FAR EASTERN DEPARTMENT STORES, LTD.

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

1. GENERAL INFORMATION

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on March 20, 2019.

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

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

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

   1) IFRS 9 "Financial Instruments" and related amendments

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

      Classification, measurement and impairment of financial assets

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

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

Financial Assets	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9	Remark
Cash	Loans and receivables	Amortized cost	$ 731,111	$ 731,111	c)
Equity securities	Available-for-sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	2,048,953	2,042,693	a)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	589,785	592,962	b)
Refundable deposits	Loans and receivables	Amortized cost	211,419	211,419	c)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Re-measurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI							
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	$ -	$ 2,048,953	$ (6,260)	$ 2,042,693	$ 90,897	$ (97,157)	a)
Amortized cost							
Add: Reclassification from loans and receivables (IAS 39)	-	589,785	3,177	592,962	3,177	-	b)
Investments accounted for using the equity method	20,151,049	-	(83,676)	20,067,373	(1,630)	(82,046)	d)
	$ 20,151,049	$ 2,638,738	$ (86,759)	$ 22,703,028	$ 92,444	$ (179,203)	

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

   Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, a decrease of $6,260 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized loss on financial assets at FVTOCI on January 1, 2018.

b) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, the adjustments comprised a decrease in the loss allowance of $3,177 thousand and an increase in retained earnings of $3,177 thousand on January 1, 2018.

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

d) For investments in subsidiaries and associates accounted for using the equity method, the adjustments comprised a decrease of $83,676 thousand impacting the IFRS and a decrease of $1,630 thousand in retained earnings and an decrease of $82,046 thousand in unrealized gain on other equity - FVTOCI.

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

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

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

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

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

	As Originally Stated	**Adjustments Arising from Initial Application**	**Restated**
Provisions	$ 2,885,830	$ (2,643,333)	$ 242,497
Deferred revenue - current	37,604	(37,604)	-
Contract liabilities - current	-	2,680,937	2,680,937
Total effect on liabilities	$ 2,923,434	$ -	$ 2,923,434

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

Impact on assets, liabilities and equity for current year

	December 31, 2018
Decrease in contract liabilities - current	$ (2,847,832)
Increase in provisions	2,807,936
Increase in deferred revenue	39,896
Increase (decrease) in liabilities	$ -

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

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

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

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

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

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

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

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

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

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

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

1) IFRS 16 “Leases”

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

<u>Definition of a lease</u>

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

<u>The Company as lessee</u>

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

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Except for the leases of investment properties mentioned below, lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Company will apply IAS 36 to all right-of-use assets.

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

The Company expects to apply the following practical expedients:

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

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

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

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

The Company as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Property, plant and equipment	$ 25,314,067	$ (7,466,818)	$ 17,847,249
Right-of-use assets	-	17,705,822	17,705,822
Long-term prepayments for lease	2,173,763	3,514,819	5,688,582
Total effect on assets	$ 27,487,830	$ 13,753,823	$ 41,241,653
Lease liabilities - current	$ -	$ 847,462	$ 847,462
Other payables	1,284,856	(100,350)	1,184,506
Lease liabilities - non-current	-	13,006,711	13,006,711
Total effect on liabilities	$ 1,284,856	$ 13,753,823	$ 15,038,679

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

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

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

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

a) Liabilities held primarily for the purpose of trading;

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

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

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

Foreign Currencies

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

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

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

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

Inventories

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

Investments in Subsidiaries

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

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

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

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

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

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

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

Investments in Associates

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

Investment Properties

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

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

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

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

Intangible Assets

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

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

Impairment of Tangible and Intangible Assets

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

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

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

Financial Instruments

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

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

Financial assets

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

a. Measurement category

2018

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

1) Financial assets at amortized cost

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

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

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

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

2) Investments in equity instruments at FVTOCI

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

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

2017

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

1) Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investments are disposed of or are determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Fair value determination is disclosed in Note 29.

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

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

2) Loans and receivables

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

b. Impairment of financial assets

2018

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

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

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

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

2017

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

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

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

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

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

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

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

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

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

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

c. Derecognition of financial assets

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

2018

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

2017

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

Financial liabilities

a. Subsequent measurement

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

b. Derecognition of financial liabilities

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

Revenue Recognition

2018

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

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

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

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

2017

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

a. Sale of goods

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

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

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

   3) The amount of revenue can be measured reliably;

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

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

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

b. Commissions from concessionaires’ sales

   Commissions from concessionaires’ sales are recognized as goods sold.

c. Maintenance and promotion fee income

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

d. Dividend and interest income

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

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

Leasing

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

a. The Company as a lessor

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

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

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

b. The Company as a lessee

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

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

c. Leasehold land and buildings

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

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

Borrowing Costs

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

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

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

Retirement Benefit Costs

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

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

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

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

c. Current and deferred tax for the year

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment assessment of tangible and intangible assets

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

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

b. Fair value measurement and valuation process

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

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

Information on the valuation techniques and inputs used in determining the fair value of investment properties is disclosed in Note 15.

6. CASH

	December 31	
	2018	2017
Cash on hand and revolving funds	$ 30,370	$ 35,289
Checking accounts and demand deposits	715,811	695,822
	$ 746,181	$ 731,111

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

	December 31	
	2018	2017
Cash in bank	0.01%-0.43%	0.001%-0.300%

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

	December 31, 2018
Investments in equity instruments at FVTOCI	
Domestic investments	
Listed shares and emerging market shares	$ 2,254,523
Unlisted shares	99,828
	$ 2,354,351
Current	$ -
Non-current	2,354,351
	$ 2,354,351

a. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 9 for information relating to their reclassification and comparative information for 2017.

b. Refer to Note 31 for information relating to investments in equity instruments at FVTOCI pledged as security.

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Time deposits with original maturities of more than 3 months	$ 25,095

December 31, 2018

	At Amortized Cost
Gross carrying amount	$ 25,095
Less: Allowance for impairment loss	-
Amortized cost	$ 25,095

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

b. The interest rates for financial assets at amortized cost are from 0.78% as at the end of the reporting period.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Non-current	
Domestic listed and OTC shares	$ 1,945,059

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

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

c. Refer to Note 31 for information relating to available-for-sale financial assets pledged as security.

10. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-current	
Domestic unlisted ordinary shares	$ 103,894

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

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

a. Notes receivables

	December 31	
	2018	**2017**
Operating	$ 140	$ -
Non-operating	1,794	1,794
Less: Allowance for impairment loss	(1,794)	(1,794)
	$ 140	$ -

The Company considers any changes of the credit quality of notes receivable from the original credit date to the balance sheet date while determining the recoverability of the notes receivable. If notes receivable is not redeemed at the expiration date, a 100% allowance will be drawn.

b. Trade receivables

	December 31	
	2018	**2017**
Trade receivables	$ 780,216	$ 506,926
Less: Allowance for impairment loss	(24)	(3,569)
	$ 780,192	$ 503,357

2018

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

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

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

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

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

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

December 31, 2018

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

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

	2018
Balance at January 1, 2018 per IAS 39	$ 3,569
Adjustment on initial application of IFRS 9	(3,534)
Balance at January 1, 2018 per IFRS 9	35
Less: Impairment losses reversed	(11)
Balance at December 31, 2018	$ 24

2017

The credit policy of the Company in 2017 is as the same as 2018. Allowances for impairment loss were recognized against trade receivables based on estimated irrecoverable amounts determined with reference to past default experience of the counterparties and an analysis of their current financial position.

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

The aging of trade receivables is as follows:

	December 31, 2017
Not overdue	$ 473,124
Days overdue	
Up to 30 days	31,557
31 to 60 days	1,713
More than 60 days	532
	$ 506,926

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

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

	December 31, 2017
Up to 30 days	$ 31,557
31 to 60 days	1,713
More than 60 days	513
	$ 33,783

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

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at December 31, 2017 and January 1, 2017	$ 19	$ 3,550	$ 3,569

c. Other receivables

	December 31	
	2018	2017
Other receivables	$ 359,035	$ 107,478
Less: Allowance for impairment loss	(21,407)	(21,050)
	$ 337,628	$ 86,428

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

December 31, 2018

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

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

	2018
Balance at January 1, 2018 per IAS 39	$ 21,050
Adjustment on initial application of IFRS 9	357
Balance at January 1 and December 31, 2018 per IFRS 9	$ 21,407

2017

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

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

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

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

12. INVENTORIES

	December 31	
	2018	2017
Merchandise	$ 378,188	$ 331,080

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 were $4,094,492 thousand and $3,920,283 thousand, respectively.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 17,468,257	$ 18,025,927
Investments in associates	2,102,458	2,125,122
	$ 19,570,715	$ 20,151,049

a. Investments in subsidiaries

	December 31	
	2018	2017
Bai Yang Investment Co., Ltd. (BYIC)	$ 9,131,939	$ 9,717,789
Pacific Liu Tong Investment Co., Ltd. (PLTI)	3,838,530	3,704,783
Bai Ding Investment Co., Ltd. (BDIC)	2,205,608	2,236,472
FEDS Development Ltd. (FEDS Development)	1,411,729	1,393,499
Far Eastern Ai Mai Co., Ltd. (AIMAI)	1,298,433	1,314,056
Far Eastern CitySuper Co., Ltd. (FECS)	60,382	92,847
Ya Tung Department Stores, Ltd. (YTDS)	(5,018)	85,410
Yu Ming Advertising Agency Co., Ltd. (YMAC)	95,804	82,986
Far Eastern Hon Li Do Co., Ltd. (FEHLD)	12,480	11,801
Asians Merchandise Company (AMC)	4,534	4,342
	18,054,421	18,643,985
Add: Credit balance on the carrying amounts of investments accounted for using the equity method and reclassified to other liabilities	5,018	-
Less: Ordinary shares held by subsidiary and reclassified from long-term investments to treasury shares		
BDIC	97,110	97,110
	17,962,329	18,546,875
Less: The differences of accounting treatments from the consolidated financial statements (Note)	494,072	520,948
	$ 17,468,257	$ 18,025,927

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

	Proportion of Ownership and Voting Rights	
	December 31	
	2018	2017
BYIC	100%	100%
PLTI	35%	35%
BDIC	67%	67%
FEDS Development	54%	54%
AIMAI	100%	100%
FECS	96%	96%
YTDS	100%	100%
YMAC	100%	100%
FEHLD	56%	56%
AMC	100%	100%

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

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

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

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

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

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

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

b. Investments in associates

	December 31	
	2018	2017
Associates that are not individually material	$ 2,102,458	$ 2,125,122

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

	For the Year Ended December 31	
	2018	2017
The Company's share of		
Net loss for the year	$ (25,044)	$ (73,824)
Other comprehensive loss	11,123	(2,983)
Total comprehensive loss	$ (13,921)	$ (76,807)

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

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

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

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

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

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

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

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

Refer to Note 31 for the information on the carrying amounts of investments in associates accounted for using the equity method that were pledged as security.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Buildings and Facilities	Decorative Facilities	Equipment Held Under Finance Leases	Plant, Transportation and Miscellaneous Equipment	Construction in Progress	Total
Cost								
Balance at January 1, 2017	$ 7,940,978	$ 9,351,776	$ 5,618,653	$ 5,799,744	$ 5,717,881	$ 605,128	$ 2,486,037	$ 37,520,197
Additions	-	-	77,862	120,827	3,059	18,338	637,250	857,336
Disposals	-	-	(10,446)	(79,881)	-	(9,214)	-	(99,541)
Transfer from investment properties	97,619	18,933	5,117	-	-	-	-	121,669
Reclassifications	-	-	671	638	-	31	-	1,340
Balance at December 31, 2017	$ 8,038,597	$ 9,370,709	$ 5,691,857	$ 5,841,328	$ 5,720,940	$ 614,283	$ 3,123,287	$ 38,401,001
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ -	$ (1,933,964)	$ (3,312,246)	$ (4,537,964)	$ (1,970,330)	$ (379,904)		$ (12,134,408)
Disposals	-	-	8,314	70,983	-	8,806		88,103
Depreciation expense	-	(161,062)	(422,553)	(488,322)	(200,104)	(62,607)		(1,334,648)
Balance at December 31, 2017	$ -	$ (2,095,026)	$ (3,726,485)	$ (4,955,303)	$ (2,170,434)	$ (433,705)		$ (13,380,953)
Carrying amount at December 31, 2017	$ 8,038,597	$ 7,275,683	$ 1,965,372	$ 886,025	$ 3,550,506	$ 180,578	$ 3,123,287	$ 25,020,048
Cost								
Balance at January 1, 2018	$ 8,038,597	$ 9,370,709	$ 5,691,857	$ 5,841,328	$ 5,720,940	$ 614,283	$ 3,123,287	$ 38,401,001
Additions	-	-	104,241	33,652	-	15,060	1,217,489	1,370,442
Disposals	-	-	(8,269)	(60,339)	(1,474,493)	(6,285)	-	(1,549,386)
Reclassifications	-	-	40,088	-	450,373	100	(454,097)	36,464
Balance at December 31, 2018	$ 8,038,597	$ 9,370,709	$ 5,827,917	$ 5,814,641	$ 4,696,820	$ 623,158	$ 3,886,679	$ 38.258.521
Accumulated depreciation and impairment								
Balance at January 1, 2018	$ -	$ (2,095,026)	$ (3,726,485)	$ (4,955,303)	$ (2,170,434)	$ (433,705)		$ (13,380,953)
Disposals	-	-	7,146	54,737	1,474,493	6,058		1,542,434
Depreciation expense	-	(161,727)	(413,612)	(318.551)	(157,568)	(54,477)		(1,105,935)
Balance at December 31, 2018	$ -	$ (2,256,753)	$ (4,132,951)	$ (5,219.117)	$ (853,509)	$ (482,124)		$ (12,944,454)
Carrying amount at December 31, 2018	$ 8,038.597	$ 7,113,956	$ 1,694,966	$ 595.524	$ 3,843,311	$ 141,034	$ 3,886,679	$ 25,314,067

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

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

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

Refer to Note 31 for the information on the carrying amounts of property, plant and equipment that were pledged as security.

15. INVESTMENT PROPERTIES

	Land	Buildings and Facilities	Total
Balance at January 1, 2017	$ 6,313,808	$ 3,005,189	$ 9,318,997
Transfers to property, plant and equipment	(97,619)	(24,050)	(121,669)
Additions	-	2,193	2,193
Disposals	-	(166)	(166)
Gain (loss) on changes in the fair value of investment properties	5,991	(84,530)	(78,539)
Balance at December 31, 2017	6,222,180	2,898,636	9,120,816
Additions	-	306	306
Disposals	-	(90,700)	(90,700)
Gain (loss) on changes in the fair value of investment properties	27,792	4,426	32,218
Balance at December 31, 2018	$ 6,249,972	$ 2,812,668	$ 9,062,640

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

Some of the Company’s investment properties had been leased out under operating leases having lease terms between 1-20 years. Except for the minimum lease payments, some of the Company’s lease contracts included contingent lease clauses, and the Company should adjust rentals on the basis of the Consumer Price Index per annum. The rental incomes generated for the years ended December 31, 2018 and 2017 were $159,813 thousand and $130,996 thousand, respectively.

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

	December 31	
	2018	2017
Not later than 1 year	$ 189,184	$ 130,567
1 year to 5 years	375,047	327,273
Later than 5 years	252,863	267,457
	$ 817,094	$ 725,297

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

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

	December 31	
	2018	**2017**
Expected future cash inflows	$ 21,573,710	$ 22,143,254
Expected future cash outflows	2,272,008	2,390,743
Expected future cash inflows, net	$ 19,301,702	$ 19,752,511
Discount rate	4.345%	4.345%

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

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

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

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

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

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

Refer to Note 31 for the information on the carrying amounts of investment properties pledged as security.

16. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2017	$ 52,682
Additions	25,979
Reclassifications	12,314
Balance at December 31, 2017	$ 90,975
Accumulated amortization and impairment	
Balance at January 1, 2017	$ (28,493)
Amortization expenses	(12,481)
Balance at December 31, 2017	$ (40,974)
Carrying amount at December 31, 2017	$ 50,001
Cost	
Balance at January 1, 2018	$ 90,975
Additions	13,155
Reclassifications	5,729
Balance at December 31, 2018	$ 109,859
Accumulated amortization and impairment	
Balance at January 1, 2018	$ (40,974)
Amortization expenses	(18,678)
Balance at December 31, 2018	$ (59,652)
Carrying amount at December 31, 2018	$ 50,207

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

Computer software	3-5 years

17. LONG-TERM PREPAYMENTS FOR LEASES

	December 31	
	2018	2017
Xinyi Division A13 - land use rights	$ 2,173,763	$ 2,236,168

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

18. OTHER ASSETS

	December 31	
	2018	**2017**
Refundable deposits (Note 27)	$ 122,173	$ 211,419
Prepayments	45,262	45,011
Leasing incentives	153,218	9,419
Others (Note 31)	14,180	11,885
	$ 334,833	$ 277,734
Current	$ 13,780	$ 11,408
Non-current	321,053	266,326
	$ 334,833	$ 277,734

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	**2017**
Credit loans	$ 5,800,000	$ 5,600,000
Secured loans (Note 31)	910,000	700,000
	$ 6,710,000	$ 6,300,000
Interest rate intervals are as follows:		
Credit loans	0.89%-0.98%	0.90%-0.92%
Secured loans	0.92%-1.23%	0.92%

b. Short-term bills payable

	December 31	
	2018	**2017**
Commercial papers	$ 2,300,000	$ 1,700,000
Less: Unamortized discount on bills payable	968	812
	$ 2,299,032	$ 1,699,188

Outstanding short-term bills payable are as follows:

December 31, 2018

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

December 31, 2017

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

c. Long-term borrowings

	December 31 2018	December 31 2017
Secured loans	$ 10,100,000	$ 10,500,000
Credit loans	1,000,000	1,600,000
	11,100,000	12,100,000
Less: Current portion	-	3,500,000
Long-term borrowings	$ 11,100,000	$ 8,600,000

Interest rate intervals are as follows:

	December 31 2018	December 31 2017
Secured loans	0.90%-1.72%	0.900%-1.801%
Credit loans	0.90%-0.92%	0.850%-0.900%

20. OTHER LIABILITIES

	December 31	
	2018	2017
Other payables		
Payables for salaries and bonus	$ 262,213	$ 263,099
Payables for purchase of equipment	226,902	206,633
Payables for remuneration of directors	152,049	156,010
Payables for employees' compensation	57,184	65,882
Others	586,508	534,967
	$ 1,284,856	$ 1,226,591
Deferred revenue		
Arising from customer loyalty program	$ -	$ 37,604
Other liabilities		
Lease incentives	$ 100,350	$ 92,791
Deposits received	86,723	78,162
Credit balance on the carrying amount of investments accounted for using the equity method	5,018	-
Others	154,900	113,556
	$ 346,991	$ 284,509
Current		
Other payables	$ 1,284,856	$ 1,226,591
Deferred revenue	$ -	$ 37,604
Other liabilities	$ 154,900	$ 113,556
Non-current		
Other liabilities	$ 192,091	$ 170,953

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

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

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

	December 31 2018	December 31 2017
Present value of the defined benefit obligation	$ 667,816	$ 742,897
Fair value of the plan assets	(578,815)	(505,389)
Net defined benefit liabilities	$ 89,001	$ 237,508

Movements in net defined benefit liabilities are as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2017	$ 805,974	$ (491,413)	$ 314,561
Service cost			
Current service cost	8,329	-	8,329
Net interest expense (income)	9,963	(6,031)	3,932
Recognized in profit or loss	18,292	(6,031)	12,261
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	15,485	15,485
Actuarial loss - changes in demographic assumptions	6,394	-	6,394
Actuarial loss - experience adjustments	866	-	866
Recognized in other comprehensive income	7,260	15,485	22,745
Contributions from the employer	-	(112,059)	(112,059)
Benefits paid	(88,629)	88,629	-
Balance at December 31, 2017	742,897	(505,389)	237,508
Service cost			
Current service cost	7,088	-	7,088
Net interest expense (income)	9,286	(6,356)	2,930
Recognized in profit or loss	16,374	(6,356)	10,018
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(43,357)	(43,357)
Actuarial loss - changes in demographic assumptions	6,684	-	6,684
Actuarial loss - changes in financial assumptions	8,750	-	8,750
Actuarial loss - experience adjustments	33,482	-	33,482
Recognized in other comprehensive income	48,916	(43,357)	5,559
Contributions from the employer	-	(164,084)	(164,084)
Benefits paid	(140,371)	140,371	-
Balance at December 31, 2018	$ 667,816	$ (578,815)	$ 89,001

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

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

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

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

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

	December 31	
	2018	**2017**
Discount rate	1.125%	1.25%
Expected rate of salary increase	2.000%	2.00%

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

	December 31	
	2018	**2017**
Discount rate(s)		
0.25% increase	$ (17,528)	$ (19,490)
0.25% decrease	$ 18,207	$ 20,244
Expected rate(s) of salary increase		
0.25% increase	$ 17,728	$ 19,729
0.25% decrease	$ (17,156)	$ (19,093)

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

	December 31	
	2018	**2017**
The expected contributions to the plan for the next year	$ 5,680	$ 6,200
The average duration of the defined benefit obligation	10.7 years	10.8 years

22. EQUITY

a. Share capital

Ordinary shares

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

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

b. Capital surplus

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

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

	Issuance in Excess of Ordinary Shares	Treasury Share Transactions	Changes in Percentage of Ownership Interest in Subsidiaries and Associates	Total
Balance at January 1, 2017	$ 2,142,074	$ 1,173,346	$ 4,448	$ 3,319,868
Changes in percentage of ownership interest in subsidiaries and associates	-	-	(3,937)	(3,937)
Balance at December 31, 2017	2,142,074	1,173,346	511	3,315,931
Changes in percentage of ownership interest in subsidiaries and associates	-	-	(511)	(511)
Balance at December 31, 2018	$ 2,142,074	$ 1,173.346	$ -	$ 3,315,420

c. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, net income should be used to pay its business income tax and offset deficits. From any remaining net income, 10% will be appropriated as a legal reserve, and a special reserve as required by government regulations. After adding prior years' unappropriated earnings, the Company could retain a certain amount for expansion plans and then make the appropriation equally to each shareholder. However, if there is an increase in capital during the year, bonuses appropriated to new shareholders should be allocated based on the resolution passed in the shareholders' meeting. For information about the policies of employees' compensation and remuneration of directors prior to and after the amendments to the Company's Articles of Incorporation, refer to Note 24.

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

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

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

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

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

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

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

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

d. Special reserve

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

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

e. Other equity items

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

	For the Year Ended December 31	
	2018	**2017**
Balance, beginning of year	$ 86,048	$ 58,273
Share of exchange difference of subsidiaries and associates accounted for using the equity method	4,606	27,775
Balance, end of year	$ 90,654	$ 86,048

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

	For the Year Ended December 31, 2017
Balance, beginning of year	$ 1,566,157
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	167,168
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(194,022)
Share of unrealized loss on available-for-sale financial assets of subsidiaries and associates accounted for using the equity method	(117,800)
Balance, end of year	$ 1,421,503
Balance at January 1, 2018 per IAS 39	$ 1,421,503
Adjustment on initial application of IFRS 9	(1,421,503)
Balance at January 1, 2018 per IFRS 9	$ -

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

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

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	1,242,300
Balance at January 1 per IFRS 9	1,242,300
Recognized for the year	
Unrealized gain (loss) - equity instruments	311,658
Share from associates accounted for using the equity method	419,862
Reclassification adjustment	
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	(4,192)
Balance at December 31	$ 1,969,628

f. Treasury shares

(In Thousands of Shares)

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

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

(In Thousands of Shares)

December 31, 2018

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

December 31, 2017

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

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

23. REVENUE

	For the Year Ended December 31	
	2018	2017
Sale of goods (Note)	$ 4,919,075	$ 4,734,678
Commissions from concessionaires' sales (Note)	3,980,764	4,279,470
Maintenance and promotion fee income	780,782	644,538
Rental income from property	692,912	514,699
Others	408,055	407,764
	$ 10,781,588	$ 10,581,149

Note: Gross revenue is presented as follows:

	For the Year Ended December 31	
	2018	2017
Concessionaires' sales	$ 37,076,151	$ 37,169,938
Sale of goods	5,189,052	4,966,634
	$ 42,265,203	$ 42,136,572

Contact Balances

	For the Year Ended December 31, 2018
Contract liabilities - non current	
Sale of goods	$ 2,807,936
Customer loyalty programs	39,896
	$ 2,847,832

Refer to Note 11 for the information of notes receivables and trade receivables.

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

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

	For the Year Ended December 31, 2018
From the beginning contract liabilities	
Sale of goods	$ 1,198,864
Customer loyalty programs	37,604
	$ 1,236,468

24. NET PROFIT FOR THE YEAR

Net profit for the year includes the following items:

a. Operating costs

	For the Year Ended December 31	
	2018	2017
Operating costs		
Cost of sales	$ 4,094,492	$ 3,920,283
Rental costs	153,132	140,093
Others	37,508	37,050
	$ 4,285,132	$ 4,097,426

b. Other income

	For the Year Ended December 31	
	2018	2017
Interest income		
Bank deposits	$ 160	$ 38
Dividends income	85,322	72,480
Insurance claim income	250,005	-
	$ 335,487	$ 72,518

c. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gain on disposal of investments	$ -	$ 194,022
Loss on disposal of investment properties, net	(90,700)	(166)
Foreign exchange (loss) gain, net	614	(180)
Loss on disposal of property, plant and equipment, net	(6,439)	(7,062)
(Loss) gain arising on changes in fair value of investment properties, net	32,218	(78,539)
Other gains	61,003	75,112
Other losses	(11,028)	(12,481)
	$ (14,332)	$ 170,706

d. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 210,066	$ 233,056
Other interest expense	17,676	23,810
Total interest expense for financial liabilities measured at amortized cost	227,742	256,866
Less: Amounts included in the cost of qualifying assets	(58,653)	(57,581)
	$ 169,089	$ 199,285

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest	$ 58,653	$ 57,581
Capitalization rate interval	0.98%-1.05%	1.05%-1.29%

e. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 1,105,935	$ 1,334,648
Less: Adjustment to receipts in advance and depreciation	(89,872)	(147,289)
	1,016,063	1,187,359
Intangible assets (including amortization expense)	18,678	12,481
	$ 1,034,741	$ 1,199,840
An analysis of deprecation by function		
Operating costs	$ 68,723	$ 56,371
Operating expenses	947,340	1,130,988
	$ 1,016,063	$ 1,187,359
An analysis of amortization by function		
Operating expenses	$ 18,678	$ 12,481

f. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2018	2017
Direct operating expenses from investment properties that generated rental income	$ 43,798	$ 50,458
Direct operating expenses from investment properties that did not generate rental income	56,286	70,585
	$ 100,084	$ 121,043

g. Employee benefits expenses

	For the Year Ended December 31	
	2018	2017
Post-employment benefits		
Defined contribution plan	$ 31,166	$ 31,355
Defined benefit plan (Note 21)	10,018	12,261
	41,184	43,616
Other employee benefits	1,102,057	1,120,446
Total employee benefits expenses	$ 1,143,241	$ 1,164,062
An analysis of employee benefits expenses by function		
Operating expenses	$ 1,143,241	$ 1,164,062

h. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at a rate of 2% to 3.5% and a rate of no higher than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017, which have been approved by the Company's board of directors on March 20, 2019 and March 21, 2018, respectively, are as follows:

Accrual rate

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

Amount

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

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

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

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

25. INCOME TAX

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

	For the Year Ended December 31	
	2018	**2017**
Current income tax		
In respect of the current year	$ 210,927	$ 124,399
Adjustments for the prior year	58	(792)
	210,985	123,607
Deferred income tax		
In respect of the current year	26,916	118,611
Effect of tax rate changes	143,241	-
Adjustments for the prior year	(65,443)	3,447
	104,714	122,058
Income tax expense recognized in profit or loss	$ 315,699	$ 245,665

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

	For the Year Ended December 31	
	2018	2017
Profit before income tax from continuing operations	$ 1,633,849	$ 1,781,651
Income tax expense calculated at the statutory rate	$ 326,770	$ 302,880
Nondeductible expenses in determining taxable income	680	40
Tax-exempt income	(64,791)	(62,396)
Unrecognized deductible temporary differences	6,004	1,771
Effect of tax rate changes	143,241	-
Adjustments for prior years' income tax	58	(792)
Adjustments for prior years' deferred tax	(65,443)	3,447
Land value increment tax	(25,275)	-
Others	(5,545)	715
Income tax expense recognized in profit or loss	$ 315,699	$ 245,665

In 2017, the applicable corporate income tax rate used by the Company is 17%. However, the Income Tax Act in the ROC was amended in February 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
In respect of the current year		
Effect of tax rate changes	$ 4,416	$ -
Remeasurement on defined benefit plans	1,112	3,867
	$ 5,528	$ 3,867

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	$ -	$ -
Current tax liabilities		
Income tax payable	$ 148,613	$ 124,398

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

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

For the year ended December 31, 2017

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred tax assets				
Temporary differences				
Investments accounted for using the equity method	$ 180,338	$ (156,955)	$ -	$ 23,383
Promotion expense on coupons	17,387	(3,149)	-	14,238
Lease incentives	14,375	1,400	-	15,775

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Differences of pension in determining taxable income	$ 53,475	$ (16,966)	$ 3,867	$ 40,376
Others	16,662	1,187	-	17,849
	$ 282,237	$ (174,483)	$ 3,867	$ 111,621
Deferred tax liabilities				
Temporary differences				
Depreciation	$ 916,988	$ 8,950	$ -	$ 925,938
Reserve for land revaluation increment tax	391,157	-	-	391,157
Investment properties	445,333	(75,971)	-	369,362
Investments accounted for using the equity method	178,247	17,900	-	196,147
Others	5,530	(3,304)	-	2,226
	$ 1,937,255	$ (52,425)	$ -	$ 1,884,830

(Concluded)

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

	December 31 2018	December 31 2017
Deductible temporary differences	$ 624,916	$ 983,038

f. Income tax assessments

The income tax returns through 2016 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

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

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

Net Profit for the Year

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

Shares

(In Thousand Shares)

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

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

27. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

   In addition to the transaction described in Note 17 to the financial statements, the Company signed operating lease arrangements with related parties and unrelated parties in line with its business operations.

   As of December 31, 2018 and 2017, the deposit paid for operating lease arrangements was $67,739 thousand and $157,739 thousand, respectively.

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

	December 31	
	2018	2017
Not later than 1 year	$ 849,693	$ 785,022
Later than 1 year but not later than 5 years	3,355,437	2,757,013
Later than 5 years	11,556,802	10,767,690
	$ 15,761,932	$ 14,309,725

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

	For the Year Ended December 31	
	2018	2017
Minimum lease payments	$ 893,445	$ 819,591
Contingent rentals	23,925	22,986
	$ 917,370	$ 842,577

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

	December 31	
	2018	2017
Lease incentives (Note 20)		
Non-current	$ 100,350	$ 92,791

b. The Company as lessor

For investment properties that are leased out under operating lease agreements, refer to Note 15.

As of December 31, 2018 and 2017, the deposits received by the Company through operating lease contracts were $70,373 thousand and $62,387 thousand, respectively.

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

	December 31	
	2018	2017
Not later than 1 year	$ 499,698	$ 302,489
Later than 1 year but not later than 5 years	1,824,153	790,006
Later than 5 years	3,572,451	694,798
	$ 5,896,302	$ 1,787,293

28. CAPITAL MANAGEMENT

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

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

29. FINANCIAL INSTRUMENTS

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

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

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

Fair value hierarchy as at December 31, 2018

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

Fair value hierarchy as at December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed ordinary shares				
Equity investments	$ 1,945,059	$ -	$ -	$ 1,945,059

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

Reconciliation of Level 3 fair value measurements of financial instruments

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

c. Categories of financial instruments

	December 31	
	2018	**2017**
<u>Financial assets</u>		
Loans and receivables (1)	$ -	$ 1,528,662
Available-for-sale financial assets (2)	-	2,048,953
Financial assets at amortized cost (3)	2,011,409	-
Financial assets at FVTOCI	2,354,351	-
<u>Financial liabilities</u>		
Measured at amortized cost (4)	26,435,599	26,515,842

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

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

3) The balances include financial assets at amortized cost, which comprise cash, debt investments, and notes receivable and trade receivables. Those reclassified to held-for-sale disposal groups are also included.

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

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Interest rate risk

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

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

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 25,095	$ -
Financial liabilities	2,000,000	3,500,000
Cash flow interest rate risk		
Financial assets	53,154	74,546
Financial liabilities	18,109,032	16,599,188

Sensitivity analysis

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

If interest rates had been 100 basis points higher or lower and all other variables had been held constant, the profit before income tax for the years ended December 31, 2018 and 2017 would decrease/increase by $180,559 thousand and $165,246 thousand, respectively.

b) Other price risks

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

Sensitivity analysis

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

If equity prices had been 5% higher or lower, pre-tax other comprehensive income for the years ended December 31, 2018 and 2017 would increase/decrease by $117,718 thousand and $97,253 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

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

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

3) Liquidity risk

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

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

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

December 31, 2018

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

December 31, 2017

	On Demand or Not Later than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Later than 5 Years	Total
Non-derivative financial liabilities							
Short-term borrowings	$ 6,300,000	$ -	$ -	$ -	$ -	$ -	$ 6,300,000
Short-term bills payable	1,699,188	-	-	-	-	-	1,699,188
Trade payables	5,026,846	-	-	-	-	-	5,026,846
Trade payables to related parties	85,055	-	-	-	-	-	85,055
Other payables	1,226,591	-	-	-	-	-	1,226,591
Long-term borrowings (including current portion)	3,500,000	5,600,000	3,000,000	-	-	-	12,100,000
Deposits received	46,368	4,485	16,514	1,580	6,752	2,463	78,162

30. TRANSACTIONS WITH RELATED PARTIES

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

a. The Company's related parties and their relationships

Related Party	Relationship with the Company
Far Eastern Ai Mai Co., Ltd. (AIMAI)	Subsidiary
Ya Tung Department Stores, Ltd. (YTDS)	Subsidiary
Yu Ming Advertising Agency Co., Ltd. (YMAC)	Subsidiary
Far Eastern CitySuper Co., Ltd. (FECS)	Subsidiary
Bai Ding Investment Co., Ltd. (BDIC)	Subsidiary
Bai Yang Investment Co., Ltd. (BYIC)	Subsidiary
Far Eastern Hon Li Do Co., Ltd. (FEHLD)	Subsidiary
Chubei New Century Shopping Mall Co., Ltd.	Subsidiary
FEDS Asia Pacific Development Co., Ltd.	Subsidiary
FEDS New Century Development Co., Ltd.	Subsidiary
Far Eastern Big City Shopping Malls Co., Ltd.	Subsidiary
Pacific Sogo Department Stores Co., Ltd. (SOGO)	Subsidiary
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Associate
Oriental Securities Corporation (OSC)	Associate
Far Eastern Electronic Commerce Co., Ltd. (FEEC)	Associate (Note)
Yuan Hsin Digital Payment Co., Ltd. (YHDP)	Associate
Far Eastern New Century Corporation (FENC)	The investor that has significant influence over the Company (equity method investor of FEDS)
Far EasTone Telecommunications Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
New Century InfoComm Tech Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern General Contractor Inc. (FEGC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Construction Co., Ltd. (FEC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Resources Development Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Ding Ding Hotel Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Electronic Toll Collection Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)

(Continued)

Related Party	Relationship with the Company
Far Eastern Apparel Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuan Ding Co., Ltd. (YDC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuan Tong Investment Co., Ltd. (YTIC)	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
YDT Technology International Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Far Eastern Technical Consultants Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Yuanshi Digital Technology Co., Ltd.	The associate of the investor that has significant influence over the Company (the subsidiary of FENC)
Asia Cement Corporation	The associate of the investor that has significant influence over the Company (the associate of FENC)
Ya Tung Ready Mixed Concrete Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Everest Textile Co., Ltd.	The associate of the investor that has significant influence over the Company (the associate of FENC)
Far Eastern International Bank (FEIB)	Other related party (the chairman of Company, also the vice chairman of FEIB)
Yuan Bo Asset Management Corporation	Other related party (the subsidiary of Far eastern international leasing corporation)
Oriental Union Chemical Corporation	Other related party (the same chairman)
Yuan Ze University	Other related party (the same chairman)
Far Eastern Medical Foundation	Other related party (the same chairman)
Tranquil Enterprise Ltd. (TEL)	Other related party (the same chairman)

(Concluded)

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

b. Operating revenue

	For the Year Ended December 31	
	2018	2017
Sales of goods (Note)		
The associate of the investor that has significant influence over the Company	$ 37,334	$ 35,473
Subsidiaries	31,994	35,586
Other related parties	1,284	752
Associates	-	2,122
	$ 70,612	$ 73,933

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

	For the Year Ended December 31	
	2018	2017
Other operating revenue		
Other related parties	$ 69,210	$ 25,641
Subsidiaries	27,290	28,080
The associate of the investor that has significant influence over the Company	24,388	19,313
Associates	2,949	7,894
	$ 123,837	$ 80,928

c. Operating costs and expenses

	For the Year Ended December 31	
	2018	2017
Operating costs (Note)		
The associate of the investor that has significant influence over the Company	$ 24,163	$ 24,918
Subsidiaries	3,035	2,448
	$ 27,198	$ 27,366

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

	For the Year Ended December 31	
	2018	2017
Operating expenses (Note)		
The associate of the investor that has significant influence over the Company	$ 326,670	$ 332,970
Subsidiaries	240,161	240,069
Investor that has significant influence over the Company	73,187	72,752
Associates	42,893	42,868
Other related parties	2,671	3,484
	$ 685,582	$ 692,143

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

d. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Other gains		
Other related parties		
FEIB	$ 18,298	$ 17,528
TEL	-	97,970
	18,298	115,498
The associate of the investor that has significant influence over the Company		
Others	19	2
YTIC	-	74,341
	19	74,343
Subsidiaries		
SOGO	17,794	17,432
Others	1,603	2,234
	19,397	19,666
Investor that has significant influence over the Company	-	2,870
Associates	337	235
	$ 38,051	$ 212,612
Other losses		
Associates		
OSC	$ 7,176	$ 7,216
Investor that has significant influence over the Company	1	2
	$ 7,177	$ 7,218

e. Finance costs

	For the Year Ended December 31	
	2018	2017
Subsidiaries		
SOGO	$ 11,100	$ 10,517
Other related parties	-	827
	$ 11,100	$ 11,344

f. Receivables from related parties

	December 31 2018	December 31 2017
Trade receivables, net		
Other related parties	$ 39,427	$ 11,859
The associate of the investor that has significant influence over the Company	25,074	18,852
Subsidiaries	3,669	23,763
Associates	1,232	1,463
Investor that has significant influence over the Company	650	2,310
	$ 70,052	$ 58,247
Other receivables		
Subsidiaries	$ 8,681	$ 5,603
The associate of the investor that has significant influence over the Company	3,412	3,018
Other related parties	8,356	18
	$ 20,449	$ 8,639

g. Other assets

	December 31 2018	December 31 2017
Other non-current assets		
Lease incentives		
The associate of the investor that has significant influence over the Company		
YDC	$ 9,142	$ 7,924
Other related parties		
FEIB	1,314	1,494
	$ 10,456	$ 9,418
Refundable deposits		
The associate of the investor that has significant influence over the Company	$ 7,741	$ 7,743

h. Payables to related parties

	December 31 2018	December 31 2017
Trade payables		
The associate of the investor that has significant influence over the Company	$ 44,249	$ 51,109
Subsidiaries	31,899	33,946
	$ 76,148	$ 85,055

(Continued)

	December 31	
	2018	2017
Other payables		
The associate of the investor that has significant influence over the Company		
FEGC	$ 118,796	$ 118,796
Other	52,419	60,349
	171,215	179,145
Associates	72,563	48,424
Subsidiaries	66,208	68,217
Investor that has significant influence over the Company	32,057	31,902
Other related parties	82	69
	$ 342,125	$ 327,757

(Concluded)

i. Other liabilities

	December 31	
	2018	2017
Advance receipts		
The associate of the investor that has significant influence over the Company	$ 895	$ 747
Other current liabilities		
Associates	$ 1,031	$ 1,013
Subsidiaries	17	123
The associate of the investor that has significant influence over the Company	-	163
	$ 1,048	$ 1,299
Other non-current liabilities		
Lease incentives		
The associate of the investor that has significant influence over the Company		
FEC	$ 91,142	$ 92,791

	December 31	
	2018	2017
Deposits received		
The associate of the investor that has significant influence over the Company		
YDC	$ 36,173	$ 28,187
Other	86	86
	36,259	28,273
Other related parties	1,023	1,023
Subsidiaries	881	881
	$ 38,163	$ 30,177

j. Disposals of financial assets

For the year ended December 31, 2017

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

k. Construction projects

	December 31	
	2018	2017
The associates of investor that has significant influence over the Company	$ 720,918	$ 357,775
Associates	540	-
	$ 721,458	$ 357,775

l. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 58,544	$ 62,919
Post-employment benefits	216	241
	$ 58,760	$ 63,160

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

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2018	2017
Available-for-sale financial assets	$ -	$ 987,000
Financial assets at FVTOCI	1,188,250	-
Investments accounted for using the equity method	1,156,262	1,149,413
Property, plant and equipment	13,908,063	14,053,678
Investment properties	1,384,999	1,490,894
Other non-current assets	400	-
	$ 17,637,974	$ 17,680,985

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant commitments

The amount of unrecognized commitments are as follows:

	December 31	
	2018	**2017**
Acquisition of property, plant and equipment	$ 1,774,925	$ 1,809,004
Acquisition of intangible assets	$ 500,000	$ -

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

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

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

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

c. In April 2017, under a ruling by the MOEA whereby "the terms and conditions of coupons for certain goods and for certain services within the retail industry should be documented in a standard contract while others should not", the Company and SOGO signed an agreement to have mutual performance guarantees on gift certificates bought by customers. The guarantee period was from April 1, 2017 to March 31, 2018. As of December 31, 2017, the Company's guarantee amount for SOGO was $4,544,806 thousand and that of SOGO for the Company was $2,848,393 thousand.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. investees:

1) Financing provided to others: Table 1.

2) Endorsements/guarantees provided: Table 2.

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

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

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

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

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

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5.

9) Trading in derivative instruments: None.

10) Information on investees: Table 6.

c. Information on investments in mainland China:

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

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

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

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

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

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

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

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

FAR EASTERN DEPARTMENT STORES, LTD.

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

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
1	Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings Ltd.	Other receivables	Y	$ 2,000,000	$ 2,000,000	$ -	-	(Note A)	$ -	Transaction	$ --	-	$ --	$ 4,433,405 (Note B)	$ 4,433,405 (Note B)
2	Chongqing FEDS Co., Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	Other receivables	Y	760,801 (RMB 170,000)	760,801 (RMB 170,000)	554,937 (RMB 124,000)	4.35%- 4.353514%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
		Dalian Pacific Department Store Co., Ltd.	Other receivables	Y	447,530 (RMB 100,000)	447,530 (RMB 100,000)	185,725 (RMB 41,500)	4.353514%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
		Chengdu FEDS Co., Ltd.	Other receivables	Y	1,342,590 (RMB 300,000)	-	-	4.353514%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
		Chengdu Quanxing Building Pacific Department Store Co., Ltd.	Other receivables	Y	223,765 (RMB 50,000)	223,765 (RMB 50,000)	67,130 (RMB 15,000)	4.353514%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
3	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	313,271 (RMB 70,000)	313,271 (RMB 70,000)	255,092 (RMB 57,000)	4.08%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
		Chongqing Pacific Consultant & Management Co., Ltd.	Other receivables	Y	313,271 (RMB 70,000)	-	-	4.35%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
4	Pacific China Holding Ltd.	Chengdu FEDS Co., Ltd.	Other receivables	Y	1,566,465 (US$ 51,000)	737,160 (US$ 24,000)	645,015 (US$ 21,000)	3.81425%- 4.59694%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
		Pacific China Holdings (HK) Limited	Other receivables	Y	307,150 (US$ 10,000)	307,150 (US$ 10,000)	-	-	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
5	Pacific China Holdings (HK) Limited	Pacific China Holding Ltd.	Other receivables	Y	307,150 (US$ 10,000)	307,150 (US$ 10,000)	106,888 (US$ 3,480)	2.52%-3.66%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
6	Pacific (China) Investment Co., Ltd.	Chongqing FEDS Co., Ltd.	Other receivables	Y	44,753 (RMB 10,000)	44,753 (RMB 10,000)	-	4.08%	(Note A)	-	Transaction	-	-	-	11,809,562 (Note D)	11,809,562 (Note D)
7	FEDS Development Ltd.	Yuan Ding Enterprise (Shanghai) Co., Ltd.	Other receivables	Y	520,820 (RMB 116,337)	364,186 (RMB 81,377)	256,777 (RMB 57,377)	-	(Note A)	-	Transaction	-	-	-	5,904,781 (Note C)	11,809,562 (Note D)
		Far Eastern New Century (China) Investment Co., Ltd.	Other receivables	Y	1,926,169 (RMB 430,400)	969,798 (RMB 216,700)	969,171 (RMB 216,560)	-	(Note A)	-	Transaction	-	-	-	5,904,781 (Note C)	11,809,562 (Note D)

Note A: Short-term financing.

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

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

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

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

FAR EASTERN DEPARTMENT STORES, LTD.

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

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

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

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

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

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

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

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

1. Trading partner.
2. The Company that directly and indirectly hold more than 50% of the voting shares.

(Continued)

3. The companies that directly and indirectly hold more than 50% of the Company's voting rights.

4. The Company that directly and indirectly holds more than 90% of the voting shares.

5. Guaranteed by the Company according to the construction contract.

6. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.

7. Companies in the same industry provide among themselves joint and several securities as performance guarantees of sales contracts for pre-construction homes pursuant to the Consumer Protection Act.

(Concluded)

TABLE 3

FAR EASTERN DEPARTMENT STORES, LTD.

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

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

(Continued)

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

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

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

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

Note A: There was an increase in cash capital.

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

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

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, 2018
(In Thousands of New Taiwan Dollars)

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

Note A: The cash dividend receivable.

Note B: This balance refers to fund lending.

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, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Far Eastern Department Stores, Ltd.	Bai Yang Investment Co., Ltd.	Taiwan	Investment	$ 8,922,181	$ 8,922,181	924,991	100	$ 9,131,939	$ (694,448)	$ (694,417)	2
	Oriental Securities Corporation	Taiwan	Securities brokerage	143,652	143,652	140,297	20	1,949,756	46,790	9,196	1
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,764,210	1,764,210	281,734	35	3,838,530	321,223	112,843	2
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	33,357	33,357	119,981	67	2,108,498 (Note B)	90,435	60,945	2
	Far Eastern Ai Mai Co., Ltd.	Taiwan	Hypermarket	1,535,538	1,535,538	87,744	100	1,298,433	1,421	1,421	2
	FEDS Development Ltd.	British Virgin Island	Investment	125,058	125,058	218	54	1,411,729	38,764	30,071	2
	Yu Ming Advertising Agency Co., Ltd.	Taiwan	Advertising and importation of certain merchandise	33,000	33,000	3,500	100	95,804	7,085	7,085	2
	Ya Tung Department Stores, Ltd.	Taiwan	Department store	519,292	519,292	21,000	100	(5,018)	(94,863)	(94,863)	2
	Ding Ding Integrated Marketing Service Co.	Taiwan	Marketing	64,500	64,500	3,399	10	36,191	23,617	2,382	1
	Asians Merchandise Company	USA	Trading	5,316	5,316	950	100	4,534	52	52	2
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building rental	40,278	40,278	1,571	56	12,480	489	390	2
	Far Eastern CitySuper Co., Ltd.	Taiwan	Hypermarket	478,269	478,269	47,827	96	60,382	(33,938)	(32,465)	2
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	15,313	15	116,511	(244,148)	(36,622)	1
Bai Ding Investment Co., Ltd.	Oriental Securities Corporation	Taiwan	Securities brokerage	163,563	163,563	97,116	14	1,349,755	46,790		1
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	658,129	658,129	100,250	13	1,379,566	321,223		2
	Far Eastern International Leasing Corp.	Taiwan	Leasing	301,125	301,125	22,203	5	321,278	57,007		1
	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	33,490	33,490	11,254	1	150,736	428,934		2
	Yu Ming Trading Co.	Taiwan	Importation of certain merchandise	21,291	21,291	4,901	47	75,181	3,324		1
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building rental	28,672	28,672	1,259	44	13,418	489		2
	Far Eastern CitySuper Co., Ltd.	Taiwan	Hypermarket	-	-	2	-	1	(33,938)		2
FEDS Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	289,681	321,223		2
FEDS New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	289,681	321,223		2
	Chubei New Century Shopping Mall Co., Ltd.	Taiwan	Department store	1,180,000	400,000	118,000	100	1,171,918	(1,435)		2
Bai Yang Investment Co., Ltd.	FEDS Asia Pacific Development Co., Ltd.	Taiwan	Shopping mall	1,522,761	1,522,761	149,100	70	1,789,737	152,406		2
	Far Eastern International Leasing Corp.	Taiwan	Leasing	1,555,590	1,555,590	132,388	30	1,651,953	57,007		1
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	577,457	577,457	60,019	33	1,070,297	90,435		2
	FEDS New Century Development Co., Ltd.	Taiwan	Shopping mall	1,425,272	645,272	150,000	100	1,569,156	4,831		2
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	289,681	321,223		2
	FEDS Development Ltd.	British Virgin Island	Investment	723,946	723,946	185	46	1,202,100	38.764		2
	Pacific China Holdings (HK) Limited	Hong Kong	Investment	3,597,868	3,597,868	45,600	40	(652,143)	(2,340,062)		2
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	200,000	200,000	20,000	40	241,907	93,904		2
Ya Tung Department Stores, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	55,000	55,000	11,000	1	160,690	321,223		2
Yu Ming Advertising Agency Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,200	1,200	200	-	2,728	321,223		2
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	8,400	8,400	1,400	-	18,473	321,223		2
Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	4,469,904	4,469,904	650,817	79	10,030,616	428,934		2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	62,480	62,480	6,840	3	141,402	100,612		1
Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings (HK) Limited	Hong Kong	Investment	5,733,286	5,733,286	53,520	60	(120,287)	(2,340,062)		2
	Pacific Department Store Co., Ltd.	Taiwan	Department store	599,000	599,000	60,296	29	1,026,265	100,612		1
	Lian Ching Investment Co., Ltd.	Taiwan	Investment	270,641	270,641	26,764	50	-	-		2
	Pacific Venture Investment Ltd.	Hong Kong	Investment	357,050	357,050	100,000	48	-	-		1
	Sogo Department Store Co., Ltd.	Taiwan	Credit card business	32,984	32,984	7,120	34	-	-		1
	Pacific Sogo Investment Co., Ltd.	Taiwan	Investment	-	999,900	-	-	-	-		2
	Ding Ding Integrated Marketing Service Co	Taiwan	Marketing	64,500	64,500	3,399	10	36,191	23,617		1
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	300,000	300,000	30,000	60	362,860	93,904		2
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	Other financing and supporting services	238,292	238,292	15,313	15	116,511	(244,148)		1

(Continued)

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

Note A: 1. Associate.
2. Subsidiary.

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

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

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

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

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

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

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

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

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

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

(Continued)

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

Note F: Three investment types are as follows:

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

(Concluded)