill impairment of investments in subsidiaries is included.

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

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

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

<u>Fair Value Evaluation of Investment Properties</u>

As of December 31, 2017, the carrying amount of investment properties was NT$9,120,816 thousand, accounting for 15% of the total assets, which is material to the financial statements. The Company's investment properties are subsequently measured using the fair value model. In the process of fair value assessment, valuation technique and inputs require consideration of the future scheme of investment properties to estimate the discounted fair value of future cash flows. Future cash flows are extrapolated using the existing lease contracts of the Company and market rentals.

Since the cash flow forecasts are subject to economic conditions, which have a high level of measurement uncertainty, we have resultantly identified the fair value evaluation of investment properties as a key audit matter. Please refer to Notes 4(9), 5(2) and 13 to the accompanying financial statements for the relevant detailed information.

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chuan Yeh and Kuo-Tyan Hung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 21, 2018

Notice to Readers

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

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

FAR EASTERN DEPARTMENT STORES, LTD.

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

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 6)	$ 731,111	1	$ 517,321	1
Available-for-sale financial assets - current (Notes 7, 29 and 30)	-	-	234,515	-
Notes receivable (Note 9)	-	-	14,890	-
Trade receivables (Note 9)	445,110	1	361,519	1
Trade receivables from related parties (Notes 9 and 29)	58,247	-	40,196	-
Other receivables (Notes 9 and 29)	86,428	-	70,854	-
Current tax assets (Note 24)	-	-	4,270	-
Inventories (Note 10)	331,080	1	383,267	1
Prepayments (Note 29)	222,711	-	255,681	-
Other current assets (Note 16)	11,408	-	10,000	-
Total current assets	1,886,095	3	1,892,513	3
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 7, 29 and 30)	1,945,059	3	2,090,501	4
Financial assets measured at cost - non-current (Note 8)	103,894	-	105,378	-
Investments accounted for using the equity method (Notes 11, 19 and 30)	20,151,049	33	16,760,797	29
Property, plant and equipment (Notes 12, 13, 30 and 31)	25,020,048	41	25,385,789	44
Investment properties (Notes 13 and 30)	9,120,816	15	9,318,997	16
Intangible assets (Note 14)	50,001	-	24,189	-
Deferred tax assets (Note 24)	111,621	-	282,237	-
Long-term prepayments for lease (Note 15)	2,236,168	4	2,298,572	4
Other non-current assets (Notes 16 and 29)	266,326	1	202,612	-
Total non-current assets	59,004,982	97	56,469,072	97
TOTAL	$ 60,891,077	100	$ 58,361,585	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 30)	$ 6,300,000	10	$ 3,900,000	7
Short-term bills payable (Note 17)	1,699,188	3	1,149,478	2
Notes payable and trade payables (Note 18)	5,026,846	8	3,223,709	6
Trade payables to related parties (Notes 18 and 29)	85,055	-	59,434	-
Other payables (Notes 19 and 29)	1,226,591	2	1,471,416	3
Current tax liabilities (Note 24)	124,398	-	232,251	-
Deferred revenue - current (Note 19)	37,604	-	37,161	-
Advance receipts (Note 29)	2,885,830	5	2,905,473	5
Current portion of long-term borrowings (Notes 17 and 30)	3,500,000	6	4,696,916	8
Other current liabilities (Notes 19 and 29)	113,556	-	130,490	-
Total current liabilities	20,999,068	34	17,806,328	31
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17 and 30)	8,600,000	14	9,500,000	16
Deferred tax liabilities (Note 24)	1,884,830	3	1,937,255	3
Net defined benefit liabilities (Note 20)	237,508	1	314,561	1
Other non-current liabilities (Notes 11, 19, 26 and 29)	170,953	-	172,870	-
Total non-current liabilities	10,893,291	18	11,924,686	20
Total liabilities	31,892,359	52	29,731,014	51
EQUITY				
Share capital				
Common shares	14,169,406	23	14,169,406	24
Capital surplus	3,315,931	6	3,319,868	6
Retained earnings				
Legal reserve	3,013,281	5	2,899,856	5
Special reserve	2,643,743	4	2,529,594	4
Unappropriated earnings	2,274,946	4	2,013,557	4
Total retained earnings	7,931,970	13	7,443,007	13
Other equity	3,678,521	6	3,795,400	6
Treasury shares	(97,110)	-	(97,110)	-
Total equity	28,998,718	48	28,630,571	49
TOTAL	$ 60,891,077	100	$ 58,361,585	100

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

FAR EASTERN DEPARTMENT STORES, LTD.

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

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 22 and 29)	$ 10,581,149	100	$ 10,524,713	100
OPERATING COSTS (Notes 10, 23 and 29)	4,097,426	39	3,843,738	37
GROSS PROFIT	6,483,723	61	6,680,975	63
OPERATING EXPENSES (Notes 23 and 29)				
Selling and marketing expenses	402,891	4	474,425	5
General and administrative expenses	4,198,675	39	4,362,248	41
Total operating expenses	4,601,566	43	4,836,673	46
OPERATING PROFIT	1,882,157	18	1,844,302	17
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	72,518	1	104,593	1
Other gains and losses (Notes 23 and 29)	170,706	1	521,069	5
Finance costs (Notes 23 and 29)	(199,285)	(2)	(202,433)	(2)
Share of loss of subsidiaries and associates accounted for using the equity method	(144,445)	(1)	(880,568)	(8)
Total non-operating income and expenses	(100,506)	(1)	(457,339)	(4)
PROFIT BEFORE INCOME TAX	1,781,651	17	1,386,963	13
INCOME TAX EXPENSE (Note 24)	245,665	2	252,711	2
NET PROFIT FOR THE YEAR	1,535,986	15	1,134,252	11
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 20, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(22,745)	-	(124,462)	(1)
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method	(36,272)	(1)	(33,366)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	3,867	-	21,158	-
	(55,150)	(1)	(136,670)	(1)

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FAR EASTERN DEPARTMENT STORES, LTD.

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

	2017		2016	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on available-for-sale financial assets	$ (26,854)	-	$ (107,830)	(1)
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method	(90,025)	(1)	(92,560)	(1)
	(116,879)	(1)	(200,390)	(2)
Other comprehensive (loss) income for the year, net of income tax	(172,029)	(2)	(337,060)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,363,957	13	$ 797,192	8
EARNINGS PER SHARE, NT$ (Note 25)				
Basic	$ 1.09		$ 0.81	
Diluted	$ 1.09		$ 0.80	

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

FAR EASTERN DEPARTMENT STORES, LTD.

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

			Retained Earnings (Notes 20, 21 and 24)			Other Equity (Note 21)				
	Share Capital (Note 21)	Capital Surplus (Note 21)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Gain on Property Revaluation	Treasury Shares (Note 21)	Total Equity
BALANCE AT JANUARY 1, 2016	$ 14,169,406	$ 3,315,420	$ 2,728,379	$ 2,461,168	$ 2,673,946	$ 57,483	$ 1,767,337	$ 2,170,970	$ (97,110)	$ 29,246,999
Appropriation of 2015 earnings										
Legal reserve	-	-	171,477	-	(171,477)	-	-	-	-	-
Special reserve	-	-	-	68,426	(68,426)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,416,940)	-	-	-	-	(1,416,940)
	-	-	171,477	68,426	(1,656,843)	-	-	-	-	(1,416,940)
Net profit for the year ended December 31, 2016	-	-	-	-	1,134,252	-	-	-	-	1,134,252
Other comprehensive (loss) income for the year ended December 31, 2016, net of income tax	-	-	-	-	(136,670)	790	(201,180)	-	-	(337,060)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	997,582	790	(201,180)	-	-	797,192
Difference between equity purchase price and carrying amount arising from actual acquisition of subsidiary	-	-	-	-	(1,128)	-	-	-	-	(1,128)
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	4,448	-	-	-	-	-	-	-	4,448
BALANCE AT DECEMBER 31, 2016	14,169,406	3,319,868	2,899,856	2,529,594	2,013,557	58,273	1,566,157	2,170,970	(97,110)	28,630,571
Appropriation of 2016 earnings										
Legal reserve	-	-	113,425	-	(113,425)	-	-	-	-	-
Special reserve	-	-	-	114,149	(114,149)	-	-	-	-	-
Cash dividends	-	-	-	-	(991,858)	-	-	-	-	(991,858)
	-	-	113,425	114,149	(1,219,432)	-	-	-	-	(991,858)
Net profit for the year ended December 31, 2017	-	-	-	-	1,535,986	-	-	-	-	1,535,986
Other comprehensive (loss) income for the year ended December 31, 2017, net of income tax	-	-	-	-	(55,150)	27,775	(144,654)	-	-	(172,029)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	1,480,836	27,775	(144,654)	-	-	1,363,957
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	(3,937)	-	-	(15)	-	-	-	-	(3,952)
BALANCE AT DECEMBER 31, 2017	$ 14,169,406	$ 3,315,931	$ 3,013,281	$ 2,643,743	$ 2,274,946	$ 86,048	$ 1,421,503	$ 2,170,970	$ (97,110)	$ 28,998,718

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

FAR EASTERN DEPARTMENT STORES, LTD.

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

	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 1,781,651	$ 1,386,963
Adjustments for:		
Depreciation expenses	1,187,359	1,284,042
Amortization expenses	12,481	9,612
Amortization of prepayments	715	8,143
Finance costs	199,285	202,433
Reversal of deferred revenue	(37,161)	(38,775)
Share of loss of subsidiaries and associates accounted for using the equity method	144,445	880,568
Interest income	(38)	(551)
Dividend income	(72,480)	(104,042)
Loss on disposal of property, plant and equipment	7,062	14,191
Loss on disposal of investment properties	166	247
Gain on disposal of investments	(194,022)	-
Impairment loss recognized on financial assets	2,055	2,055
Loss (gain) on changes in fair value of investment properties	78,539	(157,290)
Net changes in operating assets and liabilities		
Notes receivable	14,890	(13,853)
Trade receivables	(83,591)	(107,218)
Trade receivables from related parties	(18,051)	(17,339)
Other receivables	(15,574)	22,837
Inventories	52,187	6,808
Prepayments	32,970	(1,764)
Other current assets	(1,408)	7,609
Notes payable and trade payables	1,803,137	(131,881)
Trade payables to related parties	25,621	(7,564)
Other payables	(74,995)	(216,876)
Deferred revenue	37,604	37,161
Advance receipts	131,025	(96,239)
Other current liabilities	(16,934)	(6,603)
Net defined benefit liabilities	(99,798)	13,335
Cash generated from operations	4,897,140	2,976,009
Interest paid	(229,773)	(239,708)
Interest received	38	45
Dividends received	228,650	227,837
Income tax returned	3,123	-
Income tax paid	(230,313)	(142,646)
Net cash generated from operating activities	4,668,865	2,821,537

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FAR EASTERN DEPARTMENT STORES, LTD.

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

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of available-for-sale financial assets	$ 547,125	$ -
Acquisition of investments accounted for using the equity method	(3,843,327)	-
Payments for property, plant and equipment	(969,786)	(805,780)
Payments for investment properties	(2,193)	(3,792)
(Increase) decrease in other non-current assets	(34,160)	9,056
Payments for intangible assets	(25,979)	(21,248)
Proceeds from disposal of property, plant and equipment	998	127
Net cash used in investing activities	(4,327,322)	(821,637)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	90,450,000	49,330,000
Repayments of short-term borrowings	(88,050,000)	(50,330,000)
Proceeds from short-term bills payable	13,340,889	13,714,162
Repayments of short-term bills payable	(12,791,179)	(13,614,370)
Proceeds from long-term borrowings	55,450,000	32,249,971
Repayments of long-term borrowings	(57,546,916)	(31,950,000)
Increase in other non-current liabilities	11,488	11,717
Dividends paid	(992,035)	(1,417,029)
Net cash used in financing activities	(127,753)	(2,005,549)
NET INCREASE (DECREASE) IN CASH	213,790	(5,649)
CASH AT THE BEGINNING OF THE YEAR	517,321	522,970
CASH AT THE END OF THE YEAR	$ 731,111	$ 517,321

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

1. GENERAL INFORMATION

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

   1) Amendments to IFRS 13 "Fair Value Measurement"

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

   2) Amendment to IAS 36 "Impairment of Assets"

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

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

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

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

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions is enhanced. Refer to Note 29 for the related disclosures.

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

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

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

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

1) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

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

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

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

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

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

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

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

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

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

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

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Account receivables (including related parties)	$ 503,357	$ 3,534	$ 506,891
Other receivables	86,428	(357)	86,071
Financial assets at FVTOCI - non-current	-	2,042,693	2,042,693
Available-for-sale financial assets - non-current	1,945,059	(1,945,059)	-
Financial assets measured at cost - non-current	103,894	(103,894)	-
Investments accounted for using the equity method	20,151,049	(83,676)	20,067,373
Total effect on assets	$ 22,789,787	$ (86,759)	$ 22,703,028
Retained earnings	$ 7,931,970	$ 92,444	$ 8,024,414
Other equity	3,678,521	(179,203)	3,499,318
Total effect on equity	$ 11,610,491	$ (86,759)	$ 11,523,732

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Deferred revenue	$ 37,604	$ (37,604)	$ -
Advance receipts	2,885,830	(2,885,830)	-
Contract liabilities - current	-	2,923,434	2,923,434
Total effect on liabilities	$ 2,923,434	$ -	$ 2,923,434

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

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

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

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

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

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

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

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

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

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

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

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

(Concluded)

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

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

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

1) IFRS 16 “Leases”

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

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

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

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

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

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

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

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

a) Liabilities held primarily for the purpose of trading;

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

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

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

Foreign Currencies

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

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

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

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

Inventories

Inventories are stated at the lower of weighted-average cost or net realizable value, using the retail method. Comparing the difference between cost and net realizable value is made by item by the retail department. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale.

Investments in Subsidiaries

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

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

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

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

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

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

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

Investments in Associates

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

Investment Properties

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

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

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

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

Intangible Assets

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

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

Impairment of Tangible and Intangible Assets

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

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

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

Financial Instruments

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

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

<u>Financial assets</u>

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

a. Measurement category

   The Company's financial assets are classified as available-for-sale financial assets and loans and receivables.

1) Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investments are disposed of or are determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Refer to Note 28 for information on the fair value method used.

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

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

2) Loans and receivables

Loans and receivables (including notes and trade receivables, other receivables, cash, and refundable deposits) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

b. Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

c. Derecognition of financial assets

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

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

<u>Financial liabilities</u>

a. Subsequent measurement

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

b. Derecognition

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

Revenue Recognition

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

a. Sale of goods

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

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

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

3) The amount of revenue can be measured reliably;

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

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

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

b. Commissions from concessionaires' sales

Commissions from concessionaires' sales are recognized as goods sold.

c. Maintenance and promotion fee income

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

d. Dividend and interest income

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

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

Leasing

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

a. The Company as a lessor

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

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

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

b. The Company as a lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

c. Leasehold land and buildings

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

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

Borrowing Costs

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

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

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

Retirement Benefit Costs

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

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

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.
Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

c. Current and deferred tax for the year

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

Where current taxes or deferred taxes arise from the initial accounting for the acquisition of subsidiaries, the tax effect is included in the accounting for investment in subsidiaries.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment assessment of tangible and intangible assets

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

Management should evaluate if any tangible and intangible asset is impaired. If any such indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount to determine the impairment loss.

b. Fair value measurement and valuation process

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

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

Information on the valuation techniques and inputs used in determining the fair value of investment properties is disclosed in Note 13.

6. CASH

	December 31	
	2017	2016
Cash on hand and revolving funds	$ 35,289	$ 42,998
Checking accounts and demand deposits	695,822	474,323
	$ 731,111	$ 517,321

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

	December 31	
	2017	2016
Cash in bank	0.001%-0.300%	0.001%-0.300%

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Domestic listed and OTC shares	$ 1,945,059	$ 2,325,016
Current	$ -	$ 234,515
Non-current	1,945,059	2,090,501
	$ 1,945,059	$ 2,325,016

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

b. In December 2017, the Company sold its shareholdings of Asia Cement Corporation amounting to 9,000 thousand shares to its related party - Tranquil Enterprise Ltd., and recognized a gain of $97,970 thousand on the disposal of the investment.

c. Refer to Note 30 for information relating to available-for-sale financial assets pledged as security.

8. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2017	2016
Domestic unlisted common shares	$ 103,894	$ 105,378

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

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

	December 31	
	2017	2016
Notes receivable		
Operating	$ -	$ 14,890
Non-operating	1,794	1,794
Less: Allowance for impairment loss	(1,794)	(1,794)
	$ -	$ 14,890
Trade receivables		
Trade receivables	$ 506,926	$ 405,284
Less: Allowance for impairment loss	(3,569)	(3,569)
	$ 503,357	$ 401,715
Other receivables		
Other receivables	$ 107,478	$ 91,904
Less: Allowance for impairment loss	(21,050)	(21,050)
	$ 86,428	$ 70,854

a. Trade receivables

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

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

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

The aging of trade receivables is as follows:

	December 31	
	2017	2016
Not overdue	$ 473,124	$ 380,813
Days overdue		
Up to 30 days	31,557	20,830
31 to 60 days	1,713	11
More than 60 days	532	3,630
	$ 506,926	$ 405,284

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

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

	December 31	
	2017	2016
Up to 30 days	$ 31,557	$ 20,830
31 to 60 days	1,713	11
More than 60 days	513	61
	$ 33,783	$ 20,902

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

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at December 31, 2017 and December 31, 2016	$ 19	$ 3,550	$ 3,569

b. Other receivables

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

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

	December 31	
	2017	2016
Up to 30 days	$ -	$ -
31 to 60 days	-	-
More than 60 days	357	357
	$ 357	$ 357

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

10. INVENTORIES

	December 31	
	2017	2016
Merchandise	$ 331,080	$ 383,267

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 were $3,920,283 thousand and $3,656,742 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	2016
Investments in subsidiaries	$ 18,025,927	$ 14,698,902
Investments in associates	2,125,122	2,061,895
	$ 20,151,049	$ 16,760,797

a. Investments in subsidiaries

	December 31	
	2017	2016
Bai Yang Investment Co., Ltd. (BYIC)	$ 9,717,789	$ 6,632,712
Pacific Liu Tong Investment Co., Ltd. (PLTI)	3,704,783	3,707,413
Bai Ding Investment Co., Ltd. (BDIC)	2,236,472	2,147,261
FEDS Development Ltd. (FEDS Development)	1,393,499	1,303,009
Far Eastern Ai Mai Co., Ltd. (AIMAI)	1,314,056	1,296,790
Far Eastern CitySuper Co., Ltd. (FECS)	92,847	125,596
Ya Tung Department Stores, Ltd. (YTDS)	85,410	(21,640)
Yu Ming Advertising Agency Co., Ltd. (YMAC)	82,986	86,468
Far Eastern Hon Li Do Co., Ltd. (FEHLD)	11,801	11,424
Asians Merchandise Company (AMC)	4,342	4,670
	18,643,985	15,293,703
Add: Credit balance on the carrying amounts of investments accounted for using the equity method and reclassified to other liabilities	-	21,640
Less: Common shares held by subsidiary and reclassified from long-term investments to treasury shares		
BDIC	97,110	97,110
	18,546,875	15,218,233
Less: The differences of accounting treatments from the consolidated financial statements (Note)	520,948	519,331
	$ 18,025,927	$ 14,698,902

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

	Proportion of Ownership and Voting Rights	
	December 31	
	2017	2016
BYIC	100%	100%
PLTI	35%	35%
BDIC	67%	67%
FEDS Development	54%	54%
AIMAI	100%	100%
FECS	96%	96%
YTDS	100%	100%
YMAC	100%	100%
FEHLD	56%	56%
AMC	100%	100%

Refer to Note 33 for the details of the subsidiaries indirectly held by the Company.

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

In April 2017, BYIC issued shares for an increase in cash capital, and the Company acquired 350,000 thousand shares at $10 per share totaling $3,500,000 thousand.

In June 2017, AIMAI undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease of 82,000 thousand shares in the Company's equity in AIMAI.

In July 2017, YTDS undertook the registration of a capital reduction to offset the deficitin which resulted in a decrease of 16,000 thousand shares in the Company's equity in YTDS. YTDS issued shares for an increase in cash capital, and the Company acquired 20,000 thousand shares at $10 per share totaling $200,000 thousand.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 were based on the subsidiaries' financial statements audited for the same years by other auditors.

b. Investments in associates

	December 31	
	2017	2016
Associates that are not individually material	$ 2,125,122	$ 2,061,895

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

	For the Year Ended December 31	
	2017	2016
The Company's share of		
Net loss for the year	$ (73,824)	$ (79,524)
Other comprehensive loss	(2,983)	(1,361)
Total comprehensive loss	$ (76,807)	$ (80,885)

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

In July 2017, YHDP undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease in the Company's equity in YHDP of 5,113 thousand shares. The Company acquired 7,500 thousand shares based on the percentage of ownership at $10 per share, and the investment amount totaled $75,000 thousand.

In April 2017, the Company subscribed for 6,833 thousand shares of Far Eastern Electronic Commerce Co., Ltd. (FEEC), and the investment amount totaled $68,327 thousand. As the subscription was not based on the original percentage of ownership, the new percentage of ownership increased to 11.36% and the capital surplus was adjusted downwards in the amount of $2,714 thousand.

In June 2017, FEEC undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease in the Company's equity in FEEC of 10,199 thousand shares.

In order to integrate the e-commerce business and resources to enhance competitiveness, the board of directors of FEEC approved the merger with Hiiir Inc. (Hiiir) on June 27, 2017. The merger record date was on August 1, 2017, with Hiiir as the surviving company and FEEC dissolved. Upon the completion of the aforesaid merger, the surviving company was renamed Yuanshi Digital Technology Co., Ltd. (YSDT). The Company acquired 1,041 thousand shares of YSDT in exchange for 1,619 thousand shares of FEEC. The percentage of ownership decreased from 11.36% to 1%. The management evaluated that the Company no longer had significant influence over YSDT, therefore, this investee had not been recognized by using the equity method since August 2017. The aforementioned merger was applied and approved by the authorities on August 30, 2017.

In August 2016, YHDP undertook the registration of a capital reduction to offset the deficit, which resulted in a decrease in the Company's equity in YHDP of 6,171 thousand shares.

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

	For the Year Ended December 31, 2016
Unrecognized share of losses of associates for the year	$ 24,916
Accumulated unrecognized share of losses of associates	$ 49,479

The investments in associates accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 was based on the associates' financial statements audited for the same years by other auditors.

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

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Buildings and Facilities	Decorative Facilities	Equipment Held Under Finance Leases	Plant, Transportation and Miscellaneous Equipment	Construction in Progress	Total
Cost								
Balance at January 1, 2016	$ 7,953,952	$ 9,355,654	$ 5,586,224	$ 5,905,471	$ 5,717,881	$ 499,186	$ 1,980,200	$ 36,998,568
Additions (deductions)	-	(589)	48,706	78,999	-	113,892	505,837	746,845
Disposals	-	-	(16,277)	(190,033)	-	(16,484)	-	(222,794)
Transfers to investment properties	(12,974)	(3,289)	-	-	-	-	-	(16,263)
Reclassifications	-	-	-	5,307	-	8,534	-	13,841
Balance at December 31, 2016	$ 7,940,978	$ 9,351,776	$ 5,618,653	$ 5,799,744	$ 5,717,881	$ 605,128	$ 2,486,037	$ 37,520,197
Accumulated depreciation and impairment								
Balance at January 1, 2016	$ -	$ (1,775,464)	$ (2,897,703)	$ (4,132,536)	$ (1,770,251)	$ (323,723)	$ -	$ (10,899,677)
Disposals	-	-	13,901	171,976	-	16,019	-	201,896
Depreciation expense	-	(161,067)	(428,444)	(577,404)	(200,079)	(72,200)	-	(1,439,194)
Transfers to investment properties	-	2,567	-	-	-	-	-	2,567
Balance at December 31, 2016	$ -	$ (1,933,964)	$ (3,312,246)	$ (4,537,964)	$ (1,970,330)	$ (379,904)	$ -	$ (12,134,408)
Carrying amount at December 31, 2016	$ 7,940,978	$ 7,417,812	$ 2,306,407	$ 1,261,780	$ 3,747,551	$ 225,224	$ 2,486,037	$ 25,385,789
Cost								
Balance at January 1, 2017	$ 7,940,978	$ 9,351,776	$ 5,618,653	$ 5,799,744	$ 5,717,881	$ 605,128	$ 2,486,037	$ 37,520,197
Additions	-	-	77,862	120,827	3,059	18,338	637,250	857,336
Disposals	-	-	(10,446)	(79,881)	-	(9,214)	-	(99,541)
Transfer from investment properties	97,619	18,933	5,117	-	-	-	-	121,669
Reclassifications	-	-	671	638	-	31	-	1,340
Balance at December 31, 2017	$ 8,038,597	$ 9,370,709	$ 5,691,857	$ 5,841,328	$ 5,720,940	$ 614,283	$ 3,123,287	$ 38,401,001
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ -	$ (1,933,964)	$ (3,312,246)	$ (4,537,964)	$ (1,970,330)	$ (379,904)	$ -	$ (12,134,408)
Disposals	-	-	8,314	70,983	-	8,806	-	88,103
Depreciation expense	-	(161,062)	(422,553)	(488,322)	(200,104)	(62,607)	-	(1,334,648)
Balance at December 31, 2017	$ -	$ (2,095,026)	$ (3,726,485)	$ (4,955,303)	$ (2,170,434)	$ (433,705)	$ -	$ (13,380,953)
Carrying amount at December 31, 2017	$ 8,038,597	$ 7,275,683	$ 1,965,372	$ 886,025	$ 3,550,506	$ 180,578	$ 3,123,287	$ 25,020,048

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

Buildings	55 years
Buildings and facilities	8-15 years
Decorative facilities	6 years
Equipment held under finance leases	20-50 years
Plant, transportation, and miscellaneous equipment	5-8 years

Some of the investment properties were transferred to property, plant and equipment at their fair value as the use of these assets changed to self-use during the year ended December 31, 2017.

Some of the property, plant and equipment were transferred to investment properties at their net carrying amounts as the use of these items changed to leasing for the purpose of earning rental income during the year ended December 31, 2016.

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

13. INVESTMENT PROPERTIES

	Land	Buildings and Facilities	Total
Balance at January 1, 2016	$ 6,184,030	$ 2,960,436	$ 9,144,466
Additions	-	3,792	3,792
Disposals	-	(247)	(247)
Transfers from property, plant and equipment	12,974	722	13,696
Gain on changes in the fair value of investment properties	116,804	40,486	157,290
Balance at December 31, 2016	$ 6,313,808	$ 3,005,189	$ 9,318,997
Balance at January 1, 2017	$ 6,313,808	$ 3,005,189	$ 9,318,997
Transfers to property, plant and equipment	(97,619)	(24,050)	(121,669)
Additions	-	2,193	2,193
Disposals	-	(166)	(166)
Gain (Loss) on changes in the fair value of investment properties	5,991	(84,530)	(78,539)
Balance at December 31, 2017	$ 6,222,180	$ 2,898,636	$ 9,120,816

Some of the Company's investment properties had been leased out under operating leases having lease terms between 1-20 years. Except for the minimum lease payments, some of the Company's lease contracts included contingent lease clauses, and the Company should adjust rentals on the basis of the Consumer Price Index per annum. The rental incomes generated for the years ended December 31, 2017 and 2016 were $130,996 thousand and $135,541 thousand, respectively.

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

	December 31	
	2017	2016
Not later than 1 year	$ 130,567	$ 138,288
1 year to 5 years	327,273	283,021
Later than 5 years	267,457	335,453
	$ 725,297	$ 756,762

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

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

	December 31	
	2017	**2016**
Expected future cash inflows	$ 22,143,254	$ 22,610,345
Expected future cash outflows	2,390,743	2,868,550
Expected future cash inflows, net	$ 19,752,511	$ 19,741,795
Discount rate	4.345%	4.345%

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

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

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

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

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

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

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

14. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2016	$ 31,434
Additions	21,248
Balance at December 31, 2016	$ 52,682
Accumulated amortization and impairment	
Balance at January 1, 2016	$ (18,881)
Amortization expenses	(9,612)
Balance at December 31, 2016	$ (28,493)
Carrying amount at December 31, 2016	$ 24,189
Cost	
Balance at January 1, 2017	$ 52,682
Additions	25,979
Reclassifications	12,314
Balance at December 31, 2017	$ 90,975
Accumulated amortization and impairment	
Balance at January 1, 2017	$ (28,493)
Amortization expenses	(12,481)
Balance at December 31, 2017	$ (40,974)
Carrying amount at December 31, 2017	$ 50,001

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

Computer software	3-5 years

15. LONG-TERM PREPAYMENTS FOR LEASES

	December 31	
	2017	2016
Xinyi Division A13 - land use rights	$ 2,236,168	$ 2,298,572

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

16. OTHER ASSETS

	December 31	
	2017	**2016**
Refundable deposits (Note 26)	$ 211,419	$ 173,795
Prepayments	45,011	15,723
Leasing incentives	9,419	11,902
Others	11,885	11,192
	$ 277,734	$ 212,612
Current	$ 11,408	$ 10,000
Non-current	266,326	202,612
	$ 277,734	$ 212,612

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	**2016**
Credit loans	$ 5,600,000	$ 3,900,000
Secured loans (Note 30)	700,000	-
	$ 6,300,000	$ 3,900,000
Interest rate intervals are as follows:		
Credit loans	0.90%-0.92%	0.90%-0.96%
Secured loans	0.92%	-

b. Short-term bills payable

	December 31	
	2017	**2016**
Commercial papers	$ 1,700,000	$ 1,150,000
Less: Unamortized discount on bills payable	812	522
	$ 1,699,188	$ 1,149,478

Outstanding short-term bills payable are as follows:

December 31, 2017

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial papers						
Mega Bills	$ 600,000	$ 373	$ 599,627	0.760%	-	$ -
China Bills Finance	350,000	87	349,913	0.430%	-	-
International Bills Finance	200,000	55	199,945	0.570%	-	-
Taiwan Finance	200,000	50	199,950	0.750%	-	-
Taiwan Cooperative Bills Finance	200,000	206	199,794	0.690%	-	-
Grand Bills Finance	150,000	41	149,959	0.750%	-	-
	$ 1,700,000	$ 812	$ 1,699,188			$ -

December 31, 2016

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
Commercial papers						
Grand Bills Finance	$ 300,000	$ 180	$ 299,820	0.692%	-	$ -
China Bills Finance	300,000	95	299,905	0.550%	-	-
International Bills Finance	200,000	59	199,941	0.640%	-	-
Taiwan Finance	200,000	117	199,883	0.770%	-	-
Taiwan Cooperative Bills Finance	150,000	71	149,929	0.670%	-	-
	$ 1,150,000	$ 522	$ 1,149,478			$ -

c. Long-term borrowings

	December 31 2017	December 31 2016
Secured loans	$ 10,500,000	$ 12,500,000
Credit loans	1,600,000	700,000
Revolving commercial papers	-	996,916
	12,100,000	14,196,916
Less: Current portion	3,500,000	4,696,916
Long-term borrowings	$ 8,600,000	$ 9,500,000

Interest rate intervals are as follows:

	December 31 2017	December 31 2016
Secured loans	0.900%-1.801%	0.920%-1.801%
Credit loans	0.850%-0.900%	1.780%
Revolving commercial papers	-	0.952%

The Company had already signed the medium and long-term loan contracts and extended the repayment deadlines for these loans.

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

	December 31	
	2017	2016
Notes payable		
Operating	$ -	$ 46
Non-operating	-	-
	$ -	$ 46
Trade payables	$ 5,111,901	$ 3,283,097

19. OTHER LIABILITIES

	December 31	
	2017	2016
Other payables		
Payables for salaries and bonus	$ 263,099	$ 268,107
Payables for purchase of equipment	206,633	395,145
Payables for remuneration of directors	156,010	156,214
Payables for employees' compensation	65,882	54,780
Others	534,967	597,170
	$ 1,226,591	$ 1,471,416
Deferred revenue		
Arising from customer loyalty program	$ 37,604	$ 37,161
Other liabilities		
Lease incentives	$ 92,791	$ 84,556
Deposits received	78,162	66,674
Credit balance on the carrying amount of investments accounted for using the equity method	-	21,640
Others	113,556	130,490
	$ 284,509	$ 303,360
Current		
Other payables	$ 1,226,591	$ 1,471,416
Deferred revenue	$ 37,604	$ 37,161
Other liabilities	$ 113,556	$ 130,490
Non-current		
Other liabilities	$ 170,953	$ 172,870

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

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

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

	December 31	
	2017	**2016**
Present value of the defined benefit obligation	$ 742,897	$ 805,974
Fair value of the plan assets	(505,389)	(491,413)
Net defined benefit liabilities	$ 237,508	$ 314,561

Movements in net defined benefit liabilities are as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2016	$ 881,675	$ (704,911)	$ 176,764
Service cost			
Current service cost	10,809	-	10,809
Net interest expense (income)	13,100	(10,574)	2,526
Recognized in profit or loss	23,909	(10,574)	13,335
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	53,024	53,024
Actuarial loss - changes in demographic assumptions	10,619	-	10,619
Actuarial loss - changes in financial assumptions	20,599	-	20,599
Actuarial loss - experience adjustments	40,220	-	40,220
Recognized in other comprehensive income	71,438	53,024	124,462
Benefits paid	(171,048)	171,048	-
Balance at December 31, 2016	$ 805,974	$ (491,413)	$ 314,561

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	$ 805,974	$ (491,413)	$ 314,561
Service cost			
Current service cost	8,329	-	8,329
Net interest expense (income)	9,963	(6,031)	3,932
Recognized in profit or loss	18,292	(6,031)	12,261
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	15,485	15,485
Actuarial loss - changes in demographic assumptions	6,394	-	6,394
Actuarial loss - experience adjustments	866	-	866
Recognized in other comprehensive income	7,260	15,485	22,745
Contributions from the employer	-	(112,059)	(112,059)
Benefits paid	(88,629)	88,629	-
Balance at December 31, 2017	$ 742,897	$ (505,389)	$ 237,508

(Concluded)

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

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

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

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

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

	December 31	
	2017	2016
Discount rate	1.25%	1.25%
Expected rate of salary increase	2.00%	2.00%

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

	December 31	
	2017	2016
Discount rate(s)		
0.25% increase	$ (19,490)	$ (20,930)
0.25% decrease	$ 20,244	$ 21,751
Expected rate(s) of salary increase		
0.25% increase	$ 19,729	$ 21,185
0.25% decrease	$ (19,093)	$ (20,491)

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

	December 31	
	2017	2016
The expected contributions to the plan for the next year	$ 6,200	$ -
The average duration of the defined benefit obligation	10.8 years	10.9 years

21. EQUITY

a. Share capital

Common shares

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

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

b. Capital surplus

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance in excess of common shares	$ 2,142,074	$ 2,142,074
Treasury share transactions	1,173,346	1,173,346

(Continued)

	December 31	
	2017	2016
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interest in subsidiaries and associates	511	4,448
	$ 3,315,931	$ 3,319,868

(Concluded)

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

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

c. Retained earnings and dividend policy

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

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

The Company's distribution of dividends depends on economic conditions, tax obligations, and operating requirements for cash. For an orderly system of dividend distribution, the dividends are distributed in accordance with the Articles of Incorporation. The cash dividends to be distributed should not be below 10% of the total cash and share dividends for the current accounting year.

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

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

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

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

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

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

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

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

d. Special reserve

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

On the initial application of the fair value model to investment properties, the Company appropriated for a special reserve at the amount that was the same as the net increase arising from fair value measurement and transferred to retained earnings. The additional special reserve should be appropriated for subsequent net increases in fair value. The amount appropriated may be reversed to the extent that the cumulative net increases in fair value decrease or on the disposal of investment properties.

e. Other equity items

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

	For the Year Ended December 31	
	2017	**2016**
Balance, beginning of year	$ 58,273	$ 57,483
Share of exchange difference of subsidiaries and associates accounted for using the equity method	27,775	790
Balance, end of year	$ 86,048	$ 58,273

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

	For the Year Ended December 31	
	2017	**2016**
Balance, beginning of year	$ 1,566,157	$ 1,767,337
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	167,168	(107,830)
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(194,022)	-
Share of unrealized loss on available-for-sale financial assets of subsidiaries and associates accounted for using the equity method	(117,800)	(93,350)
Balance, end of year	$ 1,421,503	$ 1,566,157

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

f. Treasury shares

(In Thousands of Shares)

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

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

(In Thousands of Shares)

December 31, 2017

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

December 31, 2016

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

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

22. REVENUE

	For the Year Ended December 31	
	2017	2016
Sale of goods (Note)	$ 4,734,678	$ 4,457,588
Commissions from concessionaires' sales (Note)	4,279,470	4,624,995
Maintenance and promotion fee income	644,538	588,893
Rental income from property	514,699	471,174
Others	407,764	382,063
	$ 10,581,149	$ 10,524,713

Note: Gross revenue is presented as follows:

	For the Year Ended December 31	
	2017	2016
Concessionaires' sales	$ 37,169,938	$ 37,869,418
Sale of goods	4,966,634	4,649,646
	$ 42,136,572	$ 42,519,064

23. NET PROFIT FOR THE YEAR

Net profit for the year includs the following items:

a. Operating costs

	For the Year Ended December 31	
	2017	2016
Operating costs		
Cost of sales	$ 3,920,283	$ 3,656,742
Rental costs	140,093	148,414
Others	37,050	38,582
	$ 4,097,426	$ 3,843,738

b. Other income

	For the Year Ended December 31	
	2017	2016
Interest income		
Bank deposits	$ 38	$ 45
Others	-	506
	38	551
Dividends income	72,480	104,042
	$ 72,518	$ 104,593

c. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Gain on disposal of investments	$ 194,022	$ -
Loss on disposal of investment properties, net	(166)	(247)
Foreign exchange (loss) gain, net	(180)	32
Loss on disposal of property, plant and equipment, net	(7,062)	(14,191)
(Loss) gain arising on changes in fair value of investment properties, net	(78,539)	157,290
Other gains	75,112	395,942
Other losses	(12,481)	(17,757)
	$ 170,706	$ 521,069

d. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	$ 233,056	$ 237,454
Other interest expense	23,810	24,863
Total interest expense for financial liabilities measured at amortized cost	256,866	262,317
Less: Amounts included in the cost of qualifying assets	(57,581)	(59,884)
	$ 199,285	$ 202,433

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized interest	$ 57,581	$ 59,884
Capitalization rate interval	1.05%-1.29%	1.27%-1.36%

e. Depreciation and amortization

	For the Year Ended December 31	
	2017	**2016**
Property, plant and equipment	$ 1,334,648	$ 1,439,194
Less: Adjustment to receipts in advance and depreciation	(147,289)	(155,152)
	1,187,359	1,284,042
Intangible assets (including amortization expense)	12,481	9,612
	$ 1,199,840	$ 1,293,654
An analysis of deprecation by function		
Operating costs	$ 56,371	$ 55,984
Operating expenses	1,130,988	1,228,058
	$ 1,187,359	$ 1,284,042
An analysis of amortization by function		
Operating expenses	$ 12,481	$ 9,612

f. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2017	**2016**
Direct operating expenses from investment properties that generated rental income	$ 50,458	$ 51,779
Direct operating expenses from investment properties that did not generate rental income	70,585	78,175
	$ 121,043	$ 129,954

g. Employee benefits expenses

	For the Year Ended December 31	
	2017	**2016**
Post-employment benefits		
Defined contribution plan	$ 31,355	$ 33,174
Defined benefit plan (Note 20)	12,261	13,335
	43,616	46,509
Other employee benefits	1,120,446	1,141,580
Total employee benefits expenses	$ 1,164,062	$ 1,188,089
An analysis of employee benefits expenses by function		
Operating expenses	$ 1,164,062	$ 1,188,089

h. Employees' compensation and remuneration of directors

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

Accrual rate

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

Amount

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

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2016 and 2015.

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

24. INCOME TAX

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

	For the Year Ended December 31	
	2017	**2016**
Current income tax		
In respect of the current year	$ 124,399	$ 314,001
Adjustments for the prior year	(792)	(4,298)
	123,607	309,703
Deferred income tax		
In respect of the current year	118,611	(1,237)
Adjustments for the prior year	3,447	(55,755)
	122,058	(56,992)
Income tax expense recognized in profit or loss	$ 245,665	$ 252,711

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

	For the Year Ended December 31	
	2017	2016
Profit before income tax from continuing operations	$ 1,781,651	$ 1,386,963
Income tax expense calculated at the statutory rate	$ 302,880	$ 235,783
Nondeductible expenses in determining taxable income	40	78,382
Tax-exempt income	(62,396)	(37,544)
Land value increment tax	-	43,053
Unrecognized deductible temporary differences	1,771	(7,468)
Adjustments for prior years' income tax	(792)	(4,298)
Adjustments for prior years' deferred tax	3,447	(55,755)
Others	715	558
Income tax expense recognized in profit or loss	$ 245,665	$ 252,711

The applicable corporate income tax rate used by the Company is 17%.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by 19,698 thousand and 158,523 thousand, respectively, in 2018.

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
In respect of the current year		
Remeasurement on defined benefit plans	$ 3,867	$ 21,158

c. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax assets		
Tax refund receivable	$ -	$ 4,270
Current tax liabilities		
Income tax payable	$ 124,398	$ 232,251

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2017

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Balance, End of Year
Deferred tax assets				
Temporary differences				
Investments accounted for using the equity method	$ 180,338	$ (156,955)	$ -	$ 23,383
Promotion expense on coupons	17,387	(3,149)	-	14,238
Lease incentives	14,375	1,400	-	15,775
Payables - compensated absences	4,540	1,689	-	6,229
Deferred revenue	6,317	(38)	-	6,279
Differences of pension in determining taxable income	53,475	(16,966)	3,867	40,376
Others	5,805	(464)	-	5,341
	$ 282,237	$ (174,483)	$ 3,867	$ 111,621
Deferred tax liabilities				
Temporary differences				
Depreciation	$ 916,988	$ 8,950	$ -	$ 925,938
Reserve for land revaluation increment tax	391,157	-	-	391,157
Investment properties	445,333	(75,971)	-	369,362
Investments accounted for using the equity method	178,247	17,900	-	196,147
Lease incentives	5,524	(3,302)	-	2,222
Others	6	(2)	-	4
	$ 1,937,255	$ (52,425)	$ -	$ 1,884,830

For the year ended December 31, 2016

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Balance, End of Year
Deferred tax assets				
Temporary differences				
Investments accounted for using the equity method	$ 30,820	$ 149,518	$ -	$ 180,338
Promotion expense on coupons	17,394	(7)	-	17,387
Leasing incentives	11,636	2,739	-	14,375
Payables - compensated absences	4,492	48	-	4,540
Deferred revenue	6,591	(274)	-	6,317
Differences of pension in determining taxable income	30,050	2,267	21,158	53,475
Others	5,975	(170)	-	5,805
	$ 106,958	$ 154,121	$ 21,158	$ 282,237
Deferred tax liabilities				
Temporary differences				
Depreciation	$ 887,770	$ 29,218	$ -	$ 916,988
Reserve for land revaluation increment tax	391,157	-	-	391,157
Investment properties	395,397	49,936	-	445,333
Investments accounted for using the equity method	159,100	19,147	-	178,247
Lease incentives	6,702	(1,178)	-	5,524
Others	-	6	-	6
	$ 1,840,126	$ 97,129	$ -	$ 1,937,255

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

	December 31 2017	December 31 2016
Deductible temporary differences	$ 983,038	$ 444,026

f. Integrated income tax

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

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

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

g. Income tax assessments

The income tax returns through 2015 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

Unit: NT$ Per Share

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

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

Net Profit for the Year

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

Shares

(In Thousand Shares)

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

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

26. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

In addition to the transaction described in Note 15 to the financial statements, the Company signed operating lease arrangements with related parties and unrelated parties in line with its business operations.

As of December 31, 2017 and 2016, the deposit paid for operating lease arrangements was $157,739 thousand for each of the aforementioned dates.

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

	December 31	
	2017	**2016**
Not later than 1 year	$ 785,022	$ 825,960
Later than 1 year but not later than 5 years	2,757,013	2,827,041
Later than 5 years	10,767,690	11,454,551
	$ 14,309,725	$ 15,107,552

The lease payments recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2017	**2016**
Minimum lease payments	$ 819,591	$ 816,373
Contingent rentals	22,986	36,638
	$ 842,577	$ 853,011

Liabilities recognized in respect of non-cancellable operating leases are as follows:

	December 31	
	2017	**2016**
Lease incentives (Note 19)		
Non-current	$ 92,791	$ 84,556

b. The Company as lessor

For investment properties that are leased out under operating lease agreements, refer to Note 13.

As of December 31, 2017 and 2016, the deposits received by the Company through operating lease contracts were $62,387 thousand and $54,839 thousand, respectively.

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

	December 31	
	2017	**2016**
Not later than 1 year	$ 302,489	$ 345,150
Later than 1 year but not later than 5 years	790,006	720,820
Later than 5 years	694,798	862,079
	$ 1,787,293	$ 1,928,049

27. CAPITAL MANAGEMENT

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

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

28. FINANCIAL INSTRUMENTS

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

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

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

Fair value hierarchy as at December 31, 2017

	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
Listed common shares				
Equity investments	$ 1,945,059	$ -	$ -	$ 1,945,059

Fair value hierarchy as at December 31, 2016

	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
Listed common shares				
Equity investments	$ 2,325,016	$ -	$ -	$ 2,325,016

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

c. Categories of financial instruments

	December 31	
	2017	**2016**
<u>Financial assets</u>		
Loans and receivables (1)	$ 1,528,662	$ 1,157,984
Available-for-sale financial assets (2)	2,048,953	2,430,394
<u>Financial liabilities</u>		
Measured at amortized cost (3)	26,515,842	24,067,627

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

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Interest rate risk

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

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

	December 31	
	2017	**2016**
Fair value interest rate risk		
Financial liabilities	$ 3,500,000	$ 8,196,916
Cash flow interest rate risk		
Financial assets	74,546	47,965
Financial liabilities	16,599,188	11,049,478

Sensitivity analysis

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

If interest rates had been 100 basis points higher or lower and all other variables had been held constant, the profit before income tax for the years ended December 31, 2017 and 2016 would decrease/increase by $165,246 thousand and $110,015 thousand, respectively.

b) Other price risks

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

Sensitivity analysis

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

If equity prices had been 5% higher or lower, pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would increase/decrease by $97,253 thousand and $116,251 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

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

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

3) Liquidity risk

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

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

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods.

December 31, 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	$ 6,300,000	$ -	$ -	$ -	$ -	$ -	$ 6,300,000
Short-term bills payable	1,699,188	-	-	-	-	-	1,699,188
Trade payables	5,026,846	-	-	-	-	-	5,026,846
Trade payables to related parties	85,055	-	-	-	-	-	85,055
Other payables	1,226,591	-	-	-	-	-	1,226,591
Long-term borrowings (including current portion)	3,500,000	5,600,000	3,000,000	-	-	-	12,100,000
Deposits received	46,368	4,485	16,514	1,580	6,752	2,463	78,162

December 31, 2016

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	$ 3,900,000	$ -	$ -	$ -	$ -	$ -	$ 3,900,000
Short-term bills payable	1,149,478	-	-	-	-	-	1,149,478
Notes payable	46	-	-	-	-	-	46
Trade payables	3,223,663	-	-	-	-	-	3,223,663
Trade payables to related parties	59,434	-	-	-	-	-	59,434
Other payables	1,471,416	-	-	-	-	-	1,471,416
Long-term borrowings (including current portion)	4,696,916	7,500,000	-	2,000,000	-	-	14,196,916
Deposits received	55,458	2,859	5,153	601	1,580	1,023	66,674

29. TRANSACTIONS WITH RELATED PARTIES

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

a. The Company's related parties and their relationships

Related Party	Relationship with the Company
Far Eastern Ai Mai Co., Ltd. (AIMAI)	Subsidiary
Ya Tung Department Stores, Ltd. (YTDS)	Subsidiary
Yu Ming Advertising Agency Co., Ltd. (YMAC)	Subsidiary
Far Eastern CitySuper Co., Ltd. (FECS)	Subsidiary
Bai Ding Investment Co., Ltd. (BDIC)	Subsidiary
Bai Yang Investment Co., Ltd. (BYIC)	Subsidiary
Far Eastern Hon Li Do Co., Ltd. (FEHLD)	Subsidiary
Chubei New Century Shopping Mall Co., Ltd.	Subsidiary
FEDS Asia Pacific Development Co., Ltd.	Subsidiary
FEDS New Century Development Co., Ltd.	Subsidiary
Far Eastern Big City Shopping Malls Co., Ltd.	Subsidiary
Pacific Sogo Department Stores Co., Ltd. (SOGO)	Subsidiary of PLTI
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Associate
Oriental Securities Corporation (OSC)	Associate
Far Eastern Electronic Commerce Co., Ltd. (FEEC)	Associate (Note)

(Continued)

Related Party	Relationship with the Company
Yuan Hsin Digital Payment Co., Ltd. (YHDP)	Associate
Far Eastern New Century Corporation (FENC)	The investor that has significant influence over the Company (equity method investor of FEDS)
Far EasTone Telecommunications Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
New Century InfoComm Tech Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern General Contractor Inc. (FEGC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Construction Co., Ltd. (FEC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Resources Development Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Ding Ding Hotel Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Electronic Toll Collection Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Apparel Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuan Ding Co., Ltd. (YDC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuan Tong Investment Co., Ltd. (YTIC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
YDT Technology International Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Technical Consultants Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuanshi Digital Technology Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Asia Cement Corporation	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Ya Tung Ready Mixed Concrete Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern International Bank (FEIB)	Other related party (the chairman of Company, also the vice chairman of FEIB)

(Continued)

Related Party	Relationship with the Company
Yuan Bo Asset Management Corporation	Other related party (the subsidiary of Far eastern international leasing corporation)
Oriental Union Chemical Corporation	Other related party (the same chairman)
Yuan Ze University	Other related party (the same chairman)
Far Eastern Medical Foundation	Other related party (the same chairman)
Tranquil Enterprise Ltd. (TEL)	Other related party (the same chairman)

(Concluded)

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

b. Operating revenue

	For the Year Ended December 31	
	2017	2016
Sales of goods (Note)		
Subsidiaries	$ 35,586	$ 36,918
The associate of the investor that has significant influence over the Company	35,473	37,926
Associates	2,122	350
Other related parties	752	372
	$ 73,933	$ 75,566

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

	For the Year Ended December 31	
	2017	2016
Other operating revenue		
Subsidiaries	$ 28,080	$ 33,089
Other related parties	25,641	15,018
The associate of the investor that has significant influence over the Company	19,313	15,410
Associates	7,894	11,925
Investor that has significant influence over the Company	-	77
	$ 80,928	$ 75,519

c. Operating costs and expenses

	For the Year Ended December 31	
	2017	2016
Operating costs (Note)		
The associate of the investor that has significant influence over the Company	$ 24,918	$ 31,932
Subsidiaries	2,448	2,676
	$ 27,366	$ 34,608

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

	For the Year Ended December 31	
	2017	2016
Operating expenses (Note)		
The associate of the investor that has significant influence over the Company	$ 332,970	$ 341,594
Subsidiaries	240,069	244,494
Investor that has significant influence over the Company	72,752	67,993
Associates	42,868	42,616
Other related parties	3,484	2,767
	$ 692,143	$ 699,464

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

d. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Other gains		
Other related parties		
TEL	$ 97,970	$ -
FEIB	17,528	16,337
	115,498	16,337
The associate of the investor that has significant influence over the Company		
YTIC	74,341	-
Others	2	19
	74,343	19
Subsidiaries		
SOGO	17,432	17,350
Others	2,234	4,329
	19,666	21,679
Investor that has significant influence over the Company	2,870	6,150
Associates	235	177
	$ 212,612	$ 44,362
Other losses		
Associates		
OSC	$ 7,216	$ 7,270
Investor that has significant influence over the Company	2	2
	$ 7,218	$ 7,272

e. Finance costs

	For the Year Ended December 31	
	2017	2016
Subsidiaries		
SOGO	$ 10,517	$ 10,221
Others	-	10
	10,517	10,231
Other related parties	827	12
The associate of the investor that has significant influence over the Company	-	211
	$ 11,344	$ 10,454

f. Receivables from related parties

	December 31	
	2017	2016
Trade receivables, net		
Subsidiaries	$ 23,763	$ 5,894
The associate of the investor that has significant influence over the Company	18,852	20,885
Other related parties	11,859	7,292
Investor that has significant influence over the Company	2,310	1,481
Associates	1,463	4,644
	$ 58,247	$ 40,196
Other receivables		
Subsidiaries	$ 5,603	$ 7,375
The associate of the investor that has significant influence over the Company	3,018	2,810
Other related parties	18	21
Associates	-	1,496
	$ 8,639	$ 11,702

g. Other assets

	December 31	
	2017	2016
Other non-current assets		
Lease incentives		
The associate of the investor that has significant influence over the Company		
YDC	$ 7,294	$ 10,256
Other related parties		
FEIB	1,494	1,646
	$ 9,418	$ 11,902
Refundable deposits		
The associate of the investor that has significant influence over the Company	$ 7,743	$ 7,743

h. Payables to related parties

	December 31	
	2017	**2016**
Trade payables		
The associate of the investor that has significant influence over the Company	$ 51,109	$ 41,157
Subsidiaries	33,946	18,277
	$ 85,055	$ 59,434
Other payables		
The associate of the investor that has significant influence over the Company		
FEGC	$ 118,796	$ 205,500
Other	60,349	66,118
	179,145	271,618
Subsidiaries	68,217	91,449
Associates	48,424	55,326
Investor that has significant influence over the Company	31,902	31,218
Other related parties	69	77
	$ 327,757	$ 449,688

i. Other liabilities

	December 31	
	2017	**2016**
Advance receipts		
The associate of the investor that has significant influence over the Company	$ 747	$ 476
Associates	-	11
	$ 747	$ 487
Other current liabilities		
Associates	$ 1,013	$ 1,537
The associate of the investor that has significant influence over the Company	163	7,090
Subsidiaries	123	25
Investor that has significant influence over the Company	-	157
Other related parties	-	150
	$ 1,299	$ 8,959
Other non-current liabilities		
Lease incentives		
The associate of the investor that has significant influence over the Company		
FEC	$ 92,791	$ 84,556

(Continued)

	December 31 2017	December 31 2016
Deposits received		
The associate of the investor that has significant influence over the Company		
YDC	$ 28,187	$ 20,639
Other	86	87
	28,273	20,726
Other related parties	1,023	1,023
Subsidiaries	881	881
	$ 30,177	$ 22,630

(Concluded)

j. Disposals of financial assets

For the year ended December 31, 2017

Related Party Name	Item	Number of Shares	Underlying Assets	Proceeds	Gain on Disposal
YTIC	Available-for-sale financial assets - current	25,771	Common shares	$ 254,111	$ 74,341
TEL	Available-for-sale financial assets - non-current	9,000	Common shares	$ 239,787	$ 97,970

k. Construction projects

The Company contracted out construction projects to the associates of investor that has significant influence over the Company. The construction costs in 2017 and 2016 were $357,775 thousand and $359,577 thousand, respectively.

l. Loans from related parties

The Company’s financing from other related parties were as follows:

	For the Year Ended December 31, 2017				
Related Party	Maximum Balance	Date of the Maximum Balance	Ending Balance	Interest Rate (%)	Finance Cost
FEIB	$ 500,000	2017.6.30-2017.7.10	$ -	0.9-1.0	$ 827

m. Compensation of key management personnel

	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Short-term employee benefits	$ 62,919	$ 52,826
Post-employment benefits	241	387
	$ 63,160	$ 53,213

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2017	2016
Available-for-sale financial assets	$ 987,000	$ 922,250
Investments accounted for using the equity method	1,149,413	1,132,525
Property, plant and equipment	14,053,678	14,164,303
Investment properties	1,490,894	1,668,604
	$ 17,680,985	$ 17,887,682

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant commitments

The amount of unrecognized commitments are as follows:

	December 31	
	2017	2016
Acquisition of property, plant and equipment	$ 1,809,004	$ 227,595

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

c. Pacific Construction Co., Ltd. (Pacific Construction), Taiwan Chong-Cuang Ltd. (Chong-Cuang) and Pacific Department Store Co., Ltd. (Pacific Department Store) asserted that Hua-De Lin, Yong-Ji Lai, and Heng-Long Li violated the delegation of Min-Chiang Chang and Pacific Construction, and Douglas Hsu, Mao-De Huang, Guan-Jyun Li, and Ming-Zong Kuo, together with the knowledge of such violations and their positions in the Company, implemented transactions that jeopardized the benefit of Min-Chiang Chang and Pacific Construction. Pacific Construction, Chong-Cuang, and Pacific Department Store, after the 2016 pronouncement No. 3 of the Taiwan Taipei District Court (the TTDC), filed a civil lawsuit requesting the return of the 144,296 thousand, 74,300 thousand, and 9,965 thousand shares of SOGO held by Pacific Liu Tong Investment to Pacific Construction, Chong-Cuang, and Pacific Department Store, respectively. Furthermore, Heng-Long Li, Douglas Hsu, FEDS, Hua-De Lin, Yong-Ji Lai, Guan-Jyun Li, Mao-De Huang, and Ming-Zong Kuo shall pay Pacific Construction, Chong-Cuang and Pacific Department Store $13,575,145 thousand, $7,960,148 thousand, and $2,800,336 thousand, respectively. Per the decision of the THC dated September 7, 2010, defendants - Douglas Hsu, Mao-De Huang, and Guan-Jyun Li - were found not guilty for the criminal charges while the lawsuit shall be transferred to the civil court for trial in accordance with the civil litigation process. However, per the decision of the THC, Year 99 Letter Zhong Su No. 47, on February 27, 2018, the Court rejected the plaintiff's appeals to other defendants (including PLTI, FEDS, Heng-Long Li, Yong-Ji Lai, Hua-De Lin, and Ming-Zong Kuo).

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

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

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

   Moreover, the former chairman of PLTI, Heng-Long Li, stated that he appointed Chun-Chih Weng, Chao-Chuan Chu, Shen-Yi Li, Jui-Tsun Liu and Yu-Ying Chin as members of the Board of SOGO to replace Ching-Wen Huang, Satoshi Inoue, Douglas Hsu, Hsiao-Yi Wang and Mao-De Huang. Furthermore, those individuals (Chun-Chih Weng, Chao-Chuan Chu, Shen-Yi Li, Jui-Tsun Liu and Yu-Ying Chin) elected Chun-Chih Weng as the chairman of PLTI and applied to the MOEA for the registration of a change of the Board and supervisor of SOGO on August 8, 2011. However, the application of the registration was rejected by the MOEA, due to the election being held by the former chairman of PLTI, Heng-Long Li.

   Chun-Chih Weng, Chao-Chuan Chu, Shen-Yi Li, Jui-Tsun Liu and Yu-Ying Chin not only announced publicly that they are the five members of the Board of SOGO but also that they held the SOGO shareholders' meetings on September 5, 2011 and September 6, 2011. However, the decisions made in these two shareholders' meetings on September 5, 2011 and September 6, 2011 were not approved and not consented to by all of SOGO's shareholders. According to the Year 100 Letter Su No. 4224 verdict from the TTDC on January 22, 2014, the TTDC declared that the decisions made in the shareholders' meeting on September 5, 2011 were not approved legally; according to the Year 100 Letter Su No. 4164 verdict on November 28, 2013, the TTDC confirmed that the decisions made in the shareholders' meeting on September 6, 2011 were not approved legally. The THC passed the Year 103 Letter Shang No. 330 verdict on May 31, 2016 rejecting the appeal and confirmed that the resolutions of the shareholders' meeting on September 5, 2011 were not approved legally. In the Year 103 Letter Shang No. 87 verdict from the THC on August 17, 2016, the THC rejected the appeal and confirmed that the decisions made in the shareholders' meeting on September 6, 2011 were not approved legally. Chun-Chih Weng has filed an appeal against each of the judgments, and as of the date that these financial statements were approved, both appeals are still pending in the SAC.

e. In April 2017, under a ruling by the MOEA whereby “the terms and conditions of coupons for certain goods and for certain services within the retail industry should be documented in a standard contract while others should not”, the Company and SOGO signed an agreement to have mutual performance guarantees on gift certificates bought by customers. The guarantee period was from April 1, 2017 to March 31, 2018. As of December 31, 2017, the Company’s guarantee amount for SOGO was $4,335,697 thousand and that of SOGO for the Company was $2,675,541 thousand.

32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The investment properties located in the Hualien area were affected by the earthquake which occurred on February 6, 2018, which caused significant damage to the investment properties. Considering the safety of the public and the rights and equity of the shareholders, the Company carried out the building demolition in March 2018. The management evaluated that the impact on both operations and finance was not significant. The Company is filing a claim with insurers actively and the amount of actual loss is still being estimated as of the release date of the financial statements of the Company for the years ended December 31, 2017 and 2016.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. investees:

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

c. Information on investments in mainland China:

1) Name of the investees in mainland China, main business and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, repatriation of investment income, and the limit of investment in mainland China: Table 7.

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

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

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

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

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2.

   e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.

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

FAR EASTERN DEPARTMENT STORES, LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
1	Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings Ltd.	Other receivables	Y	$ 2,000,000	$ 2,000,000	$ -	-	(Note A)	$ -	Transaction	$ -	-	$ -	$ 4,259,486 (Note B)	$ 4,259,486 (Note B)
		Pacific Liu Tong Investment Co., Ltd.	Other receivables	Y	500,000	-	-	-	(Note A)	-	Transaction	-	-	-	4,259,486 (Note B)	4,259,486 (Note B)
2	Chongqing FEDS Co., Ltd.	Chengdu Beicheng FEDS Co., Ltd.	Other receivables	Y	455,450 (RMB 100,000,000)	455,450 (RMB 100,000,000)	-	3.574576%-4.374855%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Chongqing Pacific Consultant & Management Co., Ltd.	Other receivables	Y	364,360 (RMB 80,000,000)	364,360 (RMB 80,000,000)	204,953 (RMB 45,000,000)	3.175%-4.35%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Dalian Pacific Department Store Co., Ltd.	Other receivables	Y	455,450 (RMB 100,000,000)	455,450 (RMB 100,000,000)	118,417 (RMB 26,000,000)	3.574576%-4.374855%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Wuxi FEDS Co., Ltd.	Other receivables	Y	683,175 (RMB 150,000,000)	-	-	3.574576%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Tianjin FEDS Co., Ltd.	Other receivables	Y	455,450 (RMB 100,000,000)	-	-	-	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Chengdu FEDS Co., Ltd.	Other receivables	Y	1,366,350 (RMB 300,000,000)	1,366,350 (RMB 300,000,000)	255,052 (RMB 56,000,000)	3.574576%-4.374855%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
3	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	318,815 (RMB 70,000,000)	318,815 (RMB 70,000,000)	182,180 (RMB 40,000,000)	3.35%-4.1%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Chongqing Pacific Consultant & Management Co., Ltd.	Other receivables	Y	318,815 (RMB 70,000,000)	318,815 (RMB 70,000,000)	214,062 (RMB 47,000,000)	3.175%-4.35%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
4	Pacific China Holding Ltd.	Wuxi FEDS Co., Ltd.	Other receivables	Y	595,200 (US$ 20,000,000)	-	-	3.02167%-3.03889%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Chengdu FEDS Co., Ltd.	Other receivables	Y	1,517,760 (US$ 51,000,000)	1,517,760 (US$ 51,000,000)	1,220,160 (US$ 41,000,000)	3.01333%-3.62188%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Pacific China Holdings (HK) Limited	Other receivables	Y	297,600 (US$ 10,000,000)	297,600 (US$ 10,000,000)	-	-	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
		Chengdu Beicheng FEDS Co., Ltd.	Other receivables	Y	297,600 (US$ 10,000,000)	297,600 (US$ 10,000,000)	-	3.24444%-3.48167%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
5	Pacific China Holdings (HK) Limited	Pacific China Holdings Ltd.	Other receivables	Y	297,600 (US$ 10,000,000)	297,600 (US$ 10,000,000)	102,672 (US$ 3,450,000)	2.07%-3.93%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
6	Pacific (China) Investment Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	45,545 (RMB 10,000,000)	45,545 (RMB 10,000,000)	4,655 (RMB 1,022,000)	4.08%	(Note A)	-	Transaction	-	-	-	11,599,487 (Note D)	11,599,487 (Note D)
7	FEDS Development Ltd. (BVI)	Yuan Ding Enterprise (Shanghai) Co., Ltd.	Other receivables	Y	524,843 (US$ 3,250,000) (RMB 94,000,000)	268,716 (RMB 59,000,000)	261,322 (RMB 57,377,000)	-	(Note A)	-	Transaction	-	-	-	5,799,744 (Note C)	11,599,487 (Note D)
		Far Eastern New Century (China) Investment Co., Ltd.	Other receivables	Y	2,972,097 (US$ 34,000,000) (RMB 430,400,000)	986,960 (RMB 216,700,000)	986,323 (RMB 216,560,000)	-	(Note A)	-	Transaction	-	-	-	5,799,744 (Note C)	11,599,487 (Note D)

Note A: Short-term financing.

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

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

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

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

TABLE 2

FAR EASTERN DEPARTMENT STORES, LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amounts Allowable	Endorsement/ Guarantee Provided by Parent Company	Endorsement/ Guarantee Provided by a Subsidiary	Endorsement/ Guarantee Provided to Mainland China
		Name	Nature of Relationship (Note F)										
0	Far Eastern Department Stores, Ltd.	FEDS New Century Development Co., Ltd.	3	$ 17,399,231 (Note A)	$ 30,000	$ 30,000	$ -	$ -	-	$ 28,998,718 (Note B)	Y	-	-
		Bai Yang Investment Co., Ltd.	2	17,399,231 (Note A)	400,000	-	-	-	-	28,998,718 (Note B)	Y	-	-
		Bai Ding Investment Co., Ltd.	2	17,399,231 (Note A)	700,000	700,000	424,000	-	2	28,998,718 (Note B)	Y	-	-
		FEDS Development Ltd. (BVI)	2	17,399,231 (Note A)	2,785,536 (US$ 93,600,000)	2,785,536 (US$ 93,600,000)	1,049,899 (US$ 29,800,000) (RMB 35,800,000)	-	10	28,998,718 (Note B)	Y	-	-
		Chubei New Century Shopping Mall Co., Ltd.	3	17,399,231 (Note A)	3,700,000	3,700,000	-	-	13	28,998,718 (Note B)	Y	-	-
		Far Eastern CitySuper Co., Ltd.	2	17,399,231 (Note A)	160,000	160,000	-	-	1	28,998,718 (Note B)	Y	-	-
		Pacific Sogo Department Stores Co., Ltd.	3	17,399,231 (Note A)	4,698,039	4,335,697	4,335,697	-	15	28,998,718 (Note B)	Y	-	-
1	Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings Ltd.	3	17,399,231 (Note C)	8,472,672 (US$ 284,700,000)	8,085,792 (US$ 271,700,000)	4,201,279 (US$ 141,172,000)	-	28	28,998,718 (Note D)	-	-	-
		Dalian Pacific Department Store Co., Ltd.	3	17,399,231 (Note C)	355,251 (RMB 78,000,000)	355,251 (RMB 78,000,000)	124,288 (RMB 27,289,000)	-	1	28,998,718 (Note D)	-	-	Y
		Chengdu FEDS Co., Ltd.	3	17,399,231 (Note C)	1,119,220 (US$ 7,000,000) (RMB 200,000,000)	1,119,220 (US$ 7,000,000) (RMB 200,000,000)	-	-	4	28,998,718 (Note D)	-	-	Y
		Far Eastern Department Stores, Ltd.	4	17,399,231 (Note C)	2,863,195	2,675,541	2,675,541	-	9	28,998,718 (Note D)	-	Y	-
		Chengdu Beicheng FEDS Co., Ltd.	3	17,399,231 (Note C)	136,635 (RMB 30,000,000)	-	-	-	-	28,998,718 (Note D)	-	-	Y
2	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chengdu Beicheng FEDS Co., Ltd.	3	17,399,231 (Note C)	182,180 (RMB 40,000,000)	-	-	-	-	28,998,718 (Note D)	-	-	Y
3	Far Eastern Big City Shopping Malls Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	4	351,517 (Note A)	164,396	164,396	164,396	-	1	585,862 (Note B)	-	-	-

Note A: 60% of the endorser/guarantor's net assets.

Note B: 100% of the endorser/guarantor's net assets.

Note C: 60% of the net assets of the ultimate parent company, Far Eastern Department Stores, Ltd.

Note D: 100% of the net assets of the ultimate parent company, Far Eastern Department Stores, Ltd. (the "Company").

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

(Continued)

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

1. Trading partner.
2. Majority owned subsidiary.
3. The Company and subsidiary own over 50% of the investee company.
4. Company's subsidiary or investee of subsidiary of parent company.
5. Guaranteed by the Company according to the construction contract.
6. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2017				Note
				Shares (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far Eastern Department Stores, Ltd.	<u>Shares</u>							
	Asia Cement Corporation	4	Available-for-sale financial assets - non-current	50,000	$ 1,410,014	1	$ 1,410,014	35,000 thousand shares of Asia Cement Corporation pledged for loans and commercial papers issued of the investor company
	Far Eastern New Century Corporation	3	Available-for-sale financial assets - non-current	19,964	535,045	-	535,045	
	Kaohsiung Rapid Transit Corporation	-	Financial assets measured at cost - non-current	6,286	40,753	2	40,753 (Note B)	
	Yuan Ding Leasing Corp.	-	Financial assets measured at cost - non-current	7,309	62,560	9	62,560 (Note B)	
	Yuan Ding Co., Ltd.	4	Financial assets measured at cost - non-current	3	10	-	10 (Note B)	
	Yuanshi Digital Technology Co., Ltd.	4	Financial assets measured at cost - non-current	1,041	571	1	571 (Note B)	
Bai Ding Investment Co., Ltd.	<u>Shares</u>							
	Far Eastern Department Stores, Ltd.	2	Available-for-sale financial assets - current	8,207	123,105	1	123,105	
	Asia Cement Corporation	7	Available-for-sale financial assets - non-current	14,814	417,766	-	417,766	5,200 thousand shares of Asia Cement Corporation pledged for commercial papers issued of the investor company
	Far Eastern New Century Corporation	6	Available-for-sale financial assets - non-current	15,812	423,749	-	423,749	15,000 thousand shares of Far Eastern New Century Corporation pledged for loans of the investor company
	Chung-Nan Textile Co., Ltd.	-	Financial assets measured at cost - non-current	2,984	81,390	5	81,390 (Note B)	
	Ding Management Consultants Co., Ltd.	8	Financial assets measured at cost - non-current	216	11,817	5	11,817 (Note B)	
	Yue Ding Industry Co., Ltd.	7	Financial assets measured at cost - non-current	2,246	16,930	2	16,930 (Note B)	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets measured at cost - non-current	1	10	-	10 (Note B)	
	Ding Sheng Investment Co., Ltd.	-	Financial assets measured at cost - non-current	39,600	396,000	18	396,000 (Note B)	
Bai Yang Investment Co., Ltd.	<u>Shares</u>							
	Far Eastern International Bank	8	Available-for-sale financial assets - current	21,519	205,292	1	205,292	
	Asia Cement Corporation	7	Available-for-sale financial assets - non-current	3,849	108,555	-	108,555	
	U-Ming Marine Transport Corp.	8	Available-for-sale financial assets - non-current	200	7,300	-	7,300	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets measured at cost - non-current	1	10	-	10 (Note B)	
Far Eastern Hon Li Do Co., Ltd.	<u>Beneficiary certificate</u>							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	986	11,470	-	11,470	
Yu Ming Advertising Agency Co., Ltd.	<u>Beneficiary certificate</u>							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,730	31,748	-	31,748	
	<u>Shares</u>							
	Asia Cement Corporation	7	Available-for-sale financial assets - non-current	1,506	42,458	-	42,458	

(Continued)

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2017 Shares (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
FEDS New Century Development Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	9,532	$ 110,828	-	$ 110,828	
FEDS Development Ltd.	Shares							
	Kowloon Cement Corp., Ltd.	7	Financial assets measured at cost - non-current	46	8,903	2	8.903 (Note B)	
Pacific Sogo Department Stores Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Flagship Security Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	150	2,572	-	2,572	
	DWS Global Multi - Asset Income Plus FOF-A	-	Financial assets at fair value through profit or loss - current	5,000	52,800	-	52,800	
	Shares							
	CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss - current	297	1,264	-	1,264	
	Quanta computer Inc.	-	Financial assets at fair value through profit or loss - current	1	45	-	45	
	Pacific Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	7,931	84,861	2	84,861	
	DBTEL Inc.	-	Financial assets at fair value through profit or loss - current	10	22	-	22	
	Oriental Union Chemical Corp.	8	Available-for-sale financial assets - current	546	17,281	-	17,281	
	U-Ming Marine Transport Corp.	8	Available-for-sale financial assets - current	300	10,950	-	10,950	
	Pacific Liu Tong Investment Co., Ltd.	1	Financial assets measured at cost - non-current	800	4,019	-	4,019 (Note B)	
	E-Shou Hi-tech Co., Ltd.	-	Financial assets measured at cost - non-current	18,300	-	15	- (Note B)	
	Tain Yuan Investment Co., Ltd.	-	Financial assets measured at cost - non-current	98,000	-	20	- (Note B)	
	PURETEK Corp.	-	Financial assets measured at cost - non-current	119	-	-	- (Note B)	
	Pacific 88 Co., Ltd.	-	Financial assets measured at cost - non-current	16	-	1	- (Note B)	
	Yuanshi Digital Technology Co., Ltd.	7	Financial assets measured at cost - non-current	1,041	-	1	- (Note B)	
Pacific China Holdings Ltd.	Shares							
	Oversea Development Corp.	-	Financial assets measured at cost - non-current	2,250	-	15	- (Note B)	
	Taiwan Ocean Farming Corp.	-	Financial assets measured at cost - non-current	2,250	-	15	- (Note B)	
Pacific Liu Tong Investment Co., Ltd.	Beneficiary certificate							
	DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	17,273	200,845	-	200,845	

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

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter party	Relationship	Beginning Balance		Acquisition		Disposal					Ending Balance	
					Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Adjusted Item (Note A)	Shares (In Thousands)	Amount
FEDS Development Ltd.	Shares														
	Bai Yang Investment Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	652,991	$ 6,632,712	350,000	$ 3,500,000 (Note B)	-	$ -	$ -	$ -	$ (414,923)	1,002,991	$ 9,717,789
Bai Yang Investment Co., Ltd.	Shares														
	Pacific China Holdings (HK) Limited	Investments accounted for using the equity method	-	Associate	7,600	(117,875)	38,000	1,155,524 (Note C)	-	-	-	-	(768,992)	45,600	268,657
Pacific Sogo Department Stores Co., Ltd.	Shares														
	Pacific China Holdings (HK) Limited	Investments accounted for using the equity method	-	Subsidiary	11,400	681,114	57,000	1,733,286 (Note D)	-	-	-	-	(1,153,488)	68,400	1,260,912
Pacific China Holdings (HK) Limited	Shares														
	Pacific China Holdings Ltd.	Investments accounted for using the equity method	-	Subsidiary	39,000	817,426	95,000	2,888,095 (Note E)	-	-	-	-	(1,898,181)	134,000	1,807,340
Pacific China Holdings Ltd.	Shares														
	Pacific (China) Investment Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	-	(4,444,975)	-	4,634,376 (Note F)	-	-	-	-	(34,877)	-	154,524
Pacific (China) Investment Co., Ltd.	Shares														
	Wuxi FEDS Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	-	(1,143,083)	-	1,185,366 (Note G)	-	-	(61,803) (Note J)	-	19,520	-	-
	Chengdu Beicheng FEDS Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	-	(339,777)	-	473,040 (Note H)	-	-	-	-	(85,175)	-	48,088
	Chengdu FEDS Co., Ltd.	Investments accounted for using the equity method	-	Subsidiary	-	(3,021,749)	-	2,330,359 (Note I)	-	-	-	-	38,854	-	(652,536)

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

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

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

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

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

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

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

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

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

Note J: The liquidation of investment return in 2017.

TABLE 5

FAR EASTERN DEPARTMENT STORES, LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Pacific Sogo Department Stores Co., Ltd.	Sogo Department Store Co., Ltd.	Associate	$ 128,450	-	$ 128,450	Collection expedited	$ 466	$ 128,450
FEDS Development Ltd. (BVI)	Far Eastern New Century (China) Investment Co., Ltd.	The associate of investor that has significant influence over the Company.	986,323 (Note B)	-	-	-	-	-
	Yuan Ding Enterprise (Shanghai) Co., Ltd	The associate of investor that has significant influence over the Company.	261,322 (Note B)	-	-	-	-	-
	Chongqing FEDS Co., Ltd.	Subsidiary	1,139,536 (Note A)	-	-	-	-	-
Pacific China Holdings Ltd.	Chengdu FEDS Co., Ltd.	Subsidiary	1,231,177 (Note B)	-	-	-	-	-
Pacific China Holdings (HK) Limited.	Pacific China Holdings Ltd.	Subsidiary	103,226 (Note B)	-	-	-	-	-
Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	Same ultimate parent company	204,953 (Note B)	-	-	-	-	-
	Dalian Pacific Department Store Co., Ltd.	Same ultimate parent company	118,869 (Note B)	-	-	-	-	-
	Chengdu FEDS Co., Ltd.	Same ultimate parent company	258,469 (Note B)	-	-	-	-	-
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Same ultimate parent company	185,824 (Note B)	-	-	-	-	-
	Chongqing Pacific Consultant & Management Co., Ltd.	Same parent company	214,062 (Note B)	-	-	-	-	-
Chengdu FEDS Co., Ltd.	Chengdu Quanxing Pacific Department Store Co., Ltd.	Same ultimate parent company	380,671	-	-	-	-	-

Note A: The cash dividend receivable.

Note B: This balance refers to fund lending.

TABLE 6

FAR EASTERN DEPARTMENT STORES, LTD.

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A
				December 31, 2017	December 31, 2016	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Far Eastern Department Stores, Ltd.	Bai Yang Investment Co., Ltd.	Taiwan	Investment	$ 8,922,181	$ 5,422,181	1,002,991	100	$ 9,717,789	$ (395,102)	$ (395,070)	2
	Oriental Securities Corporation	Taiwan	Securities brokerage	143,652	143,652	140,297	20	1,938,207	160,017	31,459	1
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,764,210	1,764,210	281,734	35	3,704,783	293,833	103,220	2
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	33,357	33,357	119,981	67	2,139,362 (Note C)	301,565	201,242	2
	Far Eastern Ai Mai Co., Ltd.	Taiwan	Hypermarket	1,535,538	1,535,538	87,744	100	1,314,056	38,604	38,604	2
	FEDS Development Ltd.	British Virgin Island	Investment	125,058	125,058	218	54	1,393,499	174,486	105,296	2
	Yu Ming Advertising Agency Co., Ltd.	Taiwan	Advertising and importation of certain merchandise	33,000	33,000	3,500	100	82,986	3,339	3,339	2
	Ya Tung Department Stores, Ltd.	Taiwan	Department store	519,292	319,292	21,000	100	85,410	(93,272)	(93,272)	2
	Ding Ding Integrated Marketing Service Co.	Taiwan	Marketing	64,500	64,500	6,939	10	33,782	326	33	1
	Asians Merchandise Company	U.S.A.	Trading	5,316	5,316	950	100	4,342	33	33	2
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building rental	40,278	40,278	1,571	56	11,801	423	353	2
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic commerce	-	49,850	-	-	-	(137,511)	(65,043)	1
	Far Eastern CitySuper Co., Ltd.	Taiwan	Hypermarket	478,269	478,269	47,827	96	92,847	(34,236)	(32,749)	2
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	163,292	18,716	15	153,133	(268,490)	(40,273)	1
Bai Ding Investment Co., Ltd.	Oriental Securities Corporation	Taiwan	Securities brokerage	163,563	163,563	97,116	14	1,341,760	160,017		1
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	658,129	658,129	100,250	13	1,331,976	293,833		2
	Far Eastern International Leasing Corp.	Taiwan	Leasing	301,125	301,125	22,203	5	322,226	85,692		1
	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	33,490	33,490	11,254	1	145,136	395,698		2
	Yu Ming Trading Co.	Taiwan	Importation of certain merchandise	21,291	21,291	4,838	47	66,605	1,586		1
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building rental	28,672	28,672	1,259	44	12,968	423		2
	Far Eastern CitySuper Co., Ltd.	Taiwan	Hypermarket	-	-	2	-	1	(34,236)		2
FEDS Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	280,277	293,833		2
FEDS New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	280,277	293,833		2
	Chubei New Century Shopping Mall Co., Ltd.	Taiwan	Department store	400,000	400,000	40,000	100	393,353	(668)		2
Bai Yang Investment Co., Ltd.	FEDS Asia Pacific Development Co., Ltd.	Taiwan	Shopping mall	1,522,761	1,522,761	149,100	70	1,776,699	159,976		2
	Far Eastern International Leasing Corp.	Taiwan	Leasing	1,555,590	1,555,590	132,388	30	1,657,601	85,692		1
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	577,457	577,457	60,019	33	1,085,765	301,565		2
	FEDS New Century Development Co., Ltd.	Taiwan	Shopping mall	645,272	645,272	72,000	100	782,939	6,873		2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	280,277	293,833		2
	FEDS Development Ltd.	British Virgin Island	Investment	723,946	723,946	185	46	1,186,577	174,486		2
	Pacific China Holdings (HK) Limited	Hong Kong	Investment	3,597,868	2,442,344	45,600	40	268,657	(2,008,465)		2
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	200,000	200,000	20,000	40	234,345	82,805		2
Ya Tung Department Stores, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	55,000	55,000	11,000	1	155,474	293,833		2
Yu Ming Advertising Agency Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,200	1,200	200	-	2,633	293,833		2
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	8,400	8,400	1,400	-	17,825	293,833		2
Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	4,469,904	4,469,904	650,817	79	9,979,958	395,698		2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	62,480	62,480	6,840	3	98,362	82,874		1
Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings (HK) Limited	Hong Kong	Investment	5,733,286	4,000,000	68,400	60	1,260,912	(2,008,465)		2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	599,000	599,000	60,296	29	647,074	82,874		1
	Lian Ching Investment Co., Ltd.	Taiwan	Investment	270,641	270,641	26,764	50	-	-		2
	Pacific Venture Investment Ltd.	Hong Kong	Investment	357,050	357,050	100,000	48	-	-		1
	Sogo Department Store Co., Ltd.	Taiwan	Credit card business	32,984	32,984	7,120	34	-	-		1
	Pacific Sogo Investment Co., Ltd.	Taiwan	Investment	999,900	999,900	99,990	100	-	-		2
	Ding Ding Integrated Marketing Service Co.	Taiwan	Marketing	64,500	64,500	6,939	10	33,782	326		1
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	300,000	300,000	30,000	60	351,517	82,805		2
	Far Eastern Electronic Commerce Co., Ltd.	Taiwan	Electronic commerce	-	49,850	-	-	-	(137,511)		1
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	163,292	18,716	15	153,133	(268,490)		1

(Continued)

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

Note A: 1. Associate.
2. Subsidiary.

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

Note C: The amount is the investment accounted for using the equity method of $2,236,472 thousand, after deducting the parent company's shares and reclassified to treasury shares of $97,110 thousand.

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

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

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

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

(Continued)

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

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

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

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

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

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

Note G: Three investment types are as follows:

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

(Concluded)