

Far Eastern Department Stores, Ltd.

**Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Far Eastern Department Stores, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Company's financial statements for the year ended December 31, 2020 is stated as follows:

Fair Value Evaluation of Investment Properties

As of December 31, 2020, the carrying amount of investment properties was NT\$9,023,303 thousand, accounting for 11% of the total assets and is material to the financial statements. The Company's investment properties are subsequently measured using the fair value model. In the process of fair value assessment, valuation technique and inputs require consideration of the future economic benefits of investment properties to estimate the discounted cash flows. Future cash flows are extrapolated using the existing lease contracts of the Company and market rentals.

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

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

1. We evaluated the expertise, competency and independence of external valuation specialists appointed by management. We verified the qualification of valuation specialists to ensure that their objectivity and scope of work were not influenced or restricted, and confirmed that the methodology adopted was in compliance with relevant regulations.
2. We reviewed significant lease contracts to ensure the accuracy of fundamental information for cash flow forecasts.
3. We assessed the reasonableness of the assumptions and methods used in the valuation.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2021

Notice to Readers

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

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

FAR EASTERN DEPARTMENT STORES, LTD.

BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

| ASSETS | 2020 | | 2019 | |
|--|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 812,706 | 1 | \$ 538,361 | 1 |
| Financial assets at amortized cost - current (Note 8) | 25,424 | - | 25,271 | - |
| Notes receivable (Note 9) | - | - | 3 | - |
| Trade receivables (Note 9) | 246,868 | - | 345,747 | 1 |
| Trade receivables from related parties (Notes 9 and 28) | 75,243 | - | 79,534 | - |
| Other receivables (Notes 9 and 28) | 255,872 | 1 | 279,279 | - |
| Inventories (Note 10) | 353,129 | 1 | 512,976 | 1 |
| Prepayments (Note 28) | 247,525 | - | 215,686 | - |
| Other current assets (Note 16) | 60,981 | - | 64,807 | - |
| Total current assets | <u>2,077,748</u> | <u>3</u> | <u>2,061,664</u> | <u>3</u> |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Notes 7 and 29) | 2,845,620 | 4 | 3,101,049 | 4 |
| Investments accounted for using the equity method (Notes 11, 19 and 29) | 20,054,557 | 26 | 19,821,401 | 25 |
| Property, plant and equipment (Notes 12, 29 and 30) | 18,176,915 | 23 | 18,724,837 | 24 |
| Right-of-use assets (Note 13) | 24,929,817 | 32 | 25,836,205 | 32 |
| Investment properties (Notes 14 and 29) | 9,023,303 | 11 | 8,997,056 | 11 |
| Intangible assets (Note 15) | 69,628 | - | 55,892 | - |
| Deferred tax assets (Note 23) | 80,218 | - | 70,344 | - |
| Net defined benefit assets (Note 19) | 205,863 | - | 234,035 | - |
| Other non-current assets (Notes 16 and 28) | 562,571 | 1 | 536,733 | 1 |
| Total non-current assets | <u>75,948,492</u> | <u>97</u> | <u>77,377,552</u> | <u>97</u> |
| TOTAL | <u>\$ 78,026,240</u> | <u>100</u> | <u>\$ 79,439,216</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 17 and 29) | \$ 4,650,000 | 6 | \$ 5,000,000 | 6 |
| Short-term bills payable (Note 17) | 2,449,280 | 3 | 2,499,312 | 3 |
| Contract liabilities - current (Note 21) | 3,202,942 | 4 | 3,024,526 | 4 |
| Trade payables | 3,822,290 | 5 | 3,612,036 | 5 |
| Trade payables to related parties (Note 28) | 49,983 | - | 56,943 | - |
| Other payables (Notes 18 and 28) | 1,827,132 | 3 | 2,075,491 | 3 |
| Current tax liabilities (Note 23) | 111,095 | - | 161,580 | - |
| Lease liabilities - current (Note 13) | 941,237 | 1 | 929,821 | 1 |
| Advance receipts (Note 28) | 243,905 | - | 193,734 | - |
| Current portion of long-term borrowings (Notes 17 and 29) | 299,933 | 1 | 2,500,000 | 3 |
| Other current liabilities (Notes 18 and 28) | 128,603 | - | 154,488 | - |
| Total current liabilities | <u>17,726,400</u> | <u>23</u> | <u>20,207,931</u> | <u>25</u> |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Notes 17 and 29) | 12,999,828 | 16 | 11,799,757 | 15 |
| Deferred tax liabilities (Note 23) | 2,183,467 | 3 | 2,142,641 | 3 |
| Lease liabilities - non-current (Note 13) | 13,844,089 | 18 | 14,397,967 | 18 |
| Other non-current liabilities (Notes 18 and 28) | 78,536 | - | 100,514 | - |
| Total non-current liabilities | <u>29,105,920</u> | <u>37</u> | <u>28,440,879</u> | <u>36</u> |
| Total liabilities | <u>46,832,320</u> | <u>60</u> | <u>48,648,810</u> | <u>61</u> |
| EQUITY | | | | |
| Share capital | | | | |
| Ordinary shares | 14,169,406 | 18 | 14,169,406 | 18 |
| Capital surplus | 3,338,791 | 4 | 3,327,466 | 4 |
| Retained earnings | | | | |
| Legal reserve | 3,424,615 | 4 | 3,298,695 | 4 |
| Special reserve | 2,709,263 | 4 | 2,865,351 | 4 |
| Unappropriated earnings | 2,695,084 | 3 | 1,931,429 | 2 |
| Total retained earnings | 8,828,962 | 11 | 8,095,475 | 10 |
| Other equity | 4,953,871 | 7 | 5,295,169 | 7 |
| Treasury shares | (97,110) | - | (97,110) | - |
| Total equity | <u>31,193,920</u> | <u>40</u> | <u>30,790,406</u> | <u>39</u> |
| TOTAL | <u>\$ 78,026,240</u> | <u>100</u> | <u>\$ 79,439,216</u> | <u>100</u> |

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

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2020 | | 2019 | |
|--|------------------|------------|------------------|-----------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 21 and 28) | \$ 11,037,055 | 100 | \$ 10,614,744 | 100 |
| OPERATING COSTS (Notes 10, 22 and 28) | <u>4,405,831</u> | <u>40</u> | <u>4,168,762</u> | <u>39</u> |
| GROSS PROFIT | <u>6,631,224</u> | <u>60</u> | <u>6,445,982</u> | <u>61</u> |
| OPERATING EXPENSES (Notes 22 and 28) | | | | |
| Selling and marketing expenses | 355,331 | 3 | 378,762 | 4 |
| General and administrative expenses | 4,288,347 | 39 | 3,941,540 | 37 |
| Expected credit loss | <u>801</u> | <u>-</u> | <u>513</u> | <u>-</u> |
| Total operating expenses | <u>4,644,479</u> | <u>42</u> | <u>4,320,815</u> | <u>41</u> |
| OPERATING PROFIT | <u>1,986,745</u> | <u>18</u> | <u>2,125,167</u> | <u>20</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income (Note 22) | 933 | - | 242 | - |
| Other income (Note 22) | 181,578 | 2 | 177,242 | 2 |
| Other gains and losses (Notes 22 and 28) | 65,005 | - | (28,844) | - |
| Finance costs (Notes 22 and 28) | (466,377) | (4) | (377,869) | (4) |
| Share of profit of subsidiaries and associates accounted for using the equity method | <u>462,395</u> | <u>4</u> | <u>298,615</u> | <u>3</u> |
| Total non-operating income and expenses | <u>243,534</u> | <u>2</u> | <u>69,386</u> | <u>1</u> |
| PROFIT BEFORE INCOME TAX | 2,230,279 | 20 | 2,194,553 | 21 |
| INCOME TAX EXPENSE (Note 23) | <u>291,140</u> | <u>2</u> | <u>412,710</u> | <u>4</u> |
| NET PROFIT FOR THE YEAR | <u>1,939,139</u> | <u>18</u> | <u>1,781,843</u> | <u>17</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 19, 20 and 23) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | (71,053) | (1) | 288,102 | 3 |
| Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income | <u>(255,429)</u> | <u>(2)</u> | <u>746,698</u> | <u>7</u> |

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2020 | | 2019 | |
|---|---------------------|------------|---------------------|------------|
| | Amount | % | Amount | % |
| Share of other comprehensive (loss) income of subsidiaries and associates accounted for using the equity method | \$ (109,861) | (1) | \$ 307,216 | 3 |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | <u>14,211</u> | - | <u>(57,620)</u> | <u>(1)</u> |
| | <u>(422,132)</u> | <u>(4)</u> | <u>1,284,396</u> | <u>12</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method | <u>8,734</u> | - | <u>(22,191)</u> | - |
| Other comprehensive (loss) income for the year, net of income tax | <u>(413,398)</u> | <u>(4)</u> | <u>1,262,205</u> | <u>12</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 1,525,741</u> | <u>14</u> | <u>\$ 3,044,048</u> | <u>29</u> |
| EARNINGS PER SHARE, NT\$ (Note 24) | | | | |
| Basic | <u>\$ 1.38</u> | | <u>\$ 1.26</u> | |
| Diluted | <u>\$ 1.37</u> | | <u>\$ 1.26</u> | |

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

| | Share Capital (Note 20) | Capital Surplus (Note 20) | Retained Earnings (Notes 19, 20 and 23) | | | Other Equity (Note 20) | | | | Total Equity |
|--|----------------------------|------------------------------|---|-----------------|----------------------------|---|---|---------------------------------|------------------------------|---------------|
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Gain on Property Revaluation | Treasury Shares (Note 20) | |
| BALANCE AT JANUARY 1, 2019 | \$ 14,169,406 | \$ 3,315,420 | \$ 3,166,880 | \$ 2,656,286 | \$ 2,081,772 | \$ 90,654 | \$ 1,969,628 | \$ 2,170,970 | \$ (97,110) | \$ 29,523,906 |
| Effect of retrospective application and retrospective restatement | - | - | - | - | (585,446) | - | - | - | - | (585,446) |
| BALANCE AT JANUARY 1, 2019 AS RESTATED | 14,169,406 | 3,315,420 | 3,166,880 | 2,656,286 | 1,496,326 | 90,654 | 1,969,628 | 2,170,970 | (97,110) | 28,938,460 |
| Special reserve under Rule No. 1030006415 issued by the FSC | - | - | - | 135,735 | (135,735) | - | - | - | - | - |
| Appropriation of 2018 earnings | | | | | | | | | | |
| Legal reserve | - | - | 131,815 | - | (131,815) | - | - | - | - | - |
| Special reserve | - | - | - | 73,330 | (73,330) | - | - | - | - | - |
| Cash dividends | - | - | - | - | (1,204,400) | - | - | - | - | (1,204,400) |
| | - | - | 131,815 | 73,330 | (1,409,545) | - | - | - | - | (1,204,400) |
| Net profit for the year ended December 31, 2019 | - | - | - | - | 1,781,843 | - | - | - | - | 1,781,843 |
| Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax | - | - | - | - | 198,288 | (25,329) | 1,089,246 | - | - | 1,262,205 |
| Total comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | 1,980,131 | (25,329) | 1,089,246 | - | - | 3,044,048 |
| Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method | - | 12,046 | - | - | 252 | - | - | - | - | 12,298 |
| BALANCE AT DECEMBER 31, 2019 | 14,169,406 | 3,327,466 | 3,298,695 | 2,865,351 | 1,931,429 | 65,325 | 3,058,874 | 2,170,970 | (97,110) | 30,790,406 |
| Appropriation of 2019 earnings | | | | | | | | | | |
| Legal reserve | - | - | 125,920 | - | (125,920) | - | - | - | - | - |
| Special reserve | - | - | - | (156,088) | 156,088 | - | - | - | - | - |
| Cash dividends | - | - | - | - | (1,133,552) | - | - | - | - | (1,133,552) |
| | - | - | 125,920 | (156,088) | (1,103,384) | - | - | - | - | (1,133,552) |
| Net profit for the year ended December 31, 2020 | - | - | - | - | 1,939,139 | - | - | - | - | 1,939,139 |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax | - | - | - | - | (71,064) | 3,225 | (345,559) | - | - | (413,398) |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | 1,868,075 | 3,225 | (345,559) | - | - | 1,525,741 |
| Adjustments resulting from investments in associates accounted for using the equity method | - | 11,325 | - | - | - | - | - | - | - | 11,325 |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates | - | - | - | - | (1,036) | - | 1,036 | - | - | - |
| BALANCE AT DECEMBER 31, 2020 | \$ 14,169,406 | \$ 3,338,791 | \$ 3,424,615 | \$ 2,709,263 | \$ 2,695,084 | \$ 68,550 | \$ 2,714,351 | \$ 2,170,970 | \$ (97,110) | \$ 31,193,920 |

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

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

| | 2020 | 2019 |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | \$ 2,230,279 | \$ 2,194,553 |
| Adjustments for: | | |
| Depreciation expenses | 2,034,760 | 1,654,458 |
| Amortization expenses | 50,182 | 26,757 |
| Expected credit loss recognized on receivables | 801 | 513 |
| Amortization of prepayments | 1,576 | - |
| Finance costs | 466,377 | 377,869 |
| Share of profit of subsidiaries and associates accounted for using the equity method | (462,395) | (298,615) |
| Interest income | (933) | (242) |
| Dividend income | (181,578) | (177,242) |
| Loss on disposal of property, plant and equipment | 5,157 | 6,229 |
| Loss on disposal of investment properties | 116 | 247 |
| Impairment loss recognized on intangible assets | 6,307 | - |
| (Gain) loss on changes in fair value of investment properties | (19,544) | 75,802 |
| Concession on lease liabilities | (113,828) | - |
| Net changes in operating assets and liabilities | | |
| Notes receivable | 3 | 137 |
| Trade receivables | 98,078 | 363,880 |
| Trade receivables from related parties | 4,291 | (9,482) |
| Other receivables | 23,407 | 58,349 |
| Inventories | 159,847 | (134,788) |
| Prepayments | (31,839) | 22,134 |
| Other current assets | 3,826 | (51,027) |
| Contract liabilities | 178,416 | 176,694 |
| Notes payable and trade payables | 210,254 | (1,266,804) |
| Trade payables to related parties | (6,960) | (19,205) |
| Other payables | 31,563 | 51,696 |
| Advance receipts | 145,551 | 89,656 |
| Other current liabilities | (25,885) | (412) |
| Net defined benefit liabilities | (42,881) | (34,934) |
| Cash generated from operations | 4,764,948 | 3,106,223 |
| Interest paid | (445,758) | (427,523) |
| Interest received | 933 | 242 |
| Dividends received | 321,015 | 332,030 |
| Income tax paid | (296,462) | (257,461) |
| Net cash generated from operating activities | <u>4,344,676</u> | <u>2,753,511</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at amortized cost | (25,424) | (25,271) |
| Proceeds from sale of financial assets at amortized cost | 25,271 | 25,495 |
| Acquisition of investments accounted for using the equity method | - | (400,000) |
| Payments for property, plant and equipment | (760,367) | (986,290) |

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FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

| | 2020 | 2019 |
|---|--------------------|--------------------|
| Proceeds from disposal of property, plant and equipment | \$ 484 | \$ 39 |
| Payments for investment properties | (6,819) | (8,369) |
| Increase in other non-current assets | (55,669) | (1,421,459) |
| Acquisition of right-of-use assets | (97,504) | - |
| Payments for intangible assets | <u>(27,035)</u> | <u>(26,080)</u> |
| Net cash used in investing activities | <u>(947,063)</u> | <u>(2,841,935)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 73,550,000 | 77,850,000 |
| Repayments of short-term borrowings | (73,900,000) | (79,560,000) |
| Proceeds from short-term bills payable | 26,283,806 | 22,093,578 |
| Repayments of short-term bills payable | (26,333,838) | (21,893,298) |
| Proceeds from long-term borrowings | 111,250,004 | 65,199,757 |
| Repayments of long-term borrowings | (112,250,000) | (62,000,000) |
| Repayment of the principal portion of lease liabilities | (570,201) | (620,491) |
| (Decrease) increase in other non-current liabilities | (21,978) | 13,791 |
| Dividends paid | <u>(1,131,061)</u> | <u>(1,202,733)</u> |
| Net cash used in financing activities | <u>(3,123,268)</u> | <u>(119,396)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 274,345 | (207,820) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR | <u>538,361</u> | <u>746,181</u> |
| CASH AND CASH EQUIVALENTS, END OF THE YEAR | <u>\$ 812,706</u> | <u>\$ 538,361</u> |

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (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 Company’s board of directors on March 23, 2021.

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

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

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

Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”

The Company elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Company shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Company applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

- b. The IFRSs endorsed by the FSC for application starting from 2021

| <u>New IFRSs</u> | <u>Effective Date Announced by IASB</u> |
|---|---|
| Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9” | Effective immediately upon promulgation by the IASB |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2” | January 1, 2021 |

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

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| “Annual Improvements to IFRS Standards 2018-2020” | January 1, 2022 (Note 2) |
| Amendments to IFRS 3 “Reference to the Conceptual Framework” | January 1, 2022 (Note 3) |
| 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, 2023 (Note 6) |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2023 |
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 7) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 8) |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 4) |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract” | January 1, 2022 (Note 5) |

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: On March 17, 2020, IASB made the decision to postpone the effective date of IFRS 17 to March 1, 2023. However, the amendments to IFRS 17 were announced formally in the third quarter of 2020.

Note 7: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 8: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

1) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments are to clarify that when determining whether a liability is classified as non-current, it should be assessed whether at the end of the reporting period the Company has the right to defer the settlement period for at least 12 months after the reporting period. If the Company has the right at the end of the reporting period, regardless of whether the Company expects to exercise the right, the liability is classified as non-current. The amendments also clarify that if the Company must comply with certain conditions before it possesses the right to defer settlement of liabilities, the Company must comply with these conditions by the end of the reporting period, despite the fact that the lender may perform a test on the Company to check if it has complied with these conditions at a later date.

The amendments stipulate that for the purpose of classification of liabilities, the aforementioned settlement refers to the elimination of liabilities by transferring cash, other economic resources or equity instruments of the Company to the counterparty. However, the terms of the liability that could, at the option of the counterparty, result in its settlement by the transfer of the Company's equity instruments (and if the option is separately recognized as an equity in accordance with IAS 32 "Financial Instruments: Presentation"), such terms do not affect the classification of the liability.

2) Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendment stipulates that an entity should comply with the definition of material to determine the disclosure of material accounting policies. An accounting policy is material if information about that accounting policy could reasonably be expected to influence decisions that the primary users with general purposes make on the basis of those financial statements. The amendments clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed.
- Accounting policy information may be material because of the nature of the transactions, other events or conditions, even if the amounts are immaterial.
- Not all accounting policy information related to material transactions, other events or conditions are themselves material.

Further, the amendments also cite examples to illustrate that accounting policy information may be considered material if it relates to material transactions, other events or conditions and that the accounting policies:

- a) Have changed during the period, giving rise to a material change in the information of the financial statements;
- b) Were chosen from alternatives permitted by IFRS Standards;
- c) Were developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS Standard that specifically applies;
- d) Relate to an area for which the entity is required to make significant judgments and assumptions; or
- e) Relate to complex accounting and users of the entity's financial statements would otherwise not understand the relating transactions, other events or conditions.

3) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments stipulate that accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.” The accounting policies may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policies. The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result in the correction of prior period errors.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

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

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

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

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

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

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

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

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

g. Investments in associates

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

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

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

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

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

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

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

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

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

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

i. Investment properties

Investment properties are properties held to earn long-term rental profit and/or capital gain (including properties that are qualified as investment properties and under construction). Investment properties also include land in which the intended use has yet to be determined.

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

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

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

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

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

j. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

k. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Company reviews for any indications of impairment loss pertaining to the property, plant and equipment, right-of-use assets and intangible assets. If any such indication exists, the recoverable amount of the asset is estimated. 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 for which a reasonable and consistent allocation basis can be identified.

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.

1. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost (including cash, cash equivalents, accounts receivable at amortized cost and refundable deposits) are measured at the carrying amount determined by the effective interest method less any impairment loss. Any exchange differences are recognized in profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

ii. Investments in equity instruments at FVTOCI

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

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

b) Impairment of financial assets and contract assets

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

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

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

Without taking the collateral held into consideration, pertinent to the objectives of the credit risk management, the Company determines that a default has occurred for a financial asset when internal or external information indicates that the borrower can no longer repay the liability, unless there is reasonable and substantiated information to recognize the default later.

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

m. Revenue recognition

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

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

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

The Company offers award credits which can be used for future purchases when the customer shops (customer loyalty program). The award credits provide 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 are redeemed or have expired.

n. Leases

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

1) The Company as lessor

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

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

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

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

2) The Company as lessee

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

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

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

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

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

The Company and the lessor conducted rent negotiations directly related to COVID-19 and adjusted the rent due before June 30, 2021, resulting in a decrease in rent. These negotiations did not significantly change other lease terms. The Company chooses to adopt a practical and expedient approach to all rent negotiations that meet the aforementioned conditions. It does not assess whether the negotiation is a lease modification, but recognizes a reduction of lease payment in the profit or loss when the concession event or situation occurs (accounted for as a deduction in variable lease payments) and reduces the lease liability accordingly.

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

o. Borrowing costs

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

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

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

p. Retirement benefit costs

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

Defined benefit costs (including service cost, net interest and 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.

q. Taxation

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

1) Current tax

The current payable (recoverable) income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income (loss).

According to the Income Tax Law of the ROC, the recognition of annual undistributed surplus earnings that are taxable, is subject to the resolution passed in the shareholders' meeting.

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company incorporates the economic impact caused by COVID-19 into the consideration of significant accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Fair value measurement and valuation process of the investment properties

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

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

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

6. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|---------------------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| Cash on hand and revolving funds | \$ 36,524 | \$ 35,642 |
| Checking accounts and demand deposits | 762,252 | 502,719 |
| Cash equivalents | | |
| Triple stimulus vouchers | <u>13,930</u> | <u>-</u> |
| | <u>\$ 812,706</u> | <u>\$ 538,361</u> |

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

| | <u>December 31</u> | |
|------------------|--------------------|---------------|
| | 2020 | 2019 |
| Deposits in bank | 0.001%-0.050% | 0.001%-0.330% |

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

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | 2020 | 2019 |
| <u>Investments in equity instruments at FVTOCI</u> | | |
| Domestic investments | | |
| Listed shares and emerging market shares | \$ 2,737,990 | \$ 2,993,461 |
| Unlisted shares | <u>107,630</u> | <u>107,588</u> |
| | <u>\$ 2,845,620</u> | <u>\$ 3,101,049</u> |

- a. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.
- b. Refer to Note 29 for information relating to investments in equity instruments at FVTOCI pledged as security.

8. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

| | <u>December 31</u> | |
|--|--------------------|------------------|
| | 2020 | 2019 |
| Time deposits with original maturities of more than 3 months | <u>\$ 25,424</u> | <u>\$ 25,271</u> |
| Gross carrying amount | \$ 25,424 | \$ 25,271 |
| Less: Allowance for impairment loss | <u>-</u> | <u>-</u> |
| Amortized cost | <u>\$ 25,424</u> | <u>\$ 25,271</u> |

- a. The credit risk of financial instruments such as bank deposits is measured and monitored by the accounting department. The counterparties are creditworthy banks and financial institutions with good credit rating.
- b. As of December 31, 2020, and 2019, the interest rates for financial assets at amortized cost were 0.37% and 0.67% as at the end of the reporting period, respectively.

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

- a. Notes receivable

| | <u>December 31</u> | |
|-------------------------------------|--------------------|----------------|
| | <u>2020</u> | <u>2019</u> |
| Operating | \$ - | \$ 3 |
| Non-operating | 1,794 | 1,794 |
| Less: Allowance for impairment loss | <u>(1,794)</u> | <u>(1,794)</u> |
| | <u>\$ -</u> | <u>\$ 3</u> |

December 31, 2020

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

December 31, 2019

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

- b. Trade receivables

| | <u>December 31</u> | |
|-------------------------------------|--------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| At amortized cost | | |
| Trade receivables | \$ 323,449 | \$ 425,818 |
| Less: Allowance for impairment loss | <u>(1,338)</u> | <u>(537)</u> |
| | <u>\$ 322,111</u> | <u>\$ 425,281</u> |

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

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

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

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

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

December 31, 2020

| | Not Past Due | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|--------------------------------|---------------------|--------------------------|----------------------|----------------------|---------------------|-------------------|
| Expected credit loss rate | 0% | 0% | 0% | 0% | 100% | |
| Gross carrying amount | \$ 320,554 | \$ 1,557 | \$ - | \$ - | \$ 1,338 | \$ 323,449 |
| Loss allowance (Lifetime ECLs) | - | - | - | - | (1,338) | (1,338) |
| Amortized cost | <u>\$ 320,554</u> | <u>\$ 1,557</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 322,111</u> |

December 31, 2019

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

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

| | For the Year Ended December 31 | |
|--------------------------------------|---------------------------------------|---------------|
| | 2020 | 2019 |
| Balance at January 1 | \$ 537 | \$ 24 |
| Add: Remeasurement of loss allowance | <u>801</u> | <u>513</u> |
| Balance at December 31 | <u>\$ 1,338</u> | <u>\$ 537</u> |

c. Other receivables

| | December 31 | |
|-------------------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| At amortized cost | | |
| Other receivables | \$ 277,279 | \$ 300,686 |
| Less: Allowance for impairment loss | <u>(21,407)</u> | <u>(21,407)</u> |
| | <u>\$ 255,872</u> | <u>\$ 279,279</u> |

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

December 31, 2020

| | Not Past Due | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|-----------------------------------|---------------------|------------------------------|----------------------|----------------------|---------------------|-------------------|
| Expected credit loss rate | 0% | 0% | 0% | 0% | 100% | |
| Gross carrying amount | \$ 255,872 | \$ - | \$ - | \$ - | \$ 21,407 | \$ 277,279 |
| Loss allowance (Lifetime ECLs) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(21,407)</u> | <u>(21,407)</u> |
| Amortized cost | <u>\$ 255,872</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 255,872</u> |

December 31, 2019

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

As of December 31, 2020, and 2019, there were no impairment loss on trade receivables; therefore, no loss allowance was recognized by management.

10. INVENTORIES

| | <u>December 31</u> | |
|----------------------------------|---------------------|---------------------|
| | 2020 | 2019 |
| Merchandise | \$ <u>353,129</u> | \$ <u>512,976</u> |
| The cost of goods sold includes: | | |
| | 2020 | 2019 |
| Cost of goods sold | \$ <u>4,185,447</u> | \$ <u>3,962,329</u> |

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | <u>December 31</u> | |
|-----------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Investments in subsidiaries | \$ 17,950,074 | \$ 17,712,547 |
| Investments in associates | <u>2,104,483</u> | <u>2,108,854</u> |
| | <u>\$ 20,054,557</u> | <u>\$ 19,821,401</u> |

a. Investments in subsidiaries

| | <u>December 31</u> | |
|--|----------------------|----------------------|
| | 2020 | 2019 |
| Bai Yang Investment Co., Ltd. (BYIC) | \$ 9,108,584 | \$ 9,104,890 |
| Pacific Liu Tong Investment Co., Ltd. (PLTI) | 4,024,497 | 3,781,245 |
| Bai Ding Investment Co., Ltd. (BDIC) | 2,418,928 | 2,392,241 |
| FEDS Development Ltd. (FEDS Development) | 1,427,279 | 1,409,738 |
| Far Eastern Ai Mai Co., Ltd. (AIMAI) | 1,222,011 | 1,287,839 |
| Ya Tung Department Stores, Ltd. (YTDS) | 85,689 | 131,722 |
| Yu Ming Advertising Agency Co., Ltd. (YMAC) | 118,535 | 119,878 |
| Far Eastern CitySuper Co., Ltd (FECS) | 68,097 | 36,407 |
| Far Eastern Hon Li Do Co., Ltd. (FEHLD) | 13,283 | 12,529 |
| Asians Merchandise Company (AMC) | <u>4,367</u> | <u>4,495</u> |
| | 18,491,270 | 18,280,984 |
| Less: Ordinary shares held by subsidiary and reclassified from long-term investments to treasury shares of BDIC | <u>97,110</u> | <u>97,110</u> |
| | 18,394,160 | 18,183,874 |
| Less: The differences of accounting treatments from the consolidated financial statements (Note) | <u>444,086</u> | <u>471,327</u> |
| | <u>\$ 17,950,074</u> | <u>\$ 17,712,547</u> |

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

| | Proportion of Ownership and Voting Rights | |
|------------------|--|-------------|
| | December 31 | |
| | 2020 | 2019 |
| BYIC | 100% | 100% |
| PLTI | 35% | 35% |
| BDIC | 67% | 67% |
| FEDS Development | 54% | 54% |
| AIMAI | 100% | 100% |
| YTDS | 100% | 100% |
| YMAC | 100% | 100% |
| FECS | 96% | 96% |
| FEHLD | 56% | 56% |
| AMC | 100% | 100% |

Refer to Note 31 for the details of the subsidiaries indirectly held by the Company.

The Company has 35% equity interest in PLTI. However, the proportion of the combined equity of PLTI held by the Company and its subsidiaries is 56.6%. The Company thus recognizes this investee as a subsidiary.

In December 2019, YTDS undertook a capital reduction to offset the deficit, which resulted in a decrease of 20,000 thousand shares of the Company's shareholding in YTDS that corresponded to the existing ownership percentage. YTDS issued shares for an increase in cash capital, and the Company acquired 40,000 thousand shares at \$10 per share, totaling \$400,000 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, 2020 and 2019 were based on the subsidiaries' financial statements audited for the same years by other auditors.

b. Investments in associates

| | December 31 | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Associates that are not individually material | <u>\$ 2,104,483</u> | <u>\$ 2,108,854</u> |

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

| | For the Year Ended December 31 | |
|-----------------------------------|---------------------------------------|---------------------|
| | 2020 | 2019 |
| The Company's share of | | |
| Net (loss) profit for the year | \$ (10,253) | \$ 10,029 |
| Other comprehensive income (loss) | <u>23,686</u> | <u>(3,862)</u> |
| Total comprehensive income | <u>\$ 13,433</u> | <u>\$ 6,167</u> |

The combined shareholding of the Company and its sub-subsidiary, Pacific Sogo Department Stores Co., Ltd., in Ding Ding Integrated Marketing Service Co., Ltd. and Yuan Hsin Digital Payment Co., Ltd., amounted to 20%. As such, these investments were accounted for using the equity method.

In October 2020 and July 2019, Yuan Hsin Digital Payment Co., Ltd. undertook a capital reduction to offset the deficit, which resulted in a decrease of the Company's shareholding in Yuan Hsin Digital Payment Co., Ltd. that corresponded to the existing ownership percentage by 3,425 thousand shares and 3,662 thousand shares, respectively. In December 2020, Yuan Hsin Digital Payment Co., Ltd. issued shares for an increase in cash capital. The Company did not subscribe for additional new shares of Yuan Hsin Digital Payment Co., Ltd. As such, the shareholding percentage of the Company decreased from 15% to 11%.

The annual general shareholders' meeting of Oriental Securities Corporation in 2020 passed a resolution for the capitalization of retained earnings. The Company acquired 1,683 thousand shares according to its existing ownership percentage.

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, 2020 and 2019 were based on the associates' financial statements audited for the same years by other auditors.

Refer to Note 29 for the information on the carrying amounts of investments in associates accounted for using the equity method that were pledged as security.

12. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Buildings and Facilities | Decorative Facilities | Equipment Held Under Finance Leases | Plant, Transportation and Miscellaneous Equipment | Construction in Progress | Total |
|--|---------------------|-----------------------|-----------------------------|--------------------------|---|--|-----------------------------|------------------------|
| <i>Cost</i> | | | | | | | | |
| Balance at January 1, 2020 | \$ 8,038,597 | \$ 9,370,709 | \$ 6,961,248 | \$ 6,519,897 | \$ - | \$ 718,766 | | \$ 31,609,217 |
| Additions | - | - | 74,682 | 302,513 | - | 45,477 | | 422,672 |
| Disposals | - | - | (21,895) | (65,154) | - | (17,830) | | (104,879) |
| Reclassifications | - | - | 14,258 | - | - | 5,471 | | 19,729 |
| Balance at December 31, 2020 | <u>\$ 8,038,597</u> | <u>\$ 9,370,709</u> | <u>\$ 7,028,293</u> | <u>\$ 6,757,256</u> | <u>\$ -</u> | <u>\$ 751,884</u> | | <u>\$ 31,946,739</u> |
| <i>Accumulated depreciation and impairment</i> | | | | | | | | |
| Balance at January 1, 2020 | \$ - | \$ (2,418,480) | \$ (4,540,269) | \$ (5,411,333) | \$ - | \$ (514,298) | | \$ (12,884,380) |
| Disposals | - | - | 20,362 | 61,753 | - | 16,943 | | 99,058 |
| Depreciation expense | - | (161,727) | (439,307) | (319,912) | - | (63,556) | | (984,502) |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>\$ (2,580,207)</u> | <u>\$ (4,959,214)</u> | <u>\$ (5,669,492)</u> | <u>\$ -</u> | <u>\$ (560,911)</u> | | <u>\$ (13,769,824)</u> |
| Carrying amount at December 31, 2020 | <u>\$ 8,038,597</u> | <u>\$ 6,790,502</u> | <u>\$ 2,069,079</u> | <u>\$ 1,087,764</u> | <u>\$ -</u> | <u>\$ 190,973</u> | <u>\$ -</u> | <u>\$ 18,176,915</u> |
| <i>Cost</i> | | | | | | | | |
| Balance at January 1, 2019 | \$ 8,038,597 | \$ 9,370,709 | \$ 5,827,917 | \$ 5,814,641 | \$ 4,696,820 | \$ 623,158 | \$ 3,886,679 | \$ 38,258,521 |
| Adjustments on initial application of IFRS 16 | - | - | - | - | (4,696,820) | - | (3,623,507) | (8,320,327) |
| Balance at January 1, 2019 (restated) | 8,038,597 | 9,370,709 | 5,827,917 | 5,814,641 | - | 623,158 | 263,172 | 29,938,194 |
| Additions | - | - | 180,829 | 285,826 | - | 71,827 | 1,195,044 | 1,733,526 |
| Disposals | - | - | (13,367) | (38,823) | - | (19,005) | - | (71,195) |
| Transfer from investment Properties | - | - | 58 | - | - | - | - | 58 |
| Transfer to investment properties | - | - | - | - | - | - | (2,154) | (2,154) |
| Reclassifications | - | - | 965,811 | 458,253 | - | 42,786 | (1,456,062) | 10,788 |
| Balance at December 31, 2019 | <u>\$ 8,038,597</u> | <u>\$ 9,370,709</u> | <u>\$ 6,961,248</u> | <u>\$ 6,519,897</u> | <u>\$ -</u> | <u>\$ 718,766</u> | <u>\$ -</u> | <u>\$ 31,609,217</u> |

(Continued)

| | Land | Buildings | Buildings and Facilities | Decorative Facilities | Equipment Held Under Finance Leases | Plant, Transportation and Miscellaneous Equipment | Construction in Progress | Total |
|--|---------------------|-----------------------|--------------------------|-----------------------|-------------------------------------|---|--------------------------|------------------------|
| <u>Accumulated depreciation and impairment</u> | | | | | | | | |
| Balance at January 1, 2019 | \$ - | \$ (2,256,753) | \$ (4,132,951) | \$ (5,219,117) | \$ (853,509) | \$ (482,124) | | \$ (12,944,454) |
| Adjustments on initial application of IFRS 16 | - | - | - | - | 853,509 | - | - | 853,509 |
| Balance at January 1, 2019 (restated) | - | (2,256,753) | (4,132,951) | (5,219,117) | - | (482,124) | | (12,090,945) |
| Disposals | - | - | 11,677 | 34,404 | - | 18,490 | | 64,571 |
| Depreciation expense | - | (161,727) | (418,995) | (226,620) | - | (50,664) | | (858,006) |
| Balance at December 31, 2019 | <u>\$ -</u> | <u>\$ (2,418,480)</u> | <u>\$ (4,540,269)</u> | <u>\$ (5,411,333)</u> | <u>\$ -</u> | <u>\$ (514,298)</u> | | <u>\$ (12,884,380)</u> |
| Carrying amount at December 31, 2019 | <u>\$ 8,038,597</u> | <u>\$ 6,952,229</u> | <u>\$ 2,420,979</u> | <u>\$ 1,108,564</u> | <u>\$ -</u> | <u>\$ 204,468</u> | <u>\$ -</u> | <u>\$ 18,724,837</u> |

(Concluded)

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

| | |
|--|------------|
| Buildings | 55 years |
| Buildings and facilities | 8-15 years |
| Decorative facilities | 6 years |
| 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 had been changed to self-use for the year ended December 31, 2019.

Refer to Note 29 for the information on the carrying amounts of property, plant and equipment that were pledged as security.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

| | <u>December 31</u> | |
|--|---------------------------------------|----------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Carrying amount</u> | | |
| Land | \$ 7,866,434 | \$ 8,038,783 |
| Buildings | 17,058,198 | 17,797,153 |
| Plant, transportation, and miscellaneous equipment | <u>5,185</u> | <u>269</u> |
| | <u>\$ 24,929,817</u> | <u>\$ 25,836,205</u> |
| | <u>For the Year Ended December 31</u> | |
| | <u>2020</u> | <u>2019</u> |
| Additions to right-of-use assets | <u>\$ 239,070</u> | <u>\$ 2,094,106</u> |
| Depreciation charge for right-of-use assets | | |
| Land | \$ 275,545 | \$ 152,646 |
| Buildings | 869,492 | 727,524 |
| Plant, transportation, and miscellaneous equipment | <u>421</u> | <u>54</u> |
| | <u>\$ 1,145,458</u> | <u>\$ 880,224</u> |

b. Lease liabilities

| | <u>December 31</u> | |
|-------------------------|--------------------|---------------|
| | <u>2020</u> | <u>2019</u> |
| <u>Carrying amounts</u> | | |
| Current | \$ 941,237 | \$ 929,821 |
| Non-current | \$ 13,844,089 | \$ 14,397,967 |

Range of discount rate for lease liabilities was as follows:

| | <u>December 31</u> | |
|--|--------------------|-------------|
| | <u>2020</u> | <u>2019</u> |
| Land | 0.88%-1.72% | 1.17%-1.72% |
| Buildings | 0.86%-1.72% | 0.90%-1.72% |
| Plant, transportation, and miscellaneous equipment | 0.88%-0.92% | 0.92% |

c. Material lease-in activities and terms

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

In 2020, due to the COVID-19 pandemic that severely affected the global market economy, the Company entered into lease negotiations with some of the lessors. The lessors agreed to reduce the rents from January 1 to December 31, 2020. In 2020, the Company recognized the aforementioned rent reductions of \$113,828 thousand (as a deduction in operating expenses).

d. Other lease information

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|----------------|
| | <u>2020</u> | <u>2019</u> |
| Expenses relating to short-term leases | \$ 4,233 | \$ 5,113 |
| Expenses relating to low-value asset leases | \$ 2,428 | \$ 3,866 |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | \$ (98,714) | \$ 19,065 |
| Total cash outflow for leases | \$ (850,006) | \$ (1,784,930) |

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

14. INVESTMENT PROPERTIES

| | Land | Buildings and Facilities | Investment Properties under Construction | Total |
|---|---------------------|-----------------------------|---|---------------------|
| Balance at January 1, 2020 | \$ 6,216,334 | \$ 2,770,598 | \$ 10,124 | \$ 8,997,056 |
| Additions | - | (116) | - | (116) |
| Disposals | - | 2,689 | 4,130 | 6,819 |
| Reclassification | - | - | - | - |
| Gain (loss) on fair value changes of investment properties | <u>33,697</u> | <u>(14,153)</u> | <u>-</u> | <u>19,544</u> |
| Balance at December 31, 2020 | <u>\$ 6,250,031</u> | <u>\$ 2,759,018</u> | <u>\$ 14,254</u> | <u>\$ 9,023,303</u> |
| Balance at January 1, 2019 | \$ 6,249,972 | \$ 2,812,668 | \$ - | \$ 9,062,640 |
| Transfers to property, plant and equipment | - | (58) | - | (58) |
| Additions | - | (247) | - | (247) |
| Disposals | - | 399 | 7,970 | 8,369 |
| Reclassification | - | - | 2,154 | 2,154 |
| Loss on changes in the fair value of investment properties | <u>(33,638)</u> | <u>(42,164)</u> | <u>-</u> | <u>(75,802)</u> |
| Balance at December 31, 2019 | <u>\$ 6,216,334</u> | <u>\$ 2,770,598</u> | <u>\$ 10,124</u> | <u>\$ 8,997,056</u> |

Some of the Company's investment properties had been leased out under operating leases with lease term of 2-20 years, and the lease contracts include lessee's buy-back agreement.

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

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2020 is as follows:

| | <u>December 31</u> | |
|----------------|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Year 1 | \$ 731,686 | \$ 746,079 |
| Year 2 | 680,939 | 640,033 |
| Year 3 | 619,301 | 597,037 |
| Year 4 | 564,989 | 535,271 |
| Year 5 | 549,951 | 527,070 |
| Year 6 onwards | <u>4,157,164</u> | <u>4,674,233</u> |
| | <u>\$ 7,304,030</u> | <u>\$ 7,719,723</u> |

The fair values of the investment properties as of December 31, 2020 and 2019 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 | |
|-----------------------------------|----------------------|----------------------|
| | 2020 | 2019 |
| Expected future cash inflows | \$ 21,079,871 | \$ 21,531,652 |
| Expected future cash outflows | <u>2,485,443</u> | <u>2,443,572</u> |
| Expected future cash inflows, net | <u>\$ 18,594,428</u> | <u>\$ 19,088,080</u> |
| Discount rate | 4.095% | 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 which 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 | |
|-------------------------------|---------------------|---------------------|
| | 2020 | 2019 |
| Estimated total sales price | <u>\$ 1,647,633</u> | <u>\$ 1,511,974</u> |
| Rate of return | 18%-20% | 18%-20% |
| Overall capital interest rate | 1.34%-2.72% | 1.56%-3.08% |

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 29 for the information on the carrying amounts of investment properties pledged as collateral for borrowings.

15. INTANGIBLE ASSETS

| | Computer Software |
|--|------------------------------|
| <u>Cost</u> | |
| Balance at January 1, 2020 | \$ 142,301 |
| Additions | 27,035 |
| Reclassifications | <u>43,190</u> |
| Balance at December 31, 2020 | <u>\$ 212,526</u> |
| <u>Accumulated amortization and impairment</u> | |
| Balance at January 1, 2020 | \$ (86,409) |
| Impairment loss | (6,307) |
| Amortization expenses | <u>(50,182)</u> |
| Balance at December 31, 2020 | <u>\$ (142,898)</u> |
| Carrying amount at December 31, 2020 | <u>\$ 69,628</u> |
| <u>Cost</u> | |
| Balance at January 1, 2019 | \$ 109,859 |
| Additions | 26,080 |
| Reclassifications | <u>6,362</u> |
| Balance at December 31, 2019 | <u>\$ 142,301</u> |
| <u>Accumulated amortization and impairment</u> | |
| Balance at January 1, 2019 | \$ (59,652) |
| Amortization expenses | <u>(26,757)</u> |
| Balance at December 31, 2019 | <u>\$ (86,409)</u> |
| Carrying amount at December 31, 2019 | <u>\$ 55,892</u> |
| The following intangible assets are amortized on a straight-line basis over their estimated useful lives as follows: | |
| Computer software | 3-5 years |

16. OTHER ASSETS

| | December 31 | |
|--------------------------|-------------------|-------------------|
| | 2020 | 2019 |
| Refundable deposits | \$ 160,077 | \$ 159,027 |
| Prepayment for equipment | 39,461 | 67,716 |
| Leases incentives | 356,009 | 309,990 |
| Others | <u>68,005</u> | <u>64,807</u> |
| | <u>\$ 623,552</u> | <u>\$ 601,540</u> |
| Current | \$ 60,981 | \$ 64,807 |
| Non-current | <u>562,571</u> | <u>536,733</u> |
| | <u>\$ 623,552</u> | <u>\$ 601,540</u> |

17. BORROWINGS

a. Short-term borrowings

| | December 31 | |
|--|---------------------|---------------------|
| | 2020 | 2019 |
| Credit loans | \$ 3,950,000 | \$ 4,300,000 |
| Secured loans (Note 29) | <u>700,000</u> | <u>700,000</u> |
| | <u>\$ 4,650,000</u> | <u>\$ 5,000,000</u> |
| Interest rate intervals are as follows | | |
| Credit loans | 0.81%-0.87% | 0.90%-1.00% |
| Secured loans | 0.86% | 0.92% |

b. Short-term bills payable

| | December 31 | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Commercial papers | \$ 2,450,000 | \$ 2,500,000 |
| Less: Unamortized discount on bills payable | <u>720</u> | <u>688</u> |
| | <u>\$ 2,449,280</u> | <u>\$ 2,499,312</u> |

Outstanding short-term bills payable are as follows:

December 31, 2020

| Promissory Institution | Nominal Amount | Discount Amount | Carrying Amount | Interest Rate | Collateral | Carrying Amount of Collateral |
|----------------------------------|---------------------|-----------------|---------------------|---------------|------------|-------------------------------|
| <u>Commercial papers</u> | | | | | | |
| Mega Bills Finance | \$ 500,000 | \$ 207 | \$ 499,793 | 0.62% | - | \$ - |
| Shanghai Bank | 500,000 | 196 | 499,804 | 0.332% | - | - |
| China Bills Finance | 350,000 | 57 | 349,943 | 0.25% | - | - |
| Grand Finance | 300,000 | 35 | 299,965 | 0.65% | - | - |
| International Bills Finance | 200,000 | 65 | 199,935 | 0.51% | - | - |
| Taiwan Cooperative Bills Finance | 200,000 | 14 | 199,986 | 0.70% | - | - |
| Taiwan Bills Finance | 200,000 | 99 | 199,901 | 0.60% | - | - |
| Ta Ching Bill Finance | <u>200,000</u> | <u>47</u> | <u>199,953</u> | 0.61% | - | <u>-</u> |
| | <u>\$ 2,450,000</u> | <u>\$ 720</u> | <u>\$ 2,449,280</u> | | | <u>\$ -</u> |

December 31, 2019

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

c. Long-term borrowings

| | <u>December 31</u> | |
|-----------------------------|----------------------|----------------------|
| | <u>2020</u> | <u>2019</u> |
| Secured loans | \$ 10,400,000 | \$ 10,100,000 |
| Credit loans | 2,000,000 | 3,000,000 |
| Revolving commercial papers | <u>899,761</u> | <u>1,199,757</u> |
| | 13,299,761 | 14,299,757 |
| Less: Current portion | <u>299,933</u> | <u>2,500,000</u> |
| Long-term borrowings | <u>\$ 12,999,828</u> | <u>\$ 11,799,757</u> |

Interest rate intervals are as follows:

| | | |
|-----------------------------|---------------|---------------|
| Secured loans | 0.860%-0.880% | 0.900%-1.720% |
| Credit loans | 0.860% | 0.900%-1.200% |
| Revolving commercial papers | 0.281%-0.402% | 0.399%-0.429% |

18. OTHER LIABILITIES

| | December 31 | |
|--|---------------------|---------------------|
| | 2020 | 2019 |
| Other payables | | |
| Payables for salaries and bonus | \$ 328,122 | \$ 316,121 |
| Payables for purchase of equipment | 636,325 | 939,356 |
| Payables for remuneration of directors | 173,544 | 162,342 |
| Payables for compensation of employees | 77,093 | 76,257 |
| Others | <u>612,048</u> | <u>581,415</u> |
| | <u>\$ 1,827,132</u> | <u>\$ 2,075,491</u> |
| Other liabilities | | |
| Deposits received | \$ 78,536 | \$ 100,514 |
| Others | <u>128,603</u> | <u>154,488</u> |
| | <u>\$ 207,139</u> | <u>\$ 255,002</u> |
| Current | | |
| Other payables | <u>\$ 1,827,132</u> | <u>\$ 2,075,491</u> |
| Other liabilities | <u>\$ 128,603</u> | <u>\$ 154,488</u> |
| Non-current | | |
| Other liabilities | <u>\$ 78,536</u> | <u>\$ 100,514</u> |

19. 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 | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Present value of the defined benefit obligation | \$ 691,522 | \$ 690,534 |
| Fair value of the plan assets | <u>(897,385)</u> | <u>(924,569)</u> |
| Net defined benefit assets | <u>\$ (205,863)</u> | <u>\$ (234,035)</u> |

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, 2019 | \$ 667,816 | \$ (578,815) | \$ 89,001 |
| Service cost | | | |
| Current service cost | 5,581 | - | 5,581 |
| Net interest expense (income) | <u>7,513</u> | <u>(6,544)</u> | <u>969</u> |
| Recognized in profit or loss | <u>13,094</u> | <u>(6,544)</u> | <u>6,550</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (332,601) | (332,601) |
| Actuarial loss - changes in demographic assumptions | 10,011 | - | 10,011 |
| Actuarial loss - changes in financial assumptions | 25,992 | - | 25,992 |
| Actuarial loss - experience adjustments | <u>8,496</u> | <u>-</u> | <u>8,496</u> |
| Recognized in other comprehensive income | <u>44,499</u> | <u>(332,601)</u> | <u>(288,102)</u> |
| Contributions from the employer | - | (41,449) | (41,449) |
| Benefits paid | (34,840) | 34,840 | - |
| Company account paid | <u>(35)</u> | <u>-</u> | <u>(35)</u> |
| Balance at December 31, 2019 | <u>690,534</u> | <u>(924,569)</u> | <u>(234,035)</u> |
| Service cost | | | |
| Current service cost | 5,044 | - | 5,044 |
| Net interest expense (income) | <u>5,179</u> | <u>(6,955)</u> | <u>(1,776)</u> |
| Recognized in profit or loss | <u>10,223</u> | <u>(6,955)</u> | <u>3,268</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | 40,112 | 40,112 |
| Actuarial loss - changes in demographic assumptions | 2,462 | - | 2,462 |
| Actuarial loss - changes in financial assumptions | 16,849 | - | 16,849 |
| Actuarial loss - experience adjustments | <u>11,630</u> | <u>-</u> | <u>11,630</u> |
| Recognized in other comprehensive income | <u>30,941</u> | <u>40,112</u> | <u>71,053</u> |
| Contributions from the employer | | (46,149) | (46,149) |
| Benefits paid | <u>(40,176)</u> | <u>40,176</u> | <u>-</u> |
| Balance at December 31, 2020 | <u>\$ 691,522</u> | <u>\$ (897,385)</u> | <u>\$ (205,863)</u> |

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 | |
|-----------------------------------|--------------------|-------------|
| | 2020 | 2019 |
| Discount rates | 0.500% | 0.750% |
| Expected rates of salary increase | 2.000% | 2.000% |

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

| | December 31 | |
|-------------------------------------|--------------------|--------------------|
| | 2020 | 2019 |
| Discount rate(s) | | |
| 0.25% increase | <u>\$ (16,862)</u> | <u>\$ (17,601)</u> |
| 0.25% decrease | <u>\$ 17,485</u> | <u>\$ 18,275</u> |
| Expected rate(s) of salary increase | | |
| 0.25% increase | <u>\$ 16,923</u> | <u>\$ 17,730</u> |
| 0.25% decrease | <u>\$ (16,409)</u> | <u>\$ (17,168)</u> |

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

| | December 31 | |
|--|--------------------|-----------------|
| | 2020 | 2019 |
| The expected contributions to the plan for the next year | <u>\$ 5,356</u> | <u>\$ 5,417</u> |
| The average duration of the defined benefit obligation | 9.9 years | 10.4 years |

20. EQUITY

a. Share capital

Ordinary shares

| | <u>December 31</u> | |
|---|----------------------|----------------------|
| | <u>2020</u> | <u>2019</u> |
| Shares authorized (in thousands) | <u>1,750,000</u> | <u>1,750,000</u> |
| Shares authorized | <u>\$ 17,500,000</u> | <u>\$ 17,500,000</u> |
| Shares issued and fully paid (in thousands) | <u>1,416,941</u> | <u>1,416,941</u> |
| Shares issued | <u>\$ 14,169,406</u> | <u>\$ 14,169,406</u> |

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

b. Capital surplus

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u> | | |
| Issuance in excess of ordinary shares | \$ 2,142,074 | \$ 2,142,074 |
| Treasury share transactions | 1,173,346 | 1,173,346 |
| <u>May only be used to offset a deficit</u> | | |
| Changes in percentage of ownership interest in subsidiaries and associates | <u>23,371</u> | <u>12,046</u> |
| | <u>\$ 3,338,791</u> | <u>\$ 3,327,466</u> |

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

c. Retained earnings and dividend policy

According to the Articles of Incorporation, where the Company makes profit in a fiscal year, the profit shall be first utilized to make its business income tax payments and offset deficits. From any remaining profit, out of the profit after tax for the current period plus other profit items adjusted to the current year's undistributed earnings other than profit after tax for the period, 10% will be appropriated as a legal reserve. After appropriating to the special reserve as required by government regulations, the remaining amount, along with any prior years' undistributed earnings, may be utilized for earnings distribution in the form of dividend based on shareholding percentage. However, the Company may retain a certain portion depending on the operating needs. In case of a capital increase during the year, dividends appropriated to new shareholders are subject to the resolution passed in the shareholders' meeting. For policies of compensation of employees and remuneration of directors stipulated by the Articles of Incorporation, please see Note 22(i).

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 2019 and 2018, which were approved in the shareholders' meetings on June 24, 2020 and June 25, 2019, respectively, are as follows:

| | For the Year Ended December 31 | |
|---------------------------------|---------------------------------------|---------------------|
| | 2019 | 2018 |
| Legal reserve | <u>\$ 125,920</u> | <u>\$ 131,815</u> |
| Special reserve | <u>\$ (156,088)</u> | <u>\$ 73,330</u> |
| Cash dividends | <u>\$ 1,133,552</u> | <u>\$ 1,204,400</u> |
| Cash dividends per share (NT\$) | \$ 0.80 | \$ 0.85 |

The appropriation of earnings for 2020 was proposed by the board of directors on March 23, 2021. The appropriations and dividends per share are as follows:

| | For the Year Ended December 31, 2020 |
|---------------------------------|---|
| Legal reserve | <u>\$ 186,704</u> |
| Special reserve | <u>\$ (89,694)</u> |
| Cash dividends | <u>\$ 1,558,635</u> |
| Cash dividends per share (NT\$) | \$ 1.10 |

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in their meeting to be held on June 29, 2021.

d. Special reserve

| | <u>For the Year Ended December 31</u> | |
|--|--|---------------------|
| | 2020 | 2019 |
| Beginning at January 1 | \$ 2,865,351 | \$ 2,656,286 |
| Initial application of IFRS 16 | - | 135,735 |
| Appropriation in respect of net increases in the fair value of investment properties | - | 73,330 |
| Reversals of special reserve | | |
| Reversal of fair value of investment properties | <u>(156,088)</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 2,709,263</u> | <u>\$ 2,865,351</u> |

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

e. Other equity items

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

| | <u>For the Year Ended December 31</u> | |
|--|--|------------------|
| | 2020 | 2019 |
| Beginning at January 1 | \$ 65,325 | \$ 90,654 |
| Exchange difference of subsidiaries and associates accounted for using the equity method | <u>3,225</u> | <u>(25,329)</u> |
| Balance at December 31 | <u>\$ 68,550</u> | <u>\$ 65,325</u> |

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

| | <u>For the Year Ended December 31</u> | |
|---|--|---------------------|
| | 2020 | 2019 |
| Beginning at January 1 | \$ 3,058,874 | \$ 1,969,628 |
| Recognized for the year | | |
| Unrealized (loss) gain - equity instruments | (255,429) | 746,698 |
| Share from subsidiaries and associates accounted for using the equity method | <u>(90,130)</u> | <u>342,548</u> |
| Other comprehensive income recognized for the year | 2,713,315 | 3,058,874 |
| Reclassification adjustment | | |
| Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal | <u>1,036</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 2,714,351</u> | <u>\$ 3,058,874</u> |

f. Treasury shares

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

December 31, 2020

| Name of Subsidiary | Number of Shares Held (In Thousands of Shares) | Carrying Amount | Market Price |
|-------------------------------|---|------------------------|---------------------|
| Bai Ding Investment Co., Ltd. | 8,207 | <u>\$ 97,110</u> | <u>\$ 196,949</u> |

December 31, 2019

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

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

21. REVENUE

| | For the Year Ended December 31 | |
|---|---------------------------------------|----------------------|
| | 2020 | 2019 |
| Sale of goods (Note) | <u>\$ 5,061,768</u> | <u>\$ 4,791,146</u> |
| Commissions from concessionaires' sales (Note) | <u>3,929,067</u> | <u>3,892,189</u> |
| Maintenance and promotion fee income | <u>714,932</u> | <u>713,187</u> |
| Rental income | | |
| Investment properties (Note 14) | | |
| Variable lease payments that do not depend on an index or a rate and contingent rentals | 20,850 | 21,922 |
| Other lease payments | <u>217,608</u> | <u>178,336</u> |
| | <u>238,458</u> | <u>200,258</u> |
| Other operating leases | | |
| Variable lease payments that do not depend on an index or a rate | 103,295 | 82,465 |
| Other lease payments | <u>573,746</u> | <u>541,779</u> |
| | <u>677,041</u> | <u>624,244</u> |
| | <u>915,499</u> | <u>824,502</u> |
| Others | <u>415,789</u> | <u>393,720</u> |
| | <u>\$ 11,037,055</u> | <u>\$ 10,614,744</u> |

Note: Gross revenue is presented as follows:

| | <u>For the Year Ended December 31</u> | |
|------------------------|--|----------------------|
| | 2020 | 2019 |
| Concessionaires' sales | \$ 39,946,194 | \$ 37,141,303 |
| Sale of goods | <u>5,311,412</u> | <u>5,035,862</u> |
| | <u>\$ 45,257,606</u> | <u>\$ 42,177,165</u> |

Contract Balances

| | December 31, 2020 | December 31, 2019 | January 1, 2019 |
|--------------------------------|------------------------------|------------------------------|------------------------|
| Notes receivable (Note 9) | <u>\$ -</u> | <u>\$ 3</u> | <u>\$ 140</u> |
| Accounts receivable (Note 9) | <u>\$ 322,111</u> | <u>\$ 425,281</u> | <u>\$ 780,192</u> |
| Contract liabilities - current | | | |
| Sale of goods | \$ 3,163,634 | \$ 2,991,519 | \$ 2,807,936 |
| Customer loyalty programs | <u>39,308</u> | <u>33,007</u> | <u>39,896</u> |
| | <u>\$ 3,202,942</u> | <u>\$ 3,024,526</u> | <u>\$ 2,847,832</u> |

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:

| | <u>For the Year Ended December 31</u> | |
|--|--|---------------------|
| | 2020 | 2019 |
| <u>From contract liabilities at the start of the years</u> | | |
| Sale of goods | \$ 1,225,774 | \$ 1,270,069 |
| Customer loyalty programs | <u>33,007</u> | <u>39,896</u> |
| | <u>\$ 1,258,781</u> | <u>\$ 1,309,965</u> |

22. NET PROFIT FOR THE YEAR

Net profit for the year includes the following items:

a. Operating costs

| | <u>For the Year Ended December 31</u> | |
|-----------------|--|---------------------|
| | 2020 | 2019 |
| Operating costs | | |
| Cost of sales | \$ 4,185,447 | \$ 3,962,329 |
| Rental costs | 183,606 | 171,075 |
| Others | <u>36,778</u> | <u>35,358</u> |
| | <u>\$ 4,405,831</u> | <u>\$ 4,168,762</u> |

b. Interest income

For the Year Ended December 31
2020 **2019**

| | | |
|-----------------|--------|--------|
| Interest income | | |
| Bank deposits | \$ 933 | \$ 242 |

c. Other income

For the Year Ended December 31
2020 **2019**

| | | |
|------------------|------------|------------|
| Dividends income | \$ 181,578 | \$ 177,242 |
|------------------|------------|------------|

d. Other gains and losses

For the Year Ended December 31
2020 **2019**

| | | |
|--|------------------|--------------------|
| Loss on disposal of investment properties, net | \$ (116) | \$ (247) |
| Foreign exchange loss, net | (117) | (63) |
| Loss on disposal of property, plant and equipment, net | (5,157) | (6,229) |
| Impairment loss of intangible assets | (6,307) | - |
| Gain (loss) on change in fair value of investment properties | 19,544 | (75,802) |
| Other gains | 66,908 | 63,041 |
| Other losses | <u>(9,750)</u> | <u>(9,544)</u> |
| | <u>\$ 65,005</u> | <u>\$ (28,844)</u> |

e. Finance costs

For the Year Ended December 31
2020 **2019**

| | | |
|--|-------------------|-------------------|
| Interest on lease liabilities | \$ 254,151 | \$ 227,021 |
| Interest on bank loans | 186,719 | 200,590 |
| Other interest expense | <u>25,507</u> | <u>24,730</u> |
| Total interest expense for financial liabilities measured at fair value through profit or loss | 466,377 | 452,341 |
| Less: Amounts included in the cost of qualifying assets | <u>-</u> | <u>(74,472)</u> |
| | <u>\$ 466,377</u> | <u>\$ 377,869</u> |

Information about capitalized interest is as follows:

For the Year Ended December 31
2020 **2019**

| | | |
|------------------------------|------|-------------|
| Capitalized interest amount | \$ - | \$ 74,472 |
| Capitalization rate interval | - | 0.98%-1.02% |

f. Depreciation and amortization

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2020 | 2019 |
| Property, plant and equipment | \$ 984,502 | \$ 858,006 |
| Right-of-use assets | 1,145,458 | 880,224 |
| Less: Adjustment to receipts in advance and depreciation | <u>(95,200)</u> | <u>(83,772)</u> |
| | 2,034,760 | 1,654,458 |
| Intangible assets (including amortization expenses) | <u>50,182</u> | <u>26,757</u> |
| | <u>\$ 2,084,942</u> | <u>\$ 1,681,215</u> |
| An analysis of deprecation by function | | |
| Operating costs | \$ 90,755 | \$ 88,000 |
| Operating expenses | <u>1,944,005</u> | <u>1,566,458</u> |
| | <u>\$ 2,034,760</u> | <u>\$ 1,654,458</u> |
| An analysis of amortization by function | | |
| Operating expenses | <u>\$ 50,182</u> | <u>\$ 26,757</u> |

g. Operating expenses directly related to investment properties

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2020 | 2019 |
| Direct operating expenses from investment properties generating rental income | \$ 74,852 | \$ 62,278 |
| Direct operating expenses from investment properties not generating rental income | <u>33,313</u> | <u>41,427</u> |
| | <u>\$ 108,165</u> | <u>\$ 103,705</u> |

h. Employee benefits expenses

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2020 | 2019 |
| Post-employment benefits | | |
| Defined contribution plan | \$ 34,163 | \$ 32,860 |
| Defined benefit plan (Note 19) | <u>3,268</u> | <u>6,550</u> |
| | 37,431 | 39,410 |
| Other employee benefits | <u>1,196,997</u> | <u>1,144,299</u> |
| Total employee benefits expenses | <u>\$ 1,234,428</u> | <u>\$ 1,183,709</u> |
| An analysis of employee benefits expenses by function | | |
| Operating expenses | <u>\$ 1,234,428</u> | <u>\$ 1,183,709</u> |

i. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at a rate of 2% to 3.5% and no less than 2.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on March 23, 2021 and March 27, 2020, respectively, are as follows:

Accrual rate

| | <u>For the Year Ended December 31</u> | |
|---------------------------|---------------------------------------|-------------|
| | <u>2020</u> | <u>2019</u> |
| Compensation of employees | 3.2% | 3.2% |
| Remuneration of directors | 2.4% | 2.4% |

Amount

| | <u>For the Year Ended December 31</u> | |
|---------------------------|---------------------------------------|-------------|
| | <u>2020</u> | <u>2019</u> |
| | <u>Cash</u> | <u>Cash</u> |
| Compensation of employees | \$ 75,603 | \$ 74,392 |
| Remuneration of directors | 56,702 | 55,794 |

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 compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

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

23. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|-------------------|
| | <u>2020</u> | <u>2019</u> |
| Current income tax | | |
| In respect of the current year | \$ 245,710 | \$ 267,838 |
| Adjustments for the prior year | <u>267</u> | <u>2,590</u> |
| | <u>245,977</u> | <u>270,428</u> |
| Deferred income tax | | |
| In respect of the current year | 37,894 | 136,596 |
| Adjustments for the prior year | <u>7,269</u> | <u>5,686</u> |
| | <u>45,163</u> | <u>142,282</u> |
| Income tax expense recognized in profit or loss | <u>\$ 291,140</u> | <u>\$ 412,710</u> |

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2020 | 2019 |
| Profit before income tax from continuing operations | <u>\$ 2,230,279</u> | <u>\$ 2,194,553</u> |
| Income tax expense calculated at the statutory rate | \$ 446,056 | \$ 438,911 |
| Nondeductible expenses in determining taxable income | 599 | 234 |
| Tax-exempt income | (137,407) | (87,196) |
| Unrecognized deductible temporary differences | (22,753) | 63,258 |
| Adjustments for prior years' income tax | 267 | 2,590 |
| Adjustments for prior years' deferred tax | 7,269 | 5,686 |
| Land value increment tax | (2,891) | (10,951) |
| Others | <u>-</u> | <u>178</u> |
| Income tax expense recognized in profit or loss | <u>\$ 291,140</u> | <u>\$ 412,710</u> |

In July 2019, the Statute for Industrial Innovation was announced, stipulating that the construction or purchase of specific assets or technologies with undistributed earnings from fiscal year 2018 onward may be included as a deduction for calculating undistributed earnings. When the Company calculates undistributed earnings tax, it only deducts the amount of capital expenditure from actual reinvestments.

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|--|---------------------------------------|--------------------|
| | 2020 | 2019 |
| <u>Deferred tax</u> | | |
| In respect of the current year | | |
| Remeasurement on defined benefit plans | <u>\$ 14,211</u> | <u>\$ (57,620)</u> |
| | <u>\$ 14,211</u> | <u>\$ (57,620)</u> |

c. Current tax assets and liabilities

| | December 31 | |
|-------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 111,095</u> | <u>\$ 161,580</u> |

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehen sive Income | Closing Balance |
|--|----------------------------|---|--|----------------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Investments accounted for using the equity method | \$ 9,435 | \$ 8,193 | \$ - | \$ 17,628 |
| Promotion expense on gift certificates | 18,488 | (17) | - | 18,471 |
| Right-of-use assets | 20,071 | (1,842) | - | 18,229 |
| Others | <u>22,350</u> | <u>3,540</u> | <u>-</u> | <u>25,890</u> |
| | <u>\$ 70,344</u> | <u>\$ 9,874</u> | <u>\$ -</u> | <u>\$ 80,218</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Depreciation | \$ 1,031,733 | \$ 43,880 | \$ - | \$ 1,075,613 |
| Reserve for land revaluation increment tax | 391,157 | (2,891) | - | 388,266 |
| Investment properties | 363,604 | (2,830) | - | 360,774 |
| Investments accounted for using the equity method | 245,340 | (513) | - | 244,827 |
| Differences of pension in determining taxable income | 46,807 | 8,576 | (14,211) | 41,172 |
| Others | <u>64,000</u> | <u>8,815</u> | <u>-</u> | <u>72,815</u> |
| | <u>\$ 2,142,641</u> | <u>\$ 55,037</u> | <u>\$ (14,211)</u> | <u>\$ 2,183,467</u> |

For the year ended December 31, 2019

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehen sive Income | Closing Balance |
|--|----------------------------|---|--|----------------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Investments accounted for using the equity method | \$ 111,485 | \$ (102,050) | \$ - | \$ 9,435 |
| Promotion expense on gift certificates | 17,497 | 991 | - | 18,488 |
| Right-of-use assets | 20,071 | - | - | 20,071 |
| Differences of pension in determining taxable income | 17,899 | 12,654 | (30,553) | - |
| Others | <u>25,193</u> | <u>(2,843)</u> | <u>-</u> | <u>22,350</u> |
| | <u>\$ 192,145</u> | <u>\$ (91,248)</u> | <u>\$ (30,553)</u> | <u>\$ 70,344</u> |
| | | | | (Continued) |

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehen sive Income | Closing Balance |
|--|---------------------|------------------------------------|--|------------------------------------|
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Depreciation | \$ 1,021,521 | \$ 10,212 | \$ - | \$ 1,031,733 |
| Reserve for land revaluation increment tax | 391,157 | - | - | 391,157 |
| Investment properties | 382,988 | (19,384) | - | 363,604 |
| Investments accounted for using the equity method | 236,775 | 8,565 | - | 245,340 |
| Differences of pension in determining taxable income | - | 19,740 | 27,067 | 46,807 |
| Others | <u>32,099</u> | <u>31,901</u> | <u>-</u> | <u>64,000</u> |
| | <u>\$ 2,064,540</u> | <u>\$ 51,034</u> | <u>\$ 27,067</u> | <u>\$ 2,142,641</u> (Concluded) |

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

| | <u>December 31</u> | |
|----------------------------------|--------------------|-------------------|
| | 2020 | 2019 |
| Deductible temporary differences | <u>\$ 822,205</u> | <u>\$ 935,976</u> |

- f. Income tax assessments

The Company's income tax returns through 2018 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

| | <u>For the Year Ended December 31</u> | |
|----------------------------|---------------------------------------|----------------|
| | 2020 | 2019 |
| Basic earnings per share | <u>\$ 1.38</u> | <u>\$ 1.26</u> |
| Diluted earnings per share | <u>\$ 1.37</u> | <u>\$ 1.26</u> |

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

Net Profit for the Year

| | <u>For the Year Ended December 31</u> | |
|--|---------------------------------------|---------------------|
| | 2020 | 2019 |
| Net profit for the year | \$ 1,939,139 | \$ 1,781,843 |
| Effect of potential dilutive ordinary shares: | | |
| Compensation of employees | <u>-</u> | <u>-</u> |
| Earnings used in the computation of diluted earnings per share | <u>\$ 1,939,139</u> | <u>\$ 1,781,843</u> |

Shares

(In Thousand Shares)

| | For the Year Ended December 31 | |
|--|---------------------------------------|------------------|
| | 2020 | 2019 |
| 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: | | |
| Compensation of employees | <u>4,499</u> | <u>4,031</u> |
| Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share | <u>1,413,233</u> | <u>1,412,765</u> |

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

25. CASH FLOW INFORMATION

a. Non-cash transactions

For the years ended December 31, 2020 and 2019, the Company engaged in the following non-cash investing activities:

For the years ended December 31, 2020 and 2019, the prepayment for equipment reclassified to property, plant and equipment amounted to \$19,729 thousand and \$10,788 thousand, respectively (please see Note 12).

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2020

| | Opening Balance | Cash Flows | Non-cash Changes | | | Closing Balance |
|--|----------------------|-----------------------|-------------------|-------------------------|---------------------|----------------------|
| | | | New Leases | Change in Exchange Rate | Others | |
| Short-term borrowings | \$ 5,000,000 | \$ (350,000) | \$ - | \$ - | \$ - | \$ 4,650,000 |
| Short-term bills payable | 2,499,312 | (50,032) | - | - | - | 2,449,280 |
| Long-term borrowings (including current portion) | 14,299,757 | (999,996) | - | - | - | 13,299,761 |
| Lease liabilities | 15,327,788 | (570,201) | 141,567 | - | (113,828) | 14,785,326 |
| Other non-current liabilities | <u>100,514</u> | <u>(21,978)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>78,536</u> |
| | <u>\$ 37,227,371</u> | <u>\$ (1,992,207)</u> | <u>\$ 141,567</u> | <u>\$ -</u> | <u>\$ (113,828)</u> | <u>\$ 35,262,903</u> |

For the year ended December 31, 2019

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

26. 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.

27. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|---------------------|-------------|-------------------|---------------------|
| <u>Financial assets at FVTOCI</u> | | | | |
| Equity investments | | | | |
| Domestic listed ordinary shares | \$ 2,737,990 | \$ - | \$ - | \$ 2,737,990 |
| Domestic unlisted ordinary shares | - | - | 107,630 | 107,630 |
| | <u>\$ 2,737,990</u> | <u>\$ -</u> | <u>\$ 107,630</u> | <u>\$ 2,845,620</u> |

December 31, 2019

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

There were no transfers between Level 1 and 2 in both 2020 and 2019.

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

For the year ended December 31, 2020

| Financial Assets | Investment in Equity Instruments at FVTOCI |
|---|---|
| Balance at January 1, 2020 | \$ 107,588 |
| Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI) | <u>42</u> |
| Balance at December 31, 2020 | <u>\$ 107,630</u> |

For the year ended December 31, 2019

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

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

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

c. Categories of financial instruments

| | <u>December 31</u> | |
|--|--------------------|--------------|
| | 2020 | 2019 |
| <u>Financial assets</u> | | |
| Financial assets at amortized cost (1) | \$ 1,576,190 | \$ 1,427,222 |
| Equity instruments at FVTOCI | 2,845,620 | 3,101,049 |
| <u>Financial liabilities</u> | | |
| Measured at amortized cost (2) | 26,176,982 | 27,644,053 |

- 1) The balances included the carrying amount of cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and refundable deposits, all of which are financial assets measured at amortized cost.
- 2) The balances included the carrying amount of short-term borrowings, short-term bills payable, notes payable and trade payables (including related parties), other payables, long-term borrowings including the current portion and deposits received, which are measured at amortized cost.

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Interest rate risk

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

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

| | December 31 | |
|-------------------------------|--------------------|-------------|
| | 2020 | 2019 |
| Fair value interest rate risk | | |
| Financial assets | \$ 39,354 | \$ 25,271 |
| Financial liabilities | 14,785,326 | 17,327,788 |
| Cash flow interest rate risk | | |
| Financial assets | 88,585 | 50,112 |
| Financial liabilities | 20,399,041 | 19,799,069 |

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 increase/decrease by 100 basis points and all variables remained unchanged, the profit before tax for the years ended December 31, 2020 and 2019 would decrease/increase by \$203,105 thousand and \$197,490 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 increase/decrease by 5%, the pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would increase/decrease by \$142,281 thousand and \$155,052 thousand, respectively, due to the change in fair value of financial assets measured at fair value through other comprehensive income.

2) Credit risk

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

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

3) Liquidity risk

Liquidity risk is a risk in which the Company has difficulty in settling its financial liabilities either by cash or other financial assets. The Company manages its liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance its operations and mitigate the effects of fluctuations in cash flows. Further, the management monitors the use of bank borrowings and ensures compliance with loan covenants, to avoid critical damage and mitigate the reputation risk facing the Company.

To cater to the demand of 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 maturity analysis of the non-derivative financial liabilities is prepared based on the undiscounted cash flow of the financial liabilities (including the principal and estimated interest) from the earliest date on which the Company can be required to pay. As such, the bank loans in which the Company may be asked to settle immediately are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity analysis of other non-derivative financial liabilities is prepared based on the agreed repayment dates.

December 31, 2020

| | On Demand or Not Later than 1 Year | 1-2 Years | 2-3 Years | 3-4 Years | 4-5 Years | 5+ Years | Total |
|---|--|-----------|-----------|-----------|-----------|------------|--------------|
| <i>Non-derivative financial liabilities</i> | | | | | | | |
| Short-term borrowings | \$ 4,650,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,650,000 |
| Short-term bills payable | 2,449,280 | - | - | - | - | - | 2,449,280 |
| Trade payables | 3,822,290 | - | - | - | - | - | 3,822,290 |
| Trade payables to related parties | 49,983 | - | - | - | - | - | 49,983 |
| Other payables | 1,827,132 | - | - | - | - | - | 1,827,132 |
| Lease liabilities | 941,237 | 944,462 | 940,553 | 927,068 | 847,382 | 13,062,511 | 17,663,213 |
| Long-term borrowings (including current portion) | 299,933 | 9,599,828 | 3,400,000 | - | - | - | 13,299,761 |
| Deposits received | 44,741 | 6,237 | 4,546 | 5,752 | 16,060 | 1,200 | 78,536 |

Additional information about the maturity analysis for lease liabilities

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Lease liabilities | <u>\$ 941,237</u> | <u>\$ 3,659,465</u> | <u>\$ 4,264,801</u> | <u>\$ 3,865,346</u> | <u>\$ 2,518,365</u> | <u>\$ 2,413,999</u> |

December 31, 2019

| | 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 |
|---|--|------------|-----------|-----------|-----------|-----------------------|--------------|
| <i>Non-derivative financial liabilities</i> | | | | | | | |
| Short-term borrowings | \$ 5,000,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,000,000 |
| Short-term bills payable | 2,499,312 | - | - | - | - | - | 2,499,312 |
| Trade payables | 3,612,036 | - | - | - | - | - | 3,612,036 |
| Trade payables to related parties | 56,943 | - | - | - | - | - | 56,943 |
| Other payables | 2,075,491 | - | - | - | - | - | 2,075,491 |
| Lease liabilities | 929,821 | 915,947 | 919,171 | 920,354 | 923,127 | 13,826,908 | 18,435,328 |
| Long-term borrowings (including current portion) | 2,500,000 | 11,799,757 | - | - | - | - | 14,299,757 |
| Deposits received | 30,641 | 14,084 | 6,237 | 3,842 | 5,752 | 39,958 | 100,514 |

Additional information about the maturity analysis for lease liabilities

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

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

28. TRANSACTIONS WITH RELATED PARTIES

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

- 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 |

(Continued)

| Related Party | Relationship with the Company |
|---|--|
| Bai Yang Investment Co., Ltd. (BYIC) | Subsidiary |
| Far Eastern Hon Li Do Co., Ltd. (FEHLD) | Subsidiary |
| Chubei New Century Shopping Mall Co., Ltd. | Subsidiary |
| FEDS Asia Pacific Development Co., Ltd. | Subsidiary |
| FEDS New Century Development Co., Ltd. | Subsidiary |
| Far Eastern Big City Shopping Malls Co., Ltd. | Subsidiary |
| Pacific Sogo Department Stores Co., Ltd. (SOGO) | Subsidiary |
| Ding Ding Integrated Marketing Service Co., Ltd. (DDIM) | Associate |
| Oriental Securities Corporation (OSC) | Associate |
| Yuan Hsin Digital Payment Co., Ltd. (YHDP) | Associate |
| Far Eastern International Leasing Corporation | Associate |
| Far Eastern New Century Corporation (FENC) | Investor with significant influence over the Company (equity method investor of FEDS) |
| Far Eastone Telecommunications Co., Ltd. | Associate of investor with significant influence over the Company (the subsidiary of FENC) |
| New Century InfoComm Tech Co., Ltd. | Associate of investor with significant influence over the Company (the subsidiary of FENC) |
| Far Eastern General Contractor Inc. (FEGC) | Associate of investor with significant influence over the Company (the subsidiary of FENC) |
| Far Eastern Construction Co., Ltd. (FEC) | Associate of investor with significant influence over the Company (the subsidiary of FENC) |
| Far Eastern Resources Development Co., Ltd. | Associate of investor with significant influence over the Company (the subsidiary of FENC) |
| Ding Ding Hotel Co., Ltd. | Associate of investor with significant influence over the Company (the subsidiary of FENC) |
| Far Eastern Electronic Toll Collection Co., Ltd. | Associate of investor with significant influence over the Company (the subsidiary of FENC) |
| Far Eastern Apparel Co., Ltd. | Associate of investor with significant influence over the Company (the subsidiary of FENC) |
| Yuan Ding Co., Ltd. (YDC) | Associate of investor with significant influence over the Company (the subsidiary of FENC) |
| YDT Technology International Co., Ltd. | Associate of investor with significant influence over the Company (the subsidiary of FENC) |
| Far Eastern Technical Consultants Co., Ltd. | Associate of investor with significant influence over the Company (the subsidiary of FENC) |
| Yuanshi Digital Technology Co., Ltd. | Associate of investor with significant influence over the Company (the subsidiary of FENC) |
| Asia Cement Corporation | Associate of investor with significant influence over the Company (the subsidiary of FENC) |
| Ya Tung Ready Mixed Concrete Co., Ltd. | Associate of investor with significant influence over the Company (the subsidiary of FENC) |
| Everest Textile Co., Ltd. | Associate of investor with significant influence over the Company (the subsidiary of FENC) |
| Far Eastern International Bank (FEIB) | Other related party (the chairman of Company, also the vice chairman of FEIB) |
| 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) |

(Continued)

| <u>Related Party</u> | <u>Relationship with the Company</u> |
|--|--|
| Far Eastern Medical Foundation | Other related party (the same chairman) |
| U-Ming Marine Transport Corporation | Other related party (the same chairman) |
| Mr. Xu Yuanzhi Memorial Foundation | Other related party (related party in substance) |
| Ding & Ding Management Consultants Co., Ltd. | Other related party (related party in substance) |
| | (Concluded) |

b. Operating revenue

| Line Item | Related Party Category/Name | For the Year Ended December 31 | |
|-------------------------|--|---------------------------------------|-------------------|
| | | 2020 | 2019 |
| Sales of goods (Note) | Subsidiaries | \$ 35,576 | \$ 31,694 |
| | Associates of investor with significant influence over the Company | 31,087 | 34,116 |
| | Other related parties | <u>680</u> | <u>999</u> |
| | | <u>\$ 67,343</u> | <u>\$ 66,809</u> |
| Other operating revenue | Other related parties | \$ 48,520 | \$ 55,305 |
| | Subsidiaries | 25,115 | 27,308 |
| | Associates of investor with significant influence over the Company | 18,467 | 20,504 |
| | Associates | <u>1,288</u> | <u>2,189</u> |
| | | <u>\$ 93,390</u> | <u>\$ 105,306</u> |

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

c. Purchases

| Line Item | Related Party Category/Name | For the Year Ended December 31 | |
|------------------------|--|---------------------------------------|------------------|
| | | 2020 | 2019 |
| Operating costs (Note) | Associates of investor with significant influence over the Company | \$ 14,083 | \$ 22,697 |
| | Subsidiaries | <u>3,372</u> | <u>3,057</u> |
| | | <u>\$ 17,455</u> | <u>\$ 25,754</u> |

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

d. Receivables from related parties

| Line Item | Related Party Category/Name | December 31 | |
|-------------------|--|------------------|------------------|
| | | 2020 | 2019 |
| Trade receivable | Associates of investor with significant influence over the company | \$ 29,920 | \$ 33,535 |
| | Other related parties | 28,831 | 38,647 |
| | Subsidiaries | 7,648 | 3,230 |
| | Investor with significant influence over the Company | 7,195 | 2,970 |
| | Associates | <u>1,649</u> | <u>1,152</u> |
| | | <u>\$ 75,243</u> | <u>\$ 79,534</u> |
| Other receivables | Subsidiaries | \$ 7,754 | \$ 7,516 |
| | Associates of investor with significant influence over the company | 1,511 | 1,990 |
| | Other related parties | <u>54</u> | <u>4,106</u> |
| | | <u>\$ 9,319</u> | <u>\$ 13,612</u> |

e. Other non-current assets

| Line Item | Related Party Category/Name | December 31 | |
|---------------------|--|------------------|------------------|
| | | 2020 | 2019 |
| Lease incentives | Associates of investor with significant influence over the company | | |
| | Yuan Ding Co., Ltd | \$ 18,741 | \$ 13,768 |
| | Other related parties | | |
| | Far Eastern International Bank Ltd. | <u>863</u> | <u>1,134</u> |
| | | <u>\$ 19,604</u> | <u>\$ 14,902</u> |
| Refundable deposits | Associates of investor with significant influence over the company | <u>\$ 7,741</u> | <u>\$ 7,741</u> |

f. Payables to related parties

| Line Item | Related Party Category/Name | December 31 | |
|---------------|--|------------------|------------------|
| | | 2020 | 2019 |
| Trade payable | Associates of investor with significant influence over the company | \$ 26,764 | \$ 33,022 |
| | Subsidiaries | <u>23,219</u> | <u>23,921</u> |
| | | <u>\$ 49,983</u> | <u>\$ 56,943</u> |

(Continued)

| Line Item | Related Party Category/Name | December 31 | |
|----------------|--|-------------------|-------------------|
| | | 2020 | 2019 |
| Other payables | Associates of investor with significant influence over the company | | |
| | Far Eastern General Construction Inc. | \$ 217,682 | \$ 217,051 |
| | Ya Tung Ready-Mixed Concrete Corporation | 78,769 | 90,392 |
| | Others | <u>18,640</u> | <u>30,777</u> |
| | | 315,091 | 338,220 |
| | Associates | 60,605 | 50,630 |
| | Subsidiaries | 51,758 | 41,111 |
| | Investor with significant influence over the Company | 41,866 | 37,653 |
| | Other related parties | <u>7,563</u> | <u>88</u> |
| | | <u>\$ 476,883</u> | <u>\$ 467,702</u> |

(Concluded)

g. Other current liabilities

| Line Item | Related Party Category/Name | December 31 | |
|------------------|--|---------------|-----------------|
| | | 2020 | 2019 |
| Advance receipts | Associates of investor with significant influence over the company | <u>\$ 844</u> | <u>\$ 1,471</u> |
| Others | Associates | \$ 372 | \$ 520 |
| | Subsidiaries | 67 | 23 |
| | Associates of investor with significant influence over the company | 55 | 102 |
| | Others | <u>-</u> | <u>1,154</u> |
| | | <u>\$ 494</u> | <u>\$ 1,799</u> |

h. Other non-current liabilities

| Line Item | Related Party Category/Name | December 31 | |
|-----------------------------|--|------------------|-----------|
| | | 2020 | 2019 |
| Guarantee deposits received | Associates of investor with significant influence over the company | | |
| | Yuan Ding Co., Ltd | \$ 57,880 | \$ 48,676 |
| | Others | <u>87</u> | <u>87</u> |
| | | 57,967 | 48,763 |
| | Other related parties | 1,023 | 1,023 |
| Subsidiaries | <u>881</u> | <u>881</u> | |
| | <u>\$ 59,871</u> | <u>\$ 50,667</u> | |

i. Lease arrangements - the Company as lessee

| | | For the Year Ended December 31 | |
|--|--|---------------------------------------|---------------------|
| | | 2020 | 2019 |
| Related Party Category/Name | | | |
| <u>Acquisition of right-of-use assets</u> | | | |
| Associates of investor with significant influence over the Company | | \$ 92,571 | \$ - |
| Associates | | <u>5,337</u> | <u>-</u> |
| | | <u>\$ 97,908</u> | <u>\$ -</u> |
| | | December 31 | |
| Line Item | Related Party Category/Name | 2020 | 2019 |
| Lease liabilities (Note) | Associates of investor with significant influence over the company | | |
| | Far Eastern Construction Co., Ltd | \$ 3,649,049 | \$ 3,790,369 |
| | Asia Cement Corporation | 309,379 | 384,961 |
| | Yuan Ding Co., Ltd | 32,933 | 11,106 |
| | Far Eastern Resources Development Co., Ltd. | <u>8,685</u> | <u>10,807</u> |
| | | 4,000,046 | 4,197,243 |
| | Other related parties | 9,615 | 10,897 |
| | Associates | <u>4,988</u> | <u>-</u> |
| | | <u>\$ 4,014,649</u> | <u>\$ 4,208,140</u> |

Note: The lease payments, payable either monthly or yearly, are made per the agreement between the Company and the related parties.

| | | For the Year Ended December 31 | |
|--|--|---------------------------------------|------------------|
| | | 2020 | 2019 |
| Related Party Category/Name | | | |
| <u>Interest expense</u> | | | |
| Associates of investor with significant influence over the company | | \$ 67,460 | \$ 70,615 |
| Other related parties | | 175 | 197 |
| Associates | | <u>15</u> | <u>-</u> |
| | | <u>\$ 67,650</u> | <u>\$ 70,812</u> |

j. Construction projects

The construction projects of the Company were as follows:

| | | For the Year Ended December 31 | |
|--|--|---------------------------------------|-------------------|
| | | 2020 | 2019 |
| Associates of investor with significant influence over the company | | \$ 29,692 | \$ 691,248 |
| Other related parties | | <u>13,737</u> | <u>-</u> |
| | | <u>\$ 43,429</u> | <u>\$ 691,248</u> |

k. Other related-party transactions

| Line Item | Related Party Category/Name | For the Year Ended December 31 | |
|---|---|--------------------------------|-------------------|
| | | 2020 | 2019 |
| Operating expenses (Note) | Subsidiaries | \$ 188,339 | \$ 239,920 |
| | Investor with significant influence over the Company | 83,986 | 78,502 |
| | Associates | 47,039 | 43,984 |
| | Associates of investor with significant influence over the company | 46,726 | 43,960 |
| | Other related parties | <u>39,119</u> | <u>8,879</u> |
| | | <u>\$ 405,209</u> | <u>\$ 415,245</u> |
| Other gains and losses - gains | Subsidiaries | | |
| | Pacific Sogo Department Stores Co., Ltd. | \$ 18,723 | \$ 18,104 |
| | Others | <u>3,366</u> | <u>1,970</u> |
| | | 22,089 | 20,074 |
| | Other related parties | | |
| | Far Eastern International Bank Ltd. | 19,301 | 18,121 |
| | Associates | 90 | 279 |
| Associates of investor with significant influence over the company | <u>15</u> | <u>50</u> | |
| | | <u>\$ 41,495</u> | <u>\$ 38,524</u> |
| Other gains and losses - losses | Associates | | |
| | Oriental Securities Corporation | \$ 7,054 | \$ 7,131 |
| | Associates of investor with significant influence over the company | 7 | - |
| | Investor with significant influence over the Company | <u>6</u> | <u>1</u> |
| | | <u>\$ 7,067</u> | <u>\$ 7,132</u> |
| Finance costs | Subsidiary Pacific Sogo Department Stores Co., Ltd. | <u>\$ 12,227</u> | <u>\$ 11,606</u> |

l. Loans from other related parties

| Related Party Category/Name | December 31 | |
|-------------------------------------|-------------|-------------|
| | 2020 | 2019 |
| Far Eastern International Bank Ltd. | <u>\$ -</u> | <u>\$ -</u> |

Interest revenue

| Related Party Category/Name | For the Year Ended December 31 | |
|-------------------------------------|--------------------------------|---------------|
| | 2020 | 2019 |
| Far Eastern International Bank Ltd. | <u>\$ 639</u> | <u>\$ 765</u> |

m. Compensation of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|---------------------------------------|------------------|
| | 2020 | 2019 |
| Short-term employee benefits | \$ 73,686 | \$ 72,113 |
| Post-employment benefits | <u>34</u> | <u>214</u> |
| | <u>\$ 73,720</u> | <u>\$ 72,327</u> |

The remuneration of directors and other key management personnel was determined by the compensation committee of the Company in accordance with the individual performance and the market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

| | December 31 | |
|---|----------------------|----------------------|
| | 2020 | 2019 |
| Financial assets at FVTOCI | \$ 1,512,000 | \$ 1,678,250 |
| Investments accounted for using the equity method | 1,181,946 | 1,183,170 |
| Property, plant and equipment | 13,616,836 | 13,762,450 |
| Investment properties | <u>1,309,425</u> | <u>1,319,887</u> |
| | <u>\$ 17,620,207</u> | <u>\$ 17,943,757</u> |

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant unrecognized commitments and contingencies of the Company as of December 31, 2020 and 2019 are as follows:

a. Significant unrecognized commitments

The amounts of unrecognized commitments are as follows:

| | December 31 | |
|--|--------------------|-------------------|
| | 2020 | 2019 |
| Acquisition of property, plant and equipment | <u>\$ 431,182</u> | <u>\$ 605,809</u> |

- b. In April 2019, under a ruling by the MOEA whereby “the terms and conditions of gift certificates 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, 2020 to March 31, 2021. As of December 31, 2020, the Company’s guarantee amount for SOGO was \$4,882,843 thousand and that of SOGO for the Company was \$3,221,064 thousand.

31. 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: None.
 - 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 4.
 - 9) Trading in derivative instruments: None.
- b. Information on investees: Table 5.
- 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 6.
 - 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.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater, showing the names and the numbers of shares and percentage of ownership of each shareholder, please see Table 7.

FAR EASTERN DEPARTMENT STORES, LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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 Holding Ltd. | Other receivables | Y | \$ 2,000,000 | \$ 2,000,000 | \$ - | - | (Note A) | \$ - | Transaction | \$ - | - | \$ - | \$ 4,705,699 (Note B) | \$ 4,705,699 (Note B) |
| 2 | Chongqing FEDS Co., Ltd. | Chongqing Pacific Consultant and Management Co., Ltd. | Other receivables | Y | 742,016 (RMB 170,000 thousand) | 742,016 (RMB 170,000 thousand) | 679,599 (RMB 155,700 thousand) | 1.504523%-4.129436% (Note F) | (Note A) | - | Transaction | - | - | - | 12,477,568 (Note D) | 12,477,568 (Note D) |
| | | Dalian Pacific Department Store Co., Ltd. | Other receivables | Y | 436,480 (RMB 100,000 thousand) | 218,240 (RMB 50,000 thousand) | - | 1.504523%-4.129436% (Note G) | (Note A) | - | Transaction | - | - | - | 12,477,568 (Note D) | 12,477,568 (Note D) |
| | | Chengdu FEDS Co., Ltd | Other receivables | Y | 654,720 (RMB 150,000 thousand) | 654,720 (RMB 150,000 thousand) | 196,416 (RMB 45,000 thousand) | 1.504523%-4.129436% (Note H) | (Note A) | - | Transaction | - | - | - | 12,477,568 (Note D) | 12,477,568 (Note D) |
| | | Chengdu Quaxing Building Pacific Department Store Co., Ltd. | Other receivables | Y | 654,720 (RMB 150,000 thousand) | 218,240 (RMB 50,000 thousand) | 17,459 (RMB 4,000 thousand) | 1.504523%-4.129436% (Note I) | (Note A) | - | Transaction | - | - | - | 12,477,568 (Note D) | 12,477,568 (Note D) |
| | | Shanghai Bai Ding Consultant and Management Co., Ltd. | Other receivables | Y | 43,648 (RMB 10,000 thousand) | 43,648 (RMB 10,000 thousand) | - | - | (Note A) | - | Transaction | - | - | - | 12,477,568 (Note D) | 12,477,568 (Note D) |
| | | Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Other receivables | Y | 218,240 (RMB 50,000 thousand) | 218,240 (RMB 50,000 thousand) | - | - | (Note A) | - | Transaction | - | - | - | 12,477,568 (Note D) | 12,477,568 (Note D) |
| 3 | Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Chongqing FEDS Co., Ltd. | Other receivables | Y | 305,536 (RMB 70,000 thousand) | 305,536 (RMB 70,000 thousand) | - | 1.41%-3.87% (Note J) | (Note A) | - | Transaction | - | - | - | 12,477,568 (Note D) | 12,477,568 (Note D) |
| 4 | Pacific China Holdings (HK) Limited | Pacific China Holding Ltd. | Other receivables | Y | 284,800 (US\$ 10,000 thousand) | 284,800 (US\$ 10,000 thousand) | 102,528 (US\$ 3,600 thousand) | 1.74%-3.32% (Note K) | (Note A) | - | Transaction | - | - | - | 12,477,568 (Note D) | 12,477,568 (Note D) |
| 5 | Pacific (China) Investment Co., Ltd. | Chongqing FEDS Co., Ltd. | Other receivables | Y | 43,648 (RMB 10,000 thousand) | 43,648 (RMB 10,000 thousand) | - | 1.41%-3.66% (Note L) | (Note A) | - | Transaction | - | - | - | 12,477,568 (Note D) | 12,477,568 (Note D) |
| 6 | Shanghai Pacific Department Store Co., Ltd. | Shanghai Xujiahui Centre Group | Other receivables | Y | 187,250 (RMB 42,900 thousand) | 187,250 (RMB 42,900 thousand) | 187,250 (RMB 42,900 thousand) | 1.35% (Note M) | (Note A) | - | Transaction | - | - | - | 267,191 (Note B) | 267,191 (Note B) |
| 7 | FEDS Development Ltd. | Yuan Ding Enterprise (Shanghai) Co., Ltd. | Other receivables | Y | 97,669 (RMB 22,377 thousand) | - | - | - | (Note A) | - | Transaction | - | - | - | 6,238,784 (Note C) | 12,477,568 (Note D) |
| | | Far Eastern New Century (China) Investment Co., Ltd. | Other receivables | Y | 91,181 (RMB 20,890 thousand) | - | - | - | (Note A) | - | Transaction | - | - | - | 6,238,784 (Note C) | 12,477,568 (Note D) |

Note A: Short-term financing.

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

Note C: The amount of the collateral/guarantees is based on 20% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

Note D: The amount of the collateral/guarantees is based on 40% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

Note E: As the amount of the investee, Lian Ching Investment Co., Ltd. had been written off to zero and the Company has not undertaken any liabilities, no disclosure pertaining to the investee is made.

Note F: The interest for the period amounted to RMB3,944 thousand.

Note G: The interest for the period amounted to RMB45 thousand.

Note H: The interest for the period amounted to RMB1,176 thousand.

Note I: The interest for the period amounted to RMB182 thousand.

Note J: The interest for the period amounted to RMB459 thousand.

Note K: The interest for the period amounted to US\$78 thousand.

Note L: The interest for the period amounted to RMB30 thousand.

Note M: The interest for the period amounted to RMB579 thousand.

FAR EASTERN DEPARTMENT STORES, LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Maximum Endorsement/ Guarantee Amounts Allowable | Endorsement/ Guarantee Provided by Parent Company | Endorsement/ Guarantee Provided by A Subsidiary | Endorsement/ Guarantee Provided to Mainland China |
|-----|---|---|---------------------------------------|---|--|--|--|---|---|---|---|--|---|
| | | Name | Nature of Relationship (Note F) | | | | | | | | | | |
| 0 | Far Eastern Department Stores, Ltd. | FEDS New Century Development Co., Ltd. | 2 | \$ 18,716,352 (Note A) | \$ 30,000 | \$ - | \$ - | \$ - | - | \$ 31,193,920 (Note B) | Y | - | - |
| | | Bai Yang Investment Co., Ltd. | 2 | 18,716,352 (Note A) | 100,000 | - | - | - | - | 31,193,920 (Note B) | Y | - | - |
| | | Bai Ding Investment Co., Ltd. | 2 | 18,716,352 (Note A) | 1,150,000 | 1,150,000 | 450,000 | - | 4 | 31,193,920 (Note B) | Y | - | - |
| | | FEDS Development Ltd. | 2 | 18,716,352 (Note A) | 1,424,000 (US\$ 50,000 thousand) | 284,800 (US\$ 10,000 thousand) | - | - | 1 | 31,193,920 (Note B) | Y | - | - |
| | | Chubei New Century Shopping Mall Co., Ltd. | 2 | 18,716,352 (Note A) | 3,700,000 | 3,700,000 | 630,000 | - | 12 | 31,193,920 (Note B) | Y | - | - |
| | | Far Eastern CitySuper Co., Ltd | 2 | 18,716,352 (Note A) | 80,000 | 80,000 | - | - | - | 31,193,920 (Note B) | Y | - | - |
| | | Pacific Sogo Department Stores Co., Ltd. | 2 | 18,716,352 (Note A) | 4,889,496 | 4,882,843 | 4,882,843 | - | 16 | 31,193,920 (Note B) | Y | - | - |
| 1 | Pacific Sogo Department Stores Co., Ltd. | Far Eastern Department Stores, Ltd. | 3 | 18,716,352 (Note C) | 3,224,420 | 3,221,064 | 3,221,064 | - | 10 | 31,193,920 (Note D) | - | Y | - |
| | | Pacific China Holding Ltd. | 2 | 18,716,352 (Note C) | 10,153,856 (US\$ 341,200 thousand) (RMB 100,000 thousand) | 7,404,800 (US\$ 260,000 thousand) (RMB 0 thousand) | 3,465,651 (US\$ 0 thousand) (RMB 794,000 thousand) | - | 24 | 31,193,920 (Note D) | - | - | - |
| | | Dalian Pacific Department Store Co., Ltd. | 2 | 18,716,352 (Note C) | 340,454 (RMB 78,000 thousand) (Note G) | 340,454 (RMB 78,000 thousand) (Note G) | 87,296 (RMB 20,000 thousand) | - | 1 | 31,193,920 (Note D) | - | - | Y |
| | | Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | 2 | 18,716,352 (Note C) | 514,496 (US\$ 15,000 thousand) (RMB 20,000 thousand) (Note G) | 514,496 (US\$ 15,000 thousand) (RMB 20,000 thousand) (Note G) | 284,800 (US\$ 10,000 thousand) (RMB 0 thousand) | - | 2 | 31,193,920 (Note D) | - | - | Y |
| 2 | Far Eastern Big City Shopping Malls Co., Ltd. | Pacific Sogo Department Stores Co., Ltd. | 3 | 393,416 (Note A) | 154,325 | 153,202 | 153,202 | - | - | 655,693 (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 of the collateral/guarantees is based on 60% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

Note D: The amount of the collateral/guarantees is based on 100% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

(Continued)

Note E: As the amount of the investee, Lian Ching Investment Co., Ltd. had been written off to zero and the Company has not undertaken any liabilities, no disclosure pertaining to the investee is made.

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

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

Note G: Pacific Sogo Department Stores Co., Ltd. acts as the guarantor for a credit limit application to the bank to cater to the operating capital need.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

| Holding Company | Type and Name of Marketable Securities | Relationship with Issuer of Securities | Financial Statement Account | December 31, 2020 | | | | Note |
|--------------------------------------|--|--|---|-----------------------|-----------------|-----------------------------|--------------|--|
| | | | | Shares (In Thousands) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Far Eastern Department Stores, Ltd. | <u>Shares</u> Asia Cement Corporation | 4 | Financial assets at fair value through other comprehensive income - non-current | 50,000 | \$ 2,160,021 | 1 | \$ 2,160,021 | 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 | 577,969 | - | 577,969 | |
| | Kaohsiung Rapid Transit Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 6,286 | 35,391 | 2 | 35,391 | |
| | Yuan Ding Leasing Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 7,309 | 71,658 | 9 | 71,658 | |
| | 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 | 312 | 571 | - | 571 | |
| Bai Ding Investment Co., Ltd. | <u>Shares</u> Far Eastern Department Stores, Ltd. | 2 | Financial assets at fair value through other comprehensive income - current | 8,207 | 196,968 | 1 | 196,968 | 5,200 thousand shares of Asia Cement Corporation pledged for commercial papers issued of the investor company 15,000 thousand shares of Far Eastern New Century Corporation pledged for loans of the investor company |
| | Asia Cement Corporation | 7 | Financial assets at fair value through other comprehensive income - non-current | 14,814 | 639,982 | - | 639,982 | |
| | Far Eastern New Century Corporation | 6 | Financial assets at fair value through other comprehensive income - non-current | 15,812 | 457,744 | - | 457,744 | |
| | Chung-Nan Textile Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 2,984 | 95,856 | 5 | 95,856 | |
| | Ding Ding Management Consultants Co., Ltd. | 8 | Financial assets at fair value through other comprehensive income - non-current | 421 | 9,877 | 5 | 9,877 | |
| | Yue Ding Industry Co., Ltd. | 7 | Financial assets at fair value through other comprehensive income - non-current | 2,752 | 48,177 | 2 | 48,177 | |
| | 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 | 40,329 | 306,757 | 18 | 306,757 | |
| Bai Yang Investment Co., Ltd. | <u>Shares</u> Far Eastern International Bank Ltd. | 8 | Financial assets at fair value through other comprehensive income - current | 23,312 | 252,934 | 1 | 252,934 | |
| | Asia Cement Corporation | 7 | Financial assets at fair value through other comprehensive income - non-current | 3,849 | 166,297 | - | 166,297 | |
| | U-Ming Marine Transport Corporation | 8 | Financial assets at fair value through other comprehensive income - non-current | 200 | 7,380 | - | 7,380 | |
| | Oriental Securities Investment Advisory Co., Ltd. | 8 | Financial assets at fair value through other comprehensive income - non-current | 1 | 10 | - | 10 | |
| Yu Ming Advertising Agency Co., Ltd. | <u>Beneficiary certificate</u> DWS Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 2,730 | 32,203 | - | 32,203 | |

(Continued)

| Holding Company | Type and Name of Marketable Securities | Relationship with Issuer of Securities | Financial Statement Account | December 31, 2020 | | | | Note |
|---|--|--|---|---|-----------------|-----------------------------|------------|---------|
| | | | | Shares (In Thousands) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| FEDS New Century Development Co., Ltd. | <u>Shares</u> Asia Cement Corporation | 7 | Financial assets at fair value through other comprehensive income - non-current | 1,506 | \$ 65,041 | - | \$ 65,041 | |
| | <u>Beneficiary certificate</u> DWS Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 8,503 | 100,278 | - | 100,278 | |
| FEDS Development Ltd. | <u>Shares</u> Kowloon Cement Corp., Ltd. | 7 | Financial assets at fair value through other comprehensive income - non-current | 46 | 16,551 | 2 | 16,551 | |
| Pacific Sogo Department Stores Co., Ltd. | <u>Shares</u> CMC Magnetics Corp. | - | Financial assets at fair value through profit or loss - current | 200 | 1,895 | - | 1,895 | |
| | Quanta Computer Inc. | - | Financial assets at fair value through profit or loss - current | 1 | 58 | - | 58 | |
| | Pacific Construction Co., Ltd. | - | Financial assets at fair value through profit or loss - current | 7,931 | 78,992 | 2 | 78,992 | |
| | DBTEL Inc. | - | Financial assets at fair value through profit or loss - current | 10 | 34 | - | 34 | |
| | Oriental Union Chemical Corp. | 8 | Financial assets at fair value through other comprehensive income - current | 716 | 14,535 | - | 14,535 | |
| | U-Ming Marine Transport Corporation | 8 | Financial assets at fair value through other comprehensive income - current | 300 | 11,070 | - | 11,070 | |
| | 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 | - | |
| | Tian 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 | 312 | - | 1 | - | |
| | Pacific Liu Tong Investment Co., Ltd. | <u>Beneficiary certificate</u> DWS Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 17,273 | 203,719 | - | 203,719 |
| Far Eastern Big City Shopping Malls Co., Ltd. | <u>Shares</u> Asia Cement Corporation | 7 | Financial assets at fair value through profit or loss - current | 742 | 32,055 | - | 32,055 | |
| | Oriental Union Chemical Corp. | 8 | Financial assets at fair value through profit or loss - current | 40 | 812 | - | 812 | |
| Pacific China Holding Ltd. | <u>Shares</u> Overseas Development Corp. | - | Financial assets at fair value through profit or loss - non-current | 2,250 | - | 15 | - | |
| | Taiwan Ocean Farming Corp. | - | Financial assets at fair value through profit or loss - non-current | 2,250 | - | 15 | - | |

(Continued)

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

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

FOR THE YEAR ENDED DECEMBER 31, 2020

(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 | \$ 121,952 | - | \$ 121,952 | Collection expedited | \$ 332 | \$ 121,952 |
| Pacific China Holdings (HK) Limited and Pacific China Holding Ltd. | Pacific China Holdings (B.V.I) Limited and Pacific China Holding Ltd. | Subsidiary | 103,014 (Note A) | - | - | - | - | - |
| Chongqing FEDS Co., Ltd. | Chongqing Pacific Consultant and Management Co., Ltd. | Same ultimate parent company | 680,480 (Note A) | - | - | - | - | - |
| | Chengdu FEDS Co., Ltd. | Same ultimate parent company | 196,670 (Note A) | - | - | - | - | - |
| Shanghai Pacific Department Store Co., Ltd. | Shanghai Xujiahui Centre Group | Other related party | 189,778 (Note A) | - | - | - | - | - |

Note A: This balance refers to fund lending.

FAR EASTERN DEPARTMENT STORES, LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2020 | | | Net Income (Loss) of the Investee | Share of (Loss) Profit | Note A | |
|--|--|---|--|----------------------------|-------------------|---------------------------------|-----------------------------|-----------------|-----------------------------------|------------------------|------------|------------|
| | | | | December 31, 2020 | December 31, 2019 | Shares (In Thousands) | Percentage of Ownership (%) | Carrying Amount | | | | |
| Far Eastern Department Stores Co., Ltd. | Bai Yang Investment Co., Ltd. | Taiwan | Investment | \$ 8,922,181 | \$ 8,922,181 | 924,991 | 100 | \$ 9,108,584 | \$ 68,637 | \$ 68,668 | Subsidiary | |
| | Oriental Securities Corporation | Taiwan | Securities investment | 143,652 | 143,652 | 141,980 | 20 | 2,016,983 | 97,350 | 19,136 | Associate | |
| | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 1,764,210 | 1,764,210 | 281,734 | 35 | 4,024,497 | 814,794 | 286,236 | Subsidiary | |
| | Bai Ding Investment Co., Ltd. | Taiwan | Investment | 33,357 | 33,357 | 119,981 | 67 | 2,321,818 | 226,601 | 151,269 | Subsidiary | |
| | Far Eastern Ai Mai Co., Ltd. | Taiwan | Retail | 1,535,538 | 1,535,538 | 87,744 | 100 | 1,222,011 | (59,253) | (59,253) | Subsidiary | |
| | FEDS Development Ltd. | British Virgin Island | Investment | 125,058 | 125,058 | 218 | 54 | 1,427,279 | (6,820) | (2,569) | Subsidiary | |
| | Yu Ming Advertising Agency Co., Ltd. | Taiwan | Advertising and import agent | 33,000 | 33,000 | 3,500 | 100 | 118,535 | 14,246 | 14,246 | Subsidiary | |
| | Ya Tung Department Stores, Ltd. | Taiwan | Department store | 919,292 | 919,292 | 41,000 | 100 | 85,689 | (45,828) | (45,828) | Subsidiary | |
| | Ding Ding Integrated Marketing Service Co., Ltd. | Taiwan | Marketing | 64,500 | 64,500 | 3,631 | 10 | 25,787 | (15,685) | (1,352) | Associate | |
| | Asians Merchandise Company | US | Trading | 5,316 | 5,316 | 950 | 100 | 4,367 | 100 | 100 | Subsidiary | |
| | Far Eastern Hon Li Do Co., Ltd. | Taiwan | Building leasing | 40,278 | 40,278 | 1,571 | 56 | 13,283 | 1,312 | 846 | Subsidiary | |
| | Far Eastern CitySuper Co., Ltd. | Taiwan | Retail | 478,269 | 478,269 | 47,827 | 96 | 68,097 | 33,128 | 31,690 | Subsidiary | |
| | Yuan Hsin Digital Payment Co., Ltd. | Taiwan | Other financing and supporting services | 238,292 | 238,292 | 8,226 | 11 | 61,713 | (186,922) | (28,037) | Associate | |
| | Bai Ding Investment Co., Ltd. | Oriental Securities Corporation | Taiwan | Securities investment | 163,563 | 163,563 | 98,281 | 14 | 1,396,294 | 97,350 | | Associate |
| | | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 658,129 | 658,129 | 100,250 | 13 | 1,445,737 | 814,794 | | Subsidiary |
| | | Far Eastern International Leasing Corporation | Taiwan | Leasing | 301,125 | 301,125 | 22,203 | 5 | 327,680 | 173,611 | | Associate |
| Pacific Sogo Department Stores Co., Ltd. | | Taiwan | Department store | 33,490 | 33,490 | 11,254 | 1 | 159,994 | 1,060,261 | | Subsidiary | |
| Yue Ming Trading Co., Ltd. | | Taiwan | Import and export trading and distribution | 21,291 | 21,291 | 4,901 | 47 | 68,833 | 588 | | Associate | |
| Far Eastern Hon Li Do Co., Ltd. | | Taiwan | Building leasing | 28,672 | 28,672 | 1,259 | 44 | 13,872 | 1,312 | | Subsidiary | |
| Far Eastern CitySuper Co., Ltd. | | Taiwan | Retail | - | - | 2 | - | 1 | 33,128 | | Subsidiary | |
| FEDS Asia Pacific Development Co., Ltd. | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 99,000 | 99,000 | 19,800 | 2 | 302,756 | 814,794 | | Subsidiary | |
| FEDS New Century Development Co., Ltd. | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 99,000 | 99,000 | 19,800 | 2 | 302,756 | 814,794 | | Subsidiary | |
| | Chubei New Century Shopping Mall Co., Ltd. | Taiwan | Shopping mall | 2,000,000 | 2,000,000 | 200,000 | 100 | 1,991,269 | (1,383) | | Subsidiary | |
| Bai Yang Investment Co., Ltd. | FEDS Asia Pacific Development Co., Ltd. | Taiwan | Shopping mall | 1,522,761 | 1,522,761 | 149,100 | 70 | 1,779,226 | 109,694 | | Subsidiary | |
| | Far Eastern International Leasing Corporation | Taiwan | Leasing | 1,555,590 | 1,555,590 | 132,388 | 30 | 1,690,092 | 173,611 | | Associate | |
| | Bai Ding Investment Co., Ltd. | Taiwan | Investment | 577,457 | 577,457 | 60,019 | 33 | 1,176,926 | 226,601 | | Subsidiary | |
| | FEDS New Century Development Co., Ltd. | Taiwan | Shopping mall | 2,245,272 | 2,245,272 | 232,000 | 100 | 2,403,784 | 19,094 | | Subsidiary | |
| | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 99,000 | 99,000 | 19,800 | 2 | 302,756 | 814,794 | | Subsidiary | |
| | FEDS Development Ltd. | British Virgin Island | Investment | 723,946 | 723,946 | 185 | 46 | 1,215,339 | (6,820) | | Subsidiary | |
| | Pacific China Holdings (HK) Limited | Hong Kong | Investment | 3,853,976 | 3,853,976 | 44,080 | 40 | (1,133,042) | (652,744) | | Subsidiary | |
| | Far Eastern Big City Shopping Malls Co., Ltd. | Taiwan | Department store | 200,000 | 200,000 | 20,000 | 40 | 281,241 | 147,148 | | Subsidiary | |
| Ya Tung Department Stores, Ltd. | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 55,000 | 55,000 | 11,000 | 1 | 167,942 | 814,794 | | Subsidiary | |
| Yu Ming Advertising Agency Co., Ltd. | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 1,200 | 1,200 | 200 | - | 2,860 | 814,794 | | Subsidiary | |
| Far Eastern Hon Li Do Co., Ltd. | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 8,400 | 8,400 | 1,400 | - | 19,373 | 814,794 | | Subsidiary | |
| Pacific Liu Tong Investment Co., Ltd. | Pacific Sogo Department Stores Co., Ltd. | Taiwan | Department store | 4,469,904 | 4,469,904 | 650,817 | 79 | 10,838,804 | 1,060,261 | | Subsidiary | |
| | Pacific Department Store Co., Ltd. | Taiwan | Department store | 62,480 | 62,480 | 6,840 | 3 | 139,390 | 83,449 | | Associate | |
| Pacific Sogo Department Stores Co., Ltd. | Pacific China Holdings (HK) Limited | Hong Kong | Investment | 6,117,447 | 6,117,447 | 66,120 | 60 | (1,699,563) | (652,744) | | Subsidiary | |
| | Pacific Department Store Co., Ltd. | Taiwan | Department store | 599,000 | 599,000 | 60,296 | 29 | 1,019,110 | 83,449 | | Associate | |
| | Lian Ching Investment Co., Ltd. (Note C) | Taiwan | Investment | 270,641 | 270,641 | 26,764 | 50 | - | - | | Subsidiary | |
| | Pacific Venture Investment Ltd. | Hong Kong | Investment | 357,050 | 357,050 | 100,000 | 48 | - | - | | Associate | |
| | Sogo Department Store Co., Ltd. | Taiwan | Credit card business | 32,984 | 32,984 | 7,120 | 34 | - | - | | Associate | |
| | Ding Ding Integrated Marketing Service Co., Ltd. | Taiwan | Marketing | 64,500 | 64,500 | 3,631 | 10 | 25,787 | (15,685) | | Associate | |
| | Far Eastern Big City Shopping Malls Co., Ltd. | Taiwan | Department store | 300,000 | 300,000 | 30,000 | 60 | 421,862 | 147,148 | | Subsidiary | |
| | Yuan Hsin Digital Payment Co., Ltd. | Taiwan | Other financing and supporting services | 238,292 | 238,292 | 8,226 | 11 | 61,713 | (186,922) | | Associate | |
| Pacific China Holdings (HK) Limited | Pacific China Holding Ltd. | British Virgin Island | Investment | 4,414,400 | 4,414,400 | 130,200 | 100 | (2,936,789) | (577,790) | | Subsidiary | |
| Pacific China Holding Ltd. | Bai Fa China Holdings (HK) Ltd. | Hong Kong | Investment | 46 | 46 | 2 | 100 | 46 | - | | Subsidiary | |

(Continued)

Note A: The foreign-currency investments were translated at the rate of US\$1:NT\$28.48 prevailing on December 31, 2020.

Note B: The amount is the investment accounted for using the equity method to \$2,418,928 thousand deduct the parent company shares reclassification to treasury shares of \$97,110 thousand.

Note C: 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)

TABLE 6

FAR EASTERN DEPARTMENT STORES, LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020

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

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital (Note A) | Method of Investment (Note F) | Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note A) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note A) | Net Income (Loss) of the Investee (Note D) | % Ownership of Direct or Indirect Investment | Share of (Loss) Profit (Note D) | Carrying Amount as of December 31, 2020 | Accumulated Repatriation of Investment Income as of December 31, 2020 |
|---|--|--|-------------------------------|--|------------------|--------|--|--|--|---------------------------------|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Shanghai Pacific Department Store Co., Ltd. | Department store | \$ 504,096 | (2) | \$ 365,470 (Note B) | \$ - | \$ - | \$ 365,470 (Note B) | \$ (66,649) | 49 | \$ (48,307) | \$ 122,967 | \$ - |
| Chengdu Quanxing Building Pacific Department Store Co., Ltd. | Department store | 626,275 | (2) | 28,195 (Note B) | - | - | 28,195 (Note B) | (17,865) | 67 | (11,999) | (72,656) | - |
| Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Department store | 85,440 | (2) | 85,440 (Note B) | - | - | 85,440 (Note B) | (238,746) | 67 | (160,352) | (353,530) | - |
| Chongqing Pacific Consultant and Management Co., Ltd. | Consulting services | 2,079,040 | (2) | 5,696 (Note B) | - | - | 5,696 (Note B) | (15,572) | 67 | (10,459) | 757,735 | - |
| Shanghai Pacific Consultant and Management Co., Ltd. | Consulting services | 9,968 | (2) | 4,884 (Note B) | - | - | 4,884 (Note B) | 264 | 33 | 87 | 6,182 | - |
| Shanghai Bai Ding Consultant and Management Co., Ltd. | Consulting services | 2,848 | (2) | - | - | - | - | (8,105) | 100 | (8,105) | 2,924 | - |
| Chongqing FEDS Co., Ltd. | Department store | 79,744 | (2) | - | - | - | - | 28,077 | 100 | 28,077 | 977,841 | - |
| Chengdu Department Emporium Group Co., Ltd. | Department store, logistics and storehouse | 982,084 | (2) | - | - | - | - | 32,025 | 22 | - | 1,148,607 | - |
| Dalian Pacific Department Store Co., Ltd. | Department store | 69,837 | (2) | - | - | - | - | (11,232) | 67 | (7,544) | 4,519 | - |
| Pacific(China) Investment Co., Ltd. | Investment | 6,151,680 | (2) | - | - | - | - | (48,525) | 67 | (31,970) | (45,915) | - |
| Chengdu FEDS Co., Ltd | Department store | 3,816,320 | (2) | - | - | - | - | (43,535) | 67 | (29,240) | (112,540) | - |
| Yuan Ding Enterprise(Shanghai)Co., Ltd. | Wholesale of equipment and consulting services | 7,696,997 | (2) | - | - | - | - | (99,768) | 20 | (19,954) | 1,542,009 | - |

(Continued)

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$ - (Note C) | \$225,362 (US\$7,913 thousand) (Notes A and C) | \$ - (Note E) |

Note A: Translated at the rate of US\$1:NT\$28.48 and RMB1:NT\$4.3648 prevailing on December 31, 2020.

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.

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 companies registered in a third region. The companies registered in a third region were FEDS Development Ltd. and Pacific China Holding Ltd.
3. Others.

(Concluded)

TABLE 7**FAR EASTERN DEPARTMENT STORES, LTD.****INFORMATION ON MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020**

| Major Shareholder | Shareholding | |
|-------------------------------------|-----------------------|-------------------------|
| | Number of Shares Held | Shareholding Percentage |
| Far Eastern New Century Corporation | 241,769,702 | 17.06 |
| Yuan Ding Investment Corporation | 139,785,985 | 9.86 |
| Asia Cement Corporation | 80,052,950 | 5.64 |
| Land Union Investment Limited | 77,135,000 | 5.44 |

Note 1: The information on major shareholders above is extracted as of the last business day of the current quarter. The shareholders are holding non-physical ordinary and preference shares (including treasury stocks) of 5% or more. The share capital in the financial statements of the Company and the actual registration of non-physical shares may differ due to a difference in computation basis.

Note 2: For the above information, if the shares are entrusted to a trustee by the shareholder, it is disclosed by account of settlor. In accordance with the Securities Exchange Act, shareholder who has acquired a 10% shares or more has to disclose his insider ownerships, including the shares held and shares entrusted to a trust, in which the shareholder possesses the right to use on the trusted assets. For information on insider ownership declaration, please see the Market Observation Post System website.

FAR EASTERN DEPARTMENT STORES, LTD.

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FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF CASH

DECEMBER 31, 2020

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

| Item | Rate (%) | Amount |
|------------------------|-----------------|-------------------|
| Cash on hand | | \$ 1,897 |
| Revolving funds | | 34,627 |
| Checking accounts | | 673,667 |
| Demand deposits (Note) | 0.001-0.05 | 88,585 |
| Cash equivalents | | <u>13,930</u> |
| | | <u>\$ 812,706</u> |

Note: The accounts include foreign currency deposit of US\$140,897, EUR2,388.20 and AUD8,499.77, translated at the exchange rates of US\$1:NT\$28.48, EUR1:NT\$35.02 and AUD1:NT\$21.95.

FAR EASTERN DEPARTMENT STORES, LTD.**STATEMENT OF TRADE RECEIVABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

| Client Name | Amount |
|--------------------------------------|-------------------|
| Related parties (Note) | |
| Far Eastern International Bank | \$ 28,703 |
| Yuan Ding Co., Ltd | 29,042 |
| Others (Note) | <u>17,498</u> |
| | <u>75,243</u> |
| Non-related parties | |
| National credit card center of R.O.C | 100,964 |
| Others (Note) | <u>147,242</u> |
| | <u>248,206</u> |
| Less: Allowance for impairment loss | <u>1,338</u> |
| | <u>246,868</u> |
| | <u>\$ 322,111</u> |

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

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF OTHER RECEIVABLES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

| Client Name | Amount |
|--------------------|-------------------|
| Fubon insurance | \$ 188,508 |
| Others (Note) | <u>67,364</u> |
| | <u>\$ 255,872</u> |

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

FAR EASTERN DEPARTMENT STORES, LTD.**STATEMENT OF INVENTORIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

| Item | Amount | |
|-----------------------------|-------------------|-----------------------------|
| | Cost | Net Realizable Value |
| Merchandise | | |
| Cosmetics and boutiques | \$ 333,430 | \$ 459,725 |
| Supermarket and restaurants | 15,322 | 24,098 |
| Men's fashion | 4,285 | 9,112 |
| Living and lifestyle | <u>92</u> | <u>129</u> |
| | <u>\$ 353,129</u> | <u>\$ 493,064</u> |

FAR EASTERN DEPARTMENT STORES, LTD.
**STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investees | Balance at January 1, 2020 | | Additions in Investment | | Decrease in Investment | | Unrealized Profit or Loss Amount | Balance at December 31, 2020 | | Collateral |
|--------------------------------------|----------------------------|---------------------|--------------------------|-------------|--------------------------|-------------|--|------------------------------|---------------------|--|
| | Shares (In Thousands) | Amount | Shares (In Thousands) | Amount | Shares (In Thousands) | Amount | | Shares (In Thousands) | Amount | |
| Shares | | | | | | | | | | |
| Asia Cement Corporation | 50,000 | \$ 2,397,524 | - | \$ - | - | \$ - | \$ (237,503) | 50,000 | \$ 2,160,021 | Including 35,000 thousand shares provided as collateral for bank borrowings and issuance |
| Far Eastern New Century Corporation | 19,964 | 595,937 | - | - | - | - | (17,968) | 19,964 | 577,969 | Nil |
| Yuan Ding Leasing Corp. | 7,309 | 70,925 | - | - | - | - | 733 | 7,309 | 71,658 | Nil |
| Kaohsiung Rapid Transit Corporation | 6,286 | 36,082 | - | - | - | - | (691) | 6,286 | 35,391 | Nil |
| Yuanshi Digital Technology Co., Ltd. | 1,041 | 571 | - | - | 729 | - | - | 312 | 571 | Nil |
| Yuan Ding Co., Ltd. | 3 | 10 | - | - | - | - | - | 3 | 10 | Nil |
| | | <u>\$ 3,101,049</u> | | <u>\$ -</u> | | <u>\$ -</u> | <u>\$ (255,429)</u> | | <u>\$ 2,845,620</u> | |

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF CHANGE IN INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investees | Par Value Per Share | Changes in Investment | | | | | | | | Balance at December 31, 2020 | | | Market Value or Net Assets Value | |
|--|------------------------|----------------------------|---------------|---|--------|---|--|--|--------------|--------------------------------------|-----|---------------|-------------------------------------|---------------|
| | | Balance at January 1, 2020 | | Addition/Decrease in Investment (Note B) | | Share of Loss of Subsidiaries and Associates Accounted for Using the Equity Method | Unrealized Gain or Loss on Financial Assets At FVTOCI | Exchange Differences on Translating the Financial Statements of Foreign Operations | Other | Shares (In Thousands) (Note A) | % | Amount | Unit Price NT\$ | Total Amount |
| | | Shares (In Thousands) | Amount | Shares (In Thousands) | Amount | | | | | | | | | |
| BYIC | \$ 10 | 924,991 | \$ 9,104,890 | - | \$ - | \$ 68,668 | \$ (59,674) | \$ (4,977) | \$ (323) | 924,991 | 100 | \$ 9,108,584 | \$ 9.88 | \$ 9,141,547 |
| PLTI | 10 | 281,734 | 3,781,245 | - | - | 286,236 | (391) | (7,865) | (34,728) | 281,734 | 35 | 4,024,497 | 14.21 | 4,003,158 |
| BDIC | 10 | 119,981 | 2,392,241 | - | - | 151,269 | (47,997) | (2,492) | (74,093) | 119,981 | 67 | 2,418,928 | 20.15 | 2,417,324 |
| OSC | 10 | 140,297 | 1,995,131 | 1,683 | - | 19,136 | 24,842 | (630) | (21,496) | 141,980 | 20 | 2,016,983 | 14.2 | 2,016,694 |
| AIMAI | 10 | 87,744 | 1,287,839 | - | - | (59,253) | - | - | (6,575) | 87,744 | 100 | 1,222,011 | 9.01 | 790,469 |
| FEDS Development | US\$ 10 | 218 | 1,409,738 | - | - | (2,568) | 257 | 19,852 | - | 218 | 54 | 1,427,279 | 5,883.94 | 1,281,521 |
| FECS | 10 | 47,827 | 36,407 | - | - | 31,690 | - | - | - | 47,827 | 96 | 68,097 | 2.31 | 110,534 |
| YHDP | 10 | 11,651 | 82,257 | (3,425) | - | (28,037) | - | - | 7,493 | 8,226 | 11 | 61,713 | 7.5 | 61,714 |
| YMAC | 10 | 3,500 | 119,878 | - | - | 14,246 | (7,152) | (6) | (8,431) | 3,500 | 100 | 118,535 | 33.87 | 118,536 |
| DDUN | 10 | 3,631 | 31,466 | - | - | (1,352) | - | (100) | (4,227) | 3,631 | 10 | 25,787 | 7.1 | 25,787 |
| FEHLD | 10 | 1,571 | 12,529 | - | - | 846 | 1 | (21) | (72) | 1,571 | 56 | 13,283 | 11.01 | 17,301 |
| Asians Merchandise Company (AMC) | US\$ 1 | 950 | 4,495 | - | - | 101 | - | (229) | - | 950 | 100 | 4,367 | 4.6 | 4,367 |
| YTDS | 10 | 41,000 | 131,722 | - | - | (45,828) | (16) | (307) | 118 | 41,000 | 100 | 85,689 | 2.09 | 85,689 |
| | | | 20,389,838 | | \$ - | 435,154 | \$ (90,130) | \$ 3,225 | \$ (142,334) | - | | 20,595,753 | | \$ 20,074,641 |
| Add: Credit balance on the carrying amounts of investments accounted for using the equity method and reclassified to other liabilities | | | - | | - | | | | | | | - | | |
| Less: Ordinary shares held by subsidiary and reclassified from long-term investments to treasury shares | | | 97,110 | | | | | | | | | 97,110 | | |
| | | | 20,292,728 | | | | | | | - | | 20,498,643 | | |
| Less: The differences of accounting treatments from the consolidated financial statements (Note D) | | | 471,327 | | | (27,241) | | | | | | 444,086 | | |
| | | | \$ 19,821,401 | | | \$ 462,395 | | | | - | | \$ 20,054,557 | | |

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

Note B: The annual general shareholders' meeting of Oriental Securities Corporation for 2020 passed a resolution for the capitalization of retained earnings. The Company acquired 1,683 thousand shares per its existing ownership percentage. In October 2020, Yuan Hsin Digital Payment Co., Ltd. undertook a capital reduction to offset the deficit, which resulted in a decrease that corresponded to the existing ownership percentage of the Company's shareholding in Yuan Hsin Digital Payment Co., Ltd. by 3,425 thousand shares.

Note C: The adjustments of an increase of \$11,325 thousand in capital reserve, a decrease of \$14,222 thousand in actuarial loss and a decrease of \$139,437 thousand in cash dividends are as per the existing shareholding percentage.

Note D: Please see Note 11.

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF RIGHT-OF-USE ASSETS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

| Item | Balance at January 1, 2020 | Addition in | Decrease in | Reclassification | Balance at December 31, 2020 | Note |
|---|----------------------------------|-----------------------|-------------|------------------|------------------------------------|------|
| Cost | | | | | | |
| Land | \$ 8,191,429 | \$ 103,196 | \$ - | \$ - | \$ 8,294,625 | |
| Buildings | 19,378,186 | 130,537 | - | - | 19,508,723 | |
| Plant, transportation, and miscellaneous equipment | <u>323</u> | <u>5,337</u> | <u>-</u> | <u>-</u> | <u>5,660</u> | |
| | <u>27,569,938</u> | <u>\$ 239,070</u> | <u>\$ -</u> | <u>\$ -</u> | <u>27,809,008</u> | |
| Accumulated depreciation | | | | | | |
| Land | (152,646) | \$ (275,545) | \$ - | | (428,191) | |
| Buildings | (1,581,033) | (869,492) | | | (2,450,525) | |
| Plant, transportation, and miscellaneous equipment | <u>(54)</u> | <u>(421)</u> | <u>-</u> | <u>-</u> | <u>(475)</u> | |
| | <u>(1,733,733)</u> | <u>\$ (1,145,458)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(2,879,191)</u> | |
| | <u>\$ 25,836,205</u> | | | | <u>\$ 24,929,817</u> | |

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

| Type | Contract Period | Interest Rates (%) | Balance, End of Year | Loan Commitments | Collateral |
|----------------------------|-----------------------|--------------------|----------------------|---------------------|--------------------|
| Credit loans | | | | | |
| Taipei Fubon Bank | 2020/12/02-2021/02/25 | 0.81 | \$ 300,000 | \$ 300,000 | - |
| Taishin International Bank | 2020/12/14-2021/01/11 | 0.87 | 1,500,000 | 2,500,000 | - |
| Bank of Taiwan | 2020/11/27-2021/01/20 | 0.86 | 800,000 | 800,000 | - |
| Mizuho Corporate Bank Ltd. | 2020/12/10-2021/01/07 | 0.85 | 1,000,000 | 1,000,000 | - |
| Land Bank of Taiwan | 2020/11/27-2021/01/19 | 0.87 | <u>350,000</u> | <u>800,000</u> | - |
| | | | <u>3,950,000</u> | <u>5,400,000</u> | |
| Secured loans | | | | | |
| Bank of Taiwan | 2020/12/28-2021/02/20 | 0.86 | <u>700,000</u> | <u>700,000</u> | Land and buildings |
| | | | <u>\$ 4,650,000</u> | <u>\$ 6,100,000</u> | |

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF SHORT-TERM BILLS PAYABLES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

| Promissory Institution | Contract Period | Interest Rates (%) | Nominal Amount | Discount Amount | Carrying Amount | Collateral |
|--|-----------------------|--------------------|---------------------|-----------------|---------------------|------------|
| Mega Bills Finance Co., Ltd. | 2020/12/18-2021/01/27 | 0.62 | \$ 500,000 | \$ 207 | \$ 499,793 | - |
| The Shanghai Commercial & Savings Bank | 2020/12/21-2021/01/18 | 0.332 | 500,000 | 196 | 499,804 | - |
| China Bills Finance Corporation | 2020/12/11-2021/01/08 | 0.25 | 350,000 | 57 | 349,943 | - |
| Grand Bills Finance Corporation | 2020/11/25-2021/01/06 | 0.65 | 300,000 | 35 | 299,965 | - |
| International Bills Finance Corporation | 2020/12/16-2021/01/15 | 0.51 | 200,000 | 65 | 199,935 | - |
| Taiwan Cooperative Bills Finance Corporation | 2020/12/15-2021/01/04 | 0.70 | 200,000 | 14 | 199,986 | - |
| Taiwan Finance Corporation | 2020/12/28-2021/01/22 | 0.60 | 200,000 | 99 | 199,901 | - |
| Ta Ching Bills Finance Corporation | 2020/12/14-2021/01/11 | 0.61 | 200,000 | 47 | 199,953 | - |
| | | | <u>\$ 2,450,000</u> | <u>\$ 720</u> | <u>\$ 2,449,280</u> | |

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF TRADE PAYABLES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

| Vendor Name | Amount |
|------------------------|---------------------|
| Related parties (Note) | \$ 49,983 |
| Unrelated parties | |
| Others (Note) | <u>3,822,290</u> |
| | <u>\$ 3,872,273</u> |

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

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

| Type and Creditor | Contract Period | Repayment Terms | Interest Rates (%) | Current | Non-current | Total | Collateral |
|--|-----------------|--|--------------------|------------|---------------|---------------|--------------------|
| A revolving line of credit of commercial paper loans | | | | | | | |
| KGI Bank | | | | \$ - | \$ 600,000 | \$ 600,000 | |
| Less: Unamortized discount | 2022.01.25 | A revolving line of credit of loans is allowed | 0.281 | - | 172 | 172 | |
| | | | | - | 599,828 | 599,828 | |
| Mega Bank | 2021.09.25 | A revolving line of credit of loans is allowed | 0.402 | 300,000 | - | 300,000 | |
| Less: Unamortized discount | | | | 67 | - | 67 | |
| | | | | 299,933 | - | 299,933 | |
| Secured loans | | | | | | | |
| Bank of Taiwan | 2023.07.06 | A revolving line of credit of loans is allowed | 0.86 | - | 2,400,000 | 2,400,000 | Land and buildings |
| Hua Nan Commercial Bank | 2022.07.24 | A revolving line of credit of loans is allowed | 0.88 | - | 8,000,000 | 8,000,000 | Land and buildings |
| | | | | - | 10,400,000 | 10,400,000 | |
| Credit loans | | | | | | | |
| Bank of China | 2022.07.22 | A revolving line of credit of loans is allowed | 0.86 | - | 1,000,000 | 1,000,000 | - |
| Bank of Taiwan | 2023.07.06 | A revolving line of credit of loans is allowed | 0.86 | - | 1,000,000 | 1,000,000 | - |
| | | | | - | 2,000,000 | 2,000,000 | |
| | | | | \$ 299,933 | \$ 12,999,828 | \$ 13,299,761 | |

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

| Item | Summary | Lease Period | Discount Rates | Balance at December 31, 2020 | Note |
|---|---------|-----------------------|----------------|------------------------------------|------|
| Land | | 2003/10/31-2053/10/30 | 0.88%-1.72% | \$ 5,891,245 | - |
| Buildings | | 2011/12/29-2041/12/31 | 0.86%-1.72% | 8,888,876 | - |
| Miscellaneous equipment | | 2019/03/01-2025/08/31 | 0.88%-0.92% | <u>5,205</u> | - |
| | | | | 14,785,326 | |
| Transferred into current liabilities within a year | | | | <u>(941,237)</u> | |
| | | | | <u>\$ 13,844,089</u> | |

FAR EASTERN DEPARTMENT STORES, LTD.

**STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

| Item | Amount |
|---|---------------------|
| Cost of goods sold | |
| Inventories, beginning of year | \$ 512,976 |
| Add: Purchases | 4,025,940 |
| Less: Inventories, end of year | 353,129 |
| Less: Transferred to operating expenses | <u>340</u> |
| | 4,185,447 |
| Rental cost | 183,606 |
| Others | <u>36,778</u> |
| | <u>\$ 4,405,831</u> |

FAR EASTERN DEPARTMENT STORES, LTD.

**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

| Item | Selling and Marketing Expenses | General and Administrative Expenses | Expected Credit Loss | Total |
|---------------|--------------------------------------|---|-------------------------|---------------------|
| Advertising | \$ 280,572 | \$ - | \$ - | \$ 280,572 |
| Payroll | - | 1,082,318 | - | 1,082,318 |
| Depreciation | - | 1,944,005 | - | 1,944,005 |
| Utilities | - | 210,833 | - | 210,833 |
| Tax | - | 285,089 | - | 285,089 |
| Others (Note) | <u>74,759</u> | <u>766,102</u> | <u>801</u> | <u>841,662</u> |
| | <u>\$ 355,331</u> | <u>\$ 4,288,347</u> | <u>\$ 801</u> | <u>\$ 4,644,479</u> |

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

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

| | 2020 | | | 2019 | | |
|------------------------------|-------------------------------------|--|---------------------|-------------------------------------|--|---------------------|
| | Classified as Cost of Revenue | Classified as Operating Expenses | Total | Classified as Cost of Revenue | Classified as Operating Expenses | Total |
| Employees' benefits expenses | | | | | | |
| Salary and bonus | \$ - | \$ 1,024,885 | \$ 1,024,885 | \$ - | \$ 977,745 | \$ 977,745 |
| Labor and health insurance | - | 86,899 | 86,899 | - | 83,686 | 83,686 |
| Pension | - | 37,432 | 37,432 | - | 39,410 | 39,410 |
| Director remuneration | - | 57,433 | 57,433 | - | 56,528 | 56,528 |
| Others | - | 27,779 | 27,779 | - | 26,340 | 26,340 |
| | <u>\$ -</u> | <u>\$ 1,234,428</u> | <u>\$ 1,234,428</u> | <u>\$ -</u> | <u>\$ 1,183,709</u> | <u>\$ 1,183,709</u> |
| Depreciation | <u>\$ 90,755</u> | <u>\$ 1,944,005</u> | <u>\$ 2,034,760</u> | <u>\$ 88,000</u> | <u>\$ 1,566,458</u> | <u>\$ 1,654,458</u> |
| Amortization | <u>\$ -</u> | <u>\$ 50,182</u> | <u>\$ 50,182</u> | <u>\$ -</u> | <u>\$ 26,757</u> | <u>\$ 26,757</u> |

Note A: As of December 31, 2020 and 2019, the Company had 1,347 and 1,403 employees, which included 7 and 6 directors not serving concurrently as employees, respectively.

Note B: As of December 31, 2020 and 2019, the Company's average employees' benefits expenses were \$878 thousand and \$807 thousand, respectively.

Note C: As of December 31, 2020 and 2019, the Company's average employees' salary and bonus were \$765 thousand and \$700 thousand, respectively.

Note D: The adjustment of average employees' salary and bonus was 9.29%.

Note E: The Company has established the remuneration committee in accordance with the laws and regulations. The committee takes into consideration the remuneration offered by the industry counterparts and publicly listed corporations and convenes meetings to evaluate and determine the remuneration of directors and managers.

The distribution of remuneration of directors is as provided by the Articles of Incorporation, Article 27. If the Company is profitable for the year, it shall appropriate not more than 2.5% of its profit as remuneration of directors. The actual appropriation percentage and amount of the remuneration of directors are reported to the shareholders' meeting by the board of directors after taking into consideration the performance evaluation, operating performance of the Company, future business risks and other relevant factors. Furthermore, the payment is determined by taking into consideration the payments offered by the industry counterparts and publicly listed corporations.

The remuneration to managers consists of four types of payments, namely salary, pension, bonus reward and special allowance, and compensation of employees. The compensation of employees is appropriated as per the Articles of Incorporation. The actual appropriation percentage, amount and disbursement method are subject to the resolution passed by the board of directors, and in turn shall be reported to the shareholders' meeting. The overall combination of the compensation is determined by taking into consideration the payments offered by the industry counterparts for the corresponding positions. The reasonableness of the correlation between individual performance, operating performance of the Company and future business risks is also taken into consideration, so as to establish a compensation policy that is rewarding and can reasonably reflect performances.

The Company shall review the compensation level of the market on a regular basis, so as to establish a fair, competitive and rewarding compensation benefit that retains employees and attracts outstanding talents to join the big family of Far Eastern Department Store. The compensation system consists of economic factors, namely the fixed salary, variable bonus and employee benefits, as well as non-economic factors, namely the work environment, job rotation, training and education, etc. Via a holistic design of the compensation system, the Company seeks to attract and retain outstanding and critical talents in the entity, boost working morale which form the core competitive advantages of the Company.