

**Stock Code: 2903**

# **Far Eastern Department Stores LTD.**

## **Handbook for the 2018 Annual Meeting of Shareholders**

**Meeting Time: 09:00 a.m. (Thursday), June 21, 2018**

**Place: Auditorium in the Taipei Hero House No. 20, Changsha Street,  
Section 1, Taipei, Taiwan**

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# **Far Eastern Department Stores LTD.**

## **I. Procedure for the 2018 Annual Meeting of Shareholder**

Call the Meeting to Order

Chairman Takes Chair

Chairman Remarks

Matters to be Reported

Matters to be Approved

Discussion and Election

Extemporary Motion

Adjournment

## II. Matters to be Reported

### 1. 2017 Business Report

In 2018, world economic forecast continues to remain upward, Taiwan's growth momentum is also expected to extend, plus record high stock market index, steady employment, and overall salary increase for the public sectors, all contributed to elevate consumers' purchase momentum. The recent consumer confidence index and optimistic economic outlook of National Economic Survey all indicated uptick trend, leading us to look favorably at the economic recoveries and private consumption expansion.

Under the impact of changing consumer behaviors, high penetration of e-commerce, and diversified retail channel competitions, Taiwan's total revenues of department stores sector reached NT\$334.6 billion in 2017, only grew a marginal 0.4% after registering growth for 8 consecutive years. Facing dynamic changes in the retailing industry, Far Eastern Department Stores ("FEDS") is adopting agile strategies to provide various management and innovative initiatives. In addition to introducing popular merchandise and services, the Company has also re-examined its operation processes, pushed for digitization, and adjusted the allocation of manpower and resources so as to enhance operating efficiency, lower cost, and effectively boost profit. Thanks to joint efforts of all staff, in 2017 FEDS registered record high revenues and operating profit, delivered again outstanding performance, and continued to create maximum value and profit for its shareholders.

In line with the advancements in technologies as well as the rise of new retailing, FEDS has been adopting digital technologies to innovate customer experiences, provide smart shopping services, establish online and offline integrated omni-channel retailing, satisfy consumers seamlessly connected online/offline shopping needs, and create new smart retailing. Our outstanding performances have often been accredited by domestic and international awards: "TOP 50 Corporate Sustainability Award", "Growth through Innovation Awards (Service)," and "CSR Report Award" by Taiwan Corporate Sustainability Awards" (TCSA); "Top 50 CSR Award" by *CommonWealth Magazine*; selected in the 100 Brand Asia list; and granted Taiwan winner of the "Best Efforts in Social Responsibility" by Federation of Asia-Pacific Retailers Association (FAPRA). Looking into the future, we will continue to make breakthrough, transform, and elevate, aiming at achieving "digital technology, interactive experience, and delightful smart shopping mall," adopting innovative operating model, promoting retailing upgrade, creating growth opportunities, and marching forward to the next milestone.

## **Operations Report of 2017**

FEDS recorded in 2017 consolidated sales of NT\$117.3 billion (according to IFRS, consolidated revenues were NT\$41.17 billion). Consolidated net profit was NT\$1.85 billion, company alone net profit was NT\$1.54 billion, and earnings per share were NT\$1.09. According to the 17<sup>th</sup> Board Meeting of FEDS, total cash dividend payout for 2017 was NT\$1.0. Operating result of the Far Eastern Retail Group in 2017 is summarized as follows:

### **(1) Far Eastern Department Stores**

1. Maintain growth momentum and continuously rising profit, FEDS registered sales at NT\$43.79 billion in 2017, up 0.2% year on year; operating profit stood at NT\$1.88 billion, and pretax net profit was NT\$1.78 billion, which surged nearly 30%.
2. Adopt smart technologies and elevate shopping experience, use big data for targeted marketing, set up Beacon to offer real time promotions, introduce mobile payment tools such as FriDay Wallet, provide convenience in shopping through technologies, increase number of customers, and unit customer spending grew 2.3%.
3. In accordance with commercial district features and market trend, incorporate trendy brands of boutique, food & beverage, and athleisure into each branch store, with comprehensive merchandise mix to provide rich shopping selections, and ensure unique and exquisite attraction of the shopping space.
4. FEDS' international trade exhibitions have been well received. The spectacular events and diverse merchandise have become popular signature activities. In 2017, FEDS sponsored 12 theme exhibitions of the total of 32 occasions attracting crowds and spur two-digit growth in revenues during the exhibition period.
5. Through "Creating Mega Ten Billion Store" productivity elevation program, establish 25 data systems, with digitalized management system to improve operating efficiency and lower operating cost, thus increase substantial profit equivalents to the operating profit produced by a newly opened 10 billion revenue large store.
6. Outstanding performance over the past 50 years has been widely accredited. In 2017, FEDS received 14 major awards both at home and abroad including: "100 Brand Asia," "Taiwan Corporate Sustainability Award," "Growth through Innovation Award," "CSR Report Award," "Top CSR Award by CommonWealth Magazine," "Cool Share & Power Share" smart energy conservation partner by the Ministry of Economic Affairs, "Green Procurement Award" by

New Taipei City, and “Friendly Store” by Taipei City Government. Dedicated to applying CSR core competence, creating win-win sustainable growth model benefiting economy, environment, and society, serving as a good corporate citizen, and building up a better life for the society.

## **(2) Far Eastern SOGO Department Stores**

1. 2017 sales were NT\$43.86 billion, up 0.6% from 2016. Operating profit was NT\$2.11 billion, down 9.6% year on year. Since September 1, 2017, Pacific SOGO has renamed to Far Eastern SOGO, the 12-day anniversary sales for 2017 were NT\$10.24 billion, up 5% from 2016.
2. Chengdu Beichen Store was closed on April 10, 2017 due to slow development of district government and sluggish local market. Furthermore, given oversupply in commercial space, rapid expansion of large shopping malls, and intense competitions, Tianfu Store changed operating model to lease part of business space for office use, and switched operations on December 22, 2017.
3. SOGO 30<sup>th</sup> Anniversary Special Project:
  - (1) Establish SOGO brand image and position as No. 1 Department Store legend.
  - (2) Successful brand cooperation and exclusive activity integration, various media marketing, and mobilized anniversary sales.
  - (3) Sponsor 30<sup>th</sup> Anniversary Celebration Party and “30 Kilometers Run for the 30<sup>th</sup> Anniversary.”
  - (4) Enhance Group synergies, Far Eastern International Bank became SOGO’s top three co-brand credit card bank, the use of FriDay Wallet during anniversary sales and application of Happy Cash cards ranked top within the Group.
4. SOGO CSR achievements have won global recognitions and received 12 major domestic and international awards: Representing Far Eastern Group to receive the Group’s first and also Taiwan’s first “National Sustainable Develop Award” for department store, Asia Responsible Entrepreneurship Awards in the category of Health Promotion and Social Empowerment, Taiwan’s only two-time department store recipient of “2017 FAPRA Country Awards,” and Taiwan’s only department store to win two consecutive years of “TCSA – Best Performance Social Inclusion Awards (Services).” SOGO is not only leader in fashion and life aesthetics, but also creator and advocator of sustainable environment.
5. Engage in digital technologies to improve service quality, integrate

multiple mobile payment tools to optimize shopping process, adopt digital marketing tools to create differentiated merchandises and services, provide data/information to the consumers, and let customers experience integrated digital fashion.

### **(3) Far Eastern Ai-Mai**

With the government's reform to revise pension system and the new five-day workweek, also known as "one fixed day off and one flexible rest day" policy, Taiwan's economic outlook remained uncertain. While reporting loss in 2016 due to store closures, Ai-Mai registered profit in 2017. In summary, the Company recorded revenues of NT\$15.02 billion in 2017, down 13% year on year, excluding the closures of Kaohsiung, Tazhi, and Yuanlin Stores, same store sales ratio dropped by 5%, operating profit stood at NT\$60 million, and pre-tax net profit was NT\$110 million.

## **3. Business Plan and Outlook for 2018**

In responding to changes in market and consumer trends, we will remain agile and prudent, continue to deliver outstanding performance.

### **(1) Far Eastern Department Stores**

1. Utilize big data, analyze customer attributes, predict customer needs, offer more targeted marketing, and push revenues to grow steadily.
2. Strengthen the application of digital media and social platform, attract customers with more delightful events, and continue to enhance seamless experience through APP and website contents, execute virtual and physical integration, enable customers to enjoy various convenient and personalized services.
3. Strengthen merchandise structure to boost performance, increase differentiation and lifestyle merchandise, enhance interactive experiences, clearly define merchandise zones on each floor, optimize floor use efficiently, introduce more exclusive counters and popular brands, and elevate sales turnover.
4. Celebrate festive holidays and popular themes by sponsoring special events, let stores stay closely to consumers' daily lives, enhance inbound marketing, and bring customers closer through more interactive, experience-oriented fun shopping malls, and become the best choice for shopping destination.
5. Continue digitization, elevate operating efficiency, adjust audit system, expedite talent cultivation, control budget effectively,

optimize expense allocation, through organized management plans to synergize organizational resources, tap the talent and resources pools, elevate overall efficiency, and achieve corporate stringency.

## **(2) Far Eastern SOGO Department Stores**

1. Taipei Zhongxiao Store will enhance revenues by focusing on four major annual campaigns, strengthen its merchandise, promotion, inbound, and digital marketing; Fuxing Store will adjust brands in partial floors, increase quality customers with high purchasing power; Tianmu Store will expand apparel selections to boost gross margin; Chungli Store will bring in exclusive brands in the greater Taoyuan area; Hsinchu Big City Store shall elevate brand categories, all contribute more diversity to Big City Mall.
2. 2018 marks the beginning of another decade, strengthen and expand mobile payment tools and social media marketing, enhance group synergies, cut down promotion budget with precise expenditure, establish sustainable growth and Far Eastern SOGO brand image.
3. Operating Goals: Innovative new retailing, leverage stores' close proximity to metro stations, strengthen metro stations district and cashless shopping edge; develop new retailing model and new business type, seek unique merchandise features and consolidate the fundamentals; cultivate merchandising talent, recruit digital talent, train mid-level talent, and strengthen top talents.
4. In China, economize existing scale, seek suitable locations to open stores, control cost, monitor budget closely, strengthen talent, and elevate efficiency.
5. Key Management Action: Promote AR/VR/MR real time service system platform, reorganize the organizational structure, open new opportunities with innovation and technologies in the existing retail channels, and elevate operating efficiency with reward system.

## **(3) Far Eastern Ai-Mai**

1. Continue to renovate the existing stores, provide more friendly shopping environment, and elevate average sales per ping.
2. Adjust merchandise through "Range Review," optimize product display, offer more diversified and value-added quality merchandise.
3. Implement strict expenditure control, and lower operating cost.
4. Focus on food safety, proactively elevate Ai-Mai brand value, let customers "Buy Fresh, Eat Safe, and Spend Less."



5. With multiple store platform shipment model, expand market share of e-commerce, lower operating cost, and improve operating performance.
6. Continue to invest in our physical stores, Ai-Mai Taichung Shuinan Store is expected to open in December 2018.

Technology is advancing speedily and the retailing model is also changing rapidly. Facing the wave of new retailing, FEDS will respond with smart retailing, apply advanced technologies including Internet of Things, big data analytics, artificial intelligence, and robotics, integrate virtual and physical channels, deepen product services, elevate customer experience, optimize consumption model, utilize new technologies as growth engine, cater to customer needs, promote the development of new retailing, create and upgrade the value of new retailing, then march toward the new terrain of smart retailing.

Facing the dynamic environment, we will also expedite our growth, catch market insights, and create growth opportunities. In addition to continuously enhancing the existing stores, maintaining steady revenues and profits, the Company will actively seek for investment targets in Taiwan and abroad, expand new locations, and continue to expand growth through business niche and operating scale. Now the fifth-generation stores of FEDS (Taipei Hsinyi A13 and Chubei Shopping Mall) are preparing to be opened by 2020. The 5<sup>th</sup> generation stores shall combine new elements such as digital technologies and smart shopping, introduce many innovative initiatives in space, merchandise, and services, promote FEDS new generation store to transform and upgrade in order to build up as new landmark for Taiwan's innovative shopping mall.

After operating locally for 50 years, FEDS never ceases to seek innovation, change, transformation, and elevation to inject new energy for business growth, and constitute new mobilization for organization management. In the future, the outstanding management team shall continue to transform and innovate, with new mindset to implement new strategies, navigate business developments, commit to social responsibilities, ensure everlasting growth and excellence, create maximum value and reward for shareholders, and seek sustainable growth and leading position for the next phase.

Chairman

Douglas Tong Hsu

## **2. Financial report of 2017.**

### **Explanation:**

The 2017 Financial Statements are attached as page 9-29.

Consolidated balance sheets (December 31, 2017)

Consolidated statement of comprehensive income (January 1, 2017~ December 31, 2017)

Consolidated statements of changes in stockholders' equity (January 1, 2017 ~ December 31, 2017)

Consolidated statements of cash flow (January 1, 2017 ~ December 31, 2017)

Balance sheets (December 31, 2017)

Statement of comprehensive income (January 1, 2017 ~ December 31, 2017)

Statements of changes in stockholders' equity (January 1, 2017~ December 31, 2017)

Statements of cash flow (January 1, 2017 ~ December 31, 2017)

Independent auditor's report by Deloitte & Touche is attached as page 9~13 and page 20-23.

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

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

#### Evaluation of Impairment Loss of Goodwill

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

The goodwill of the Group mainly derived from the merger and acquisition of operating segments in mainland China. When testing goodwill for impairment, management should

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

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

1. Evaluating the expertise, competency and independence of external valuation specialists mandated by management. Verifying the qualification of valuation specialists to ensure their objectivity and assignment are not influenced or restricted, and the methodology conducted is under regulation.
2. With support from our internal financial consultancy specialists, evaluating the appropriateness of significant assumptions applied by management, including cash flows forecasts, revenue growth rates and discount rates used.

#### Fair Value Evaluation of Investment Properties

As of December 31, 2017, the carrying amount of investment properties was NT\$8,738,216 thousand, accounting for 8% of total consolidated assets, which is material to the consolidated financial statements. The Group's investment properties are subsequently measured using the fair value model. In the process of fair value assessment, valuation technique and inputs require consideration of the future scheme of investment properties to estimate the discounted fair value of future cash flows. Future cash flows are extrapolated using the existing lease contracts of the Group and market rentals.

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

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

1. Evaluating the expertise, competency and independence of external valuation specialists mandated by management. Verifying the qualification of valuation specialists to ensure their objectivity and assignment are not influenced or restricted, and the methodology conducted is under regulation.
2. Reviewing significant lease contracts to ensure the accuracy of fundamental information for cash flow forecasts.
3. With support from our internal financial consultancy specialists, evaluating the appropriateness of significant assumptions applied, including capitalization rates and discount rates used.

#### Others Matter

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

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

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

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

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

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are

required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 21, 2018

Notice to Readers

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

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

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

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

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



# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

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

(Continued)

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

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

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

**FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**

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

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

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

**FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
(In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 2,698,842	\$ 2,121,281
Adjustments for:		
Depreciation expenses	2,650,811	2,929,003
Amortization expenses	44,687	40,377
Impairment loss (reversal of impairment loss) recognized on receivables	(7,062)	20,682
Net loss on financial assets or liabilities at fair value through profit or loss	2,851	36,290
Finance costs	445,376	428,315
Interest income	(74,855)	(57,458)
Dividend income	(138,393)	(183,519)
Share of loss of associates accounted for using the equity method	39,180	8,585
Loss on disposal of property, plant and equipment	223,336	40,617
Gain on disposal of investments	(428,971)	-
Loss on disposal of intangible assets	3,261	306
Gain on disposal of non-current assets held for sale	(6,628)	-
Impairment loss recognized on financial assets	2,055	2,055
Impairment loss recognized on intangible assets	1,205,840	998,411
Impairment loss recognized on property, plant and equipment	2,040	177,228
Unrealized gain on physical inventory and slow-moving inventories	(1,734)	(159,305)
Loss (gain) on changes in fair value of investment properties	9,061	(127,937)
Amortization of prepayments	25,903	28,301
Amortization of prepayments for lease	325,824	327,040
(Reversal) recognition of provisions	(13,548)	11,898
Reversal of deferred revenue	(92,267)	(98,552)
Reversal of unrealized purchase discounts	(1,506)	(106,012)
Net changes in operating assets and liabilities		
Financial assets held for trading	5,009	(189,494)
Notes receivable	14,763	(12,501)
Trade receivables	(355,141)	(251,606)
Trade receivables from related parties	36,721	95,407
Other receivables	52,691	(229,922)
Inventories	181,071	501,451
Prepayments	148,600	(2,821)
Other current assets	10,249	10,785
Notes payable	(34,821)	(14,332)
Trade payables	2,034,431	(355,292)
Trade payables to related parties	14,063	(5,937)
Other payables	(979,615)	(297,819)
Deferred revenue	83,761	92,267
Advance receipts	71,379	(231,858)
Other current liabilities	(14,111)	(31,108)
Net defined benefit liabilities	(92,161)	16,041
Cash generated from operations	8,090,992	5,530,867

(Continued)

**FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
(In Thousands of New Taiwan Dollars)

	2017	2016
Dividends received	\$ 238,940	\$ 673,437
Interest paid	(431,023)	(411,026)
Interest received	67,559	49,417
Income tax returned	3,125	500
Income tax paid	<u>(799,617)</u>	<u>(341,734)</u>
Net cash generated from operating activities	<u>7,169,976</u>	<u>5,501,461</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of debt investments with no active market	(1,324,877)	187,336
Acquisition of investments accounted for using the equity method	(286,655)	(74,000)
Acquisition of available-for-sale assets	(92,331)	-
Proceeds from sale of available-for-sale financial assets	1,171,836	-
Decrease in prepaid long-term investments	84,174	96,164
Proceeds from disposal of non-current assets held for sale	13,500	-
Payments for property, plant and equipment	(1,825,793)	(1,685,232)
Proceeds from disposal of property, plant and equipment	1,940	8,097
Payments for intangible assets	(53,748)	(42,348)
Payments for investment properties	(1,481)	(2,593)
Decrease in other non-current assets	<u>77,909</u>	<u>28,871</u>
Net cash used in investing activities	<u>(2,235,526)</u>	<u>(1,483,705)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	137,230,416	107,709,464
Repayments of short-term borrowings	(133,883,006)	(107,049,812)
Proceeds from short-term bills payable	29,826,307	30,934,339
Repayments of short-term bills payable	(30,002,553)	(30,594,413)
Proceeds from long-term borrowings	67,111,036	45,644,837
Repayments of long-term borrowings	(71,280,600)	(45,509,200)
Decrease in other non-current liabilities	(35,184)	(45,513)
Dividends paid to owners of the Company	(992,035)	(1,417,029)
Dividends paid to non-controlling interests	(267,424)	(197,397)
Decrease in non-controlling interests	<u>-</u>	<u>(50,186)</u>
Net cash used in financing activities	<u>(2,293,043)</u>	<u>(574,910)</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>(34,864)</u>	<u>40,465</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,606,543	3,483,311
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>13,509,941</u>	<u>10,026,630</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 16,116,484</u>	<u>\$ 13,509,941</u>

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

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

#### **Evaluation of Impairment Loss of Goodwill in Investments in Subsidiaries**

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

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

1. Evaluating the expertise, competency and independence of external valuation specialists mandated by management. Verifying the qualification of valuation specialists to ensure their objectivity and assignment are not influenced or restricted, and the methodology conducted is under regulation.
2. With support from our internal financial consultancy specialists, evaluating the appropriateness of significant

assumptions applied by management, including cash flows forecasts, revenue growth rates and discount rates used.

### **Fair Value Evaluation of Investment Properties**

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

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

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

1. Evaluating the expertise, competency and independence of external valuation specialists mandated by management. Verifying the qualification of valuation specialists to ensure their objectivity and assignment are not influenced or restricted, and the methodology conducted is under regulation.
2. Reviewing the significant lease contracts to ensure the accuracy of fundamental information for cash flow forecasts.
3. With support from our internal financial consultancy specialists, evaluating the appropriateness of significant assumptions applied, including cash flows forecasts, capitalization rates and discount rates used.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 21, 2018



Notice to Readers

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

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

## FAR EASTERN DEPARTMENT STORES, LTD.

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

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

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

(Continued)

## FAR EASTERN DEPARTMENT STORES, LTD.

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

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

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

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

# FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,781,651	\$ 1,386,963
Adjustments for:		
Depreciation expenses	1,187,359	1,284,042
Amortization expenses	12,481	9,612
Amortization of prepayments	715	8,143
Finance costs	199,285	202,433
Reversal of deferred revenue	(37,161)	(38,775)
Share of loss of subsidiaries and associates accounted for using the equity method	144,445	880,568
Interest income	(38)	(551)
Dividend income	(72,480)	(104,042)
Loss on disposal of property, plant and equipment	7,062	14,191
Loss on disposal of investment properties	166	247
Gain on disposal of investments	(194,022)	-
Impairment loss recognized on financial assets	2,055	2,055
Loss (gain) on changes in fair value of investment properties	78,539	(157,290)
Net changes in operating assets and liabilities		
Notes receivable	14,890	(13,853)
Trade receivables	(83,591)	(107,218)
Trade receivables from related parties	(18,051)	(17,339)
Other receivables	(15,574)	22,837
Inventories	52,187	6,808
Prepayments	32,970	(1,764)
Other current assets	(1,408)	7,609
Notes payable and trade payables	1,803,137	(131,881)
Trade payables to related parties	25,621	(7,564)
Other payables	(74,995)	(216,876)
Deferred revenue	37,604	37,161
Advance receipts	131,025	(96,239)
Other current liabilities	(16,934)	(6,603)
Net defined benefit liabilities	(99,798)	13,335
Cash generated from operations	<u>4,897,140</u>	<u>2,976,009</u>
Interest paid	(229,773)	(239,708)
Interest received	38	45
Dividends received	228,650	227,837
Income tax returned	3,123	-
Income tax paid	<u>(230,313)</u>	<u>(142,646)</u>
Net cash generated from operating activities	<u>4,668,865</u>	<u>2,821,537</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of available-for-sale financial assets	547,125	-
Acquisition of investments accounted for using the equity method	(3,843,327)	-
Payments for property, plant and equipment	(969,786)	(805,780)

(Continued)

## FAR EASTERN DEPARTMENT STORES, LTD.

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

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

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

(Concluded)

### **3. Audit Committee's review report on 2017 business report and financial statements.**

#### **SUPERVISORS' REPORT**

To the 2017 General Shareholders' Meeting of Far Eastern Department Stores, Ltd, In accordance with Article 14-4 of Securities and Exchange Act and Article 219 of the Company Law, we have examined the Business Report, the Resolution for Distribution of Surplus Earning, and Financial Statements which had been certified by Deloitte & Touche, submitted by the Board of Directors for the year ending 2017 and found them in order.

The Convener of the Audit Committee: Yung Do Way

May 2, 2018



## 4. Report of directors' and employees' compensation

1. Pursuant to the proposal of the amendments of Article 27 of the Company's "Articles of Incorporation",

If the Company profits for the year, the Company shall allocate from 2% to 3.5% of it for the employees' compensation, and the maximum of 2.5% of it for Directors' compensation. However, the company's accumulated losses shall reserve the amount of covering in advance. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash, and the ratio, amount method and shares of actual distribution; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

2. The net income before distributing the compensation of directors and employees is NT\$ 1,887,342,224. The Company proposes that the ratio and amount of distribution for the compensation of employees are 3.2% and NT\$ 60,394,951, and the ratio and amount of distribution for the compensation of directors are 2.4% and NT\$ 45,296,213. The proposal of compensation of directors and employees may be paid in cash.
3. The proposal of compensation had approved by the shareholders' meeting.
4. Please approve the proposed resolutions.

### **Resolution:**

### **III. Matters to be Approved**

#### **1. To accept 2017 business report and financial statements.**

The Board of Directors proposes and recommends that each shareholder votes for the acceptance of 2017 business report and financial statements.

#### **Explanatory Notes:**

1. FEDS's 2017 business report and financial statements (including consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows) have been audited by independent auditors, Shu-Chuan Yeh and Kuo-Tyan Hung of Deloitte & Touche (please refer to P.2-P.29), and have been examined by and determined to be correct and accurate by the Audit Committee of FEDS. We thereby submit this report.
  
2. Please approve the above-mentioned business report and financial statements.

#### **Resolution:**

## 2. To approve the proposal for the distribution of 2017 surplus earning.

The Board of Directors proposes and recommends that each shareholder votes for the distribution of 2017 surplus earning.

### Explanatory Notes:

1. All the closing transactions as of December 31, 2017 have been completely closed, and have been audited by the accounting firm, Deloitte and Touche. We thereby submit the proposal for distribution of 2017 profits:

1.	Unappropriated earnings of January 1, 2017	NT\$ 794,124,174
2.	The adjustments of retained earnings for by using equity method	(15,462)
3.	Recognizing the re-measurements of defined benefit plans in retained earnings	(55,149,715)
4.	Un-appropriated earnings after adjustments(1-2-3)	738,958,997
5.	Net Income for the year ended December 31, 2017	1,535,986,187
6.	10% legal reserve (=5*10%)	(153,598,619)
7.	Special reserve	(12,543,416)
8.	Distributable net profit(4+5-6-7)	2,108,803,149
9.	Earnings distribution (NT\$1 per share)	(1,416,940,589)
10.	Un-appropriated earnings after distribution(=8-9)	691,862,560

2. The distribution of 2017 dividends composes of 2017 surplus earning in priority, and the undistributed profit from 1998 to 2016 in case 2017 surplus earning are insufficient to cover 2017 dividends, and then the undistributed profit before 1997 in case the surplus earning from 1998 to 2016 are insufficient to cover 2017 dividends.
3. After being approved at the annual General Shareholders' meeting (2018), the cash dividends to holders of common share will be distributed on the record date to be determined by Chairman authorized by the Board of Directors. Cash dividends allocated to each shareholder should be calculated to round down to full NT dollar (decimal places should be ignored). The sum of the amount lower than NT\$1 paid to each shareholder should be reclassified to other income. According to Article 28-2 of the ROC Securities and Exchange Law and other relevant regulations, the total numbers of common shares outstanding may change, and the ultimate cash to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Board of Directors of FEDS be authorized to adjust the cash to be distributed to each common share based on the total amount of profits resolved to be distributed, the amount of earnings resolved to be capitalized, and the number of actual common shares outstanding on the record date for distribution.
4. Please approve the above-mentioned proposal for the distribution of 2017 profits.

### Resolution

## **IV. Discussion and Election**

### **1. Proposal to amend the certain provisions of the Company's "Articles of Incorporation"**

The Board of Directors proposes and recommends that each shareholder votes for the amendments of certain provisions of the Company's "Articles of Incorporation".

Please vote.

Board of Directors proposes:

#### **Explanatory Notes:**

In accordance with the actual operation situation, we planned to specify the company's dividend policy, with the amendments to the "Articles of Incorporation" Article 28, Article 30, amendments in the following table.

#### **Resolution:**

Section	Proposed Changes	Current Articles
Article 28	<p>Apart from paying all its income taxes in the case where there are profits at the end of the year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of which shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders the bonus which is the remainder based on shareholdings after deducting special reserve as required by law together with undistributed profits from previous years.</p> <p>The distribution of dividends shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Dividends shall be paid aimed at maintaining the stability of dividend distributions. <u>Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing shareholders' dividend, the dividend payout ratio each fiscal year shall be no less than fifty percent ( 50% ) of the final surplus which is the sum of after-tax profit of the fiscal year to withhold previous loss, if any, legal reserve and special reserve as required by law;</u> the cash dividends shall not be less than 10% of bonus to the shareholders distributed in the same year.</p>	<p>Apart from paying all its income taxes in the case where there are profits at the end of the year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of which shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders the bonus which is the remainder based on shareholdings after deducting special reserve as required by law together with undistributed profits from previous years.</p> <p>The distribution of dividends shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Dividends shall be paid aimed at maintaining the stability of dividend distributions. When distributing dividends, the cash dividends shall not be less than 10% of bonus to the shareholders distributed in the same year.</p>

<b>Section</b>	<b>Proposed Changes</b>	<b>Current Articles</b>
Article 30	<p>These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p><u>Forty-seventh amendment of June 21, 2018</u></p>	<p>These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p>Forty-sixth amendment of June 17, 2016</p>

## **2. Proposal to amend the certain provisions of the Company's "Procedures for Acquisition and Disposition of Assets".**

The Board of Directors proposes and recommends that each shareholder votes FOR the amendments of certain provisions of the Company's "Procedures for Acquisition and Disposition of Assets".

Please vote.

Board of Directors proposes:

### **Explanatory Notes:**

1. According to FSC's opinion, the internal auditors of company shall regularly review the appropriateness of internal controls for derivative product trading, thus, the board of directors shall not authorize the directors of audit department to conduct the management and supervision of derivative product trading. Therefore, amend "directors of Audit Department" to "the chairman or the person appointed by him", and amend article 10.
2. To simplify the "Procedures for Acquisition and Disposition of Assets" of the subsidiary companies , and amend article 14.

### **Resolution:**

Section	Proposed Changes	Current Articles
Article 10(1)	<p>Acquisition or Disposition of Derivative Products</p> <p>1) Principles and Policies for Transactions</p> <p>a) to b) would be omitted</p> <p>c) Duties and Responsibilities</p> <p>i) Execution of transaction contracts and relevant documents: By the Chairman or a person so appointed by him as representative of the Company.</p> <p>ii) Execution of transaction and profit/loss evaluation:</p> <p>A. The Procurement Department shall be responsible for contracts involved goods related to raw materials; the Finance Department shall be responsible for contracts relating to finance.</p> <p>B. Account opening, transaction, confirmation, settlement: Director of the relevant department to decide or authorize.</p> <p>C. Production of transaction slip, invoice and application for funding to be undertaken by traders and approved by supervisors at various levels before forwarding the same to Finance, Accounting and Audit Departments.</p> <p>D. Designated staff at all relevant departments shall be responsible for profit/loss evaluation; evaluation forms shall be forwarded to <u>the chairman or a person so appointed by him.</u></p> <p>iii) Accounting: The Accounting Department shall formulate record slips and enter into accounts based</p>	<p>Acquisition or Disposition of Derivative Products</p> <p>2) Principles and Policies for Transactions</p> <p>b) to b) would be omitted</p> <p>c) Duties and Responsibilities</p> <p>i) Execution of transaction contracts and relevant documents: By the Chairman or a person so appointed by him as representative of the Company.</p> <p>ii) Execution of transaction and profit/loss evaluation:</p> <p>A. The Procurement Department shall be responsible for contracts involved goods related to raw materials; the Finance Department shall be responsible for contracts relating to finance.</p> <p>B. Account opening, transaction, confirmation, settlement: Director of the relevant department to decide or authorize.</p> <p>C. Production of transaction slip, invoice and application for funding to be undertaken by traders and approved by supervisors at various levels before forwarding the same to Finance, Accounting and Audit Departments.</p> <p>D. Designated staff at all relevant departments shall be responsible for profit/loss evaluation; evaluation forms shall be forwarded to <u>the director of Audit Department.</u></p> <p>iii) Accounting: The Accounting Department shall formulate record slips and enter into accounts based</p>



<b>Section</b>	<b>Proposed Changes</b>	<b>Current Articles</b>
Article 10(1)	<p>on the various receipts, and shall complete the relevant accounting reports according to the accounting cycles.</p> <p>iv) Audit: The Audit Department shall conduct regular and irregular audit based on the internal audit system.</p> <p>v) Legal: Legal counsel shall be responsible for review of transaction contracts.</p> <p>vi) Unless otherwise provided, only the administrator or those ranking above may implement the transaction for derivative products.</p> <p>d) to f) would be omitted</p>	<p>on the various receipts, and shall complete the relevant accounting reports according to the accounting cycles.</p> <p>iv) Audit: The Audit Department shall conduct regular and irregular audit based on the internal audit system.</p> <p>v) Legal: Legal counsel shall be responsible for review of transaction contracts.</p> <p>vi) Unless otherwise provided, only the administrator or those ranking above may implement the transaction for derivative products.</p> <p>d) to f) would be omitted</p>

Section	Proposed Changes	Current Articles
Article 10(2)	<p>Acquisition or Disposition of Derivative Products</p> <p>2) Risk Management Measures:</p> <p>a) to h) would be omitted</p> <p>i) All positions in derivative trades shall be appraised on a weekly basis; where hedge positions trades are entered out of business necessity they shall be appraised at least twice a month. Appraisal reports shall be forwarded to <u>the chairman or a person so appointed by him.</u></p>	<p>Acquisition or Disposition of Derivative Products</p> <p>2) Risk Management Measures:</p> <p>a) to h) would be omitted</p> <p>i) All positions in derivative trades shall be appraised on a weekly basis; where hedge positions trades are entered out of business necessity they shall be appraised at least twice a month. Appraisal reports shall be forwarded to <u>senior managers authorized by the board of directors.</u></p>
Article 10(4)	<p>Acquisition or Disposition of Derivative Products</p> <p>4) Regular Appraisal and Measures In the Event of Irregularities</p> <p>a) <u>The chairman or a person so appointed by him</u> shall closely monitor and control the trading risk for derivative trades.</p> <p>b) <u>The chairman or a person so appointed by him</u> shall specifically conduct regular appraisal of the performance of derivative trades so as to establish whether there has been conformity with the pre-set operation policies and whether the risks to be undertaken in respect thereof are within the scope allowed by the Company.</p> <p>c) <u>The chairman or a person so appointed by him</u> shall regularly review the suitability of the existing risk management measures and whether the procedures set out in this Article have been complied with; This person shall furthermore monitor the trades and profits/losses status, and shall take the necessary measures and immediately report to the board</p>	<p>Acquisition or Disposition of Derivative Products</p> <p>4) Regular Appraisal and Measures In the Event of Irregularities</p> <p>a) <u>The board of directors shall appoint the directors of Audit Department</u> to closely monitor and control the trading risk for derivative trades.</p> <p>c) <u>The board of directors shall appoint a person</u> to specifically conduct regular appraisal of the performance of derivative trades so as to establish whether there has been conformity with the pre-set operation policies and whether the risks to be undertaken in respect thereof are within the scope allowed by the Company.</p> <p>c) <u>The director of the Audit Department</u> shall regularly review the suitability of the existing risk management measures and whether the procedures set out in this Article have been complied with; This person shall furthermore monitor the trades and profits/losses status, and shall take the necessary measures and immediately report to the board</p>

Section	Proposed Changes	Current Articles
Article 10(4)	<p>of directors where irregularities are discovered; The independent directors of the Company shall attend meetings of the board of directors and shall express their opinions.</p> <p>d) would be omitted</p>	<p>of directors where irregularities are discovered; The independent directors of the Company shall attend meetings of the board of directors and shall express their opinions.</p> <p>d) would be omitted</p>
Article 14(1)	<p>Subsidiaries of the Company shall comply with the following:</p> <p>1) The subsidiaries shall also formulate and implement their respective "Procedures for Acquisition or Disposition of Assets" in accordance with the provisions of "Regulations Governing Acquisition or Disposition of Assets by Public Companies", after the approval of their respective board of directors and Shareholders' Meeting, a copy of the said procedure shall be submitted to the accounting department of the Company <u>for supervision</u>. The aforesaid shall also apply to amendments to the said procedures.</p>	<p>Subsidiaries of the Company shall comply with the following:</p> <p>1)The subsidiaries shall also formulate and implement their respective "Procedures for Acquisition or Disposition of Assets" in accordance with the provisions of "Regulations Governing Acquisition or Disposition of Assets by Public Companies", after the approval of their respective board of directors and Shareholders' Meeting, a copy of the said procedure shall be submitted to the accounting department of the Company and <u>the subsidiary shall be listed and summarized by the accounting department of the Company to the Company's board of directors for approval</u>. The aforesaid shall also apply to amendments to the said procedures.</p>

### **3. Proposal to re-elect the Company's Directors(including independent directors)**

The Board of Directors proposes and recommends that each shareholder votes for the re-election of the Company's Directors.

Please vote.

Board of Directors proposes:

#### **Explanatory Notes:**

1. Pursuant to the Article 17 of the Company's Articles of Incorporation, the Company shall adopt a candidate nomination system for election of the Independent Directors, and the shareholders shall elect the Directors from among the nominees listed in the slate of the Director candidates.
2. The Company's Directors of 17<sup>th</sup> term will expire on June 21, 2018. Therefore, the Directors shall re-elect in the general shareholders' meeting in 2018 in accordance with Article 18 of the Company's Articles of Incorporation. After the re-election of Directors including three Independent Directors in the general shareholders' meeting in 2018, the respective appointments of Directors and Independent Directors will be from June 21, 2018 to June 20, 2021, and be for a period of 3 years.
3. Pursuant to the Article 192-1 of the Company Law and relative provisions, these nine Director candidates including three Independent Directors candidates reviewed and approved by the 13<sup>th</sup> meeting of 17<sup>th</sup> term of Board of Directors on May 2, 2018 are shown in the following table.
4. Please approve the proposed resolutions.

#### **Resolution:**

## The Slate of Candidates

Title	Name	Education	Experience	Current Position	Shareholding	Legal Entity Represent and its Shareholding
Director	Douglas Tong Hsu	Honor Ph.D. in Management, National Chiao Tung University, Taiwan	<ol style="list-style-type: none"> <li>1. Chairman, <ul style="list-style-type: none"> <li>■ Far Eastern Department Stores Ltd.</li> <li>■ Far Eastern New Century Co. Ltd.</li> <li>■ Asia Cement Corporation</li> <li>■ Far EasTone Telecommunications Co. Ltd.</li> <li>■ Oriental Union Chemical Corporation</li> <li>■ U-Ming Marine Transport Corp.</li> </ul> </li> <li>2. Vice-Chairman, <ul style="list-style-type: none"> <li>■ Far Eastern International Bank</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman, <ul style="list-style-type: none"> <li>■ Far Eastern Department Stores Ltd.</li> <li>■ Far Eastern New Century Co. Ltd.</li> <li>■ Asia Cement Corporation</li> <li>■ Far EasTone Telecommunications Co. Ltd.</li> <li>■ Oriental Union Chemical Corporation</li> <li>■ U-Ming Marine Transport Corp.</li> </ul> </li> <li>2. Vice-Chairman, <ul style="list-style-type: none"> <li>■ Far Eastern International Bank</li> </ul> </li> </ol>	1,779,835	-
Director	Nancy Hsu	Department of Fashion Design, Shih Chien University, Taiwan	<ol style="list-style-type: none"> <li>1. Far Eastern Department Stores Ltd., <ul style="list-style-type: none"> <li>■ Director</li> <li>■ President</li> </ul> </li> <li>2. Chairman, <ul style="list-style-type: none"> <li>■ YuMing Advertising Agency Co., Ltd.</li> <li>■ Ya Tung Department Stores Ltd.</li> <li>■ Bai Yang Investment Co., Ltd.</li> <li>■ Far Eastern Hon Li Do Co., Ltd.</li> <li>■ Far Eastern City Super Co. Ltd.</li> <li>■ Bai Fa China Holding (HK) Limited,</li> <li>■ Pacific (China) Investment Co., Ltd.</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1. Far Eastern Department Stores Ltd., <ul style="list-style-type: none"> <li>■ Director</li> <li>■ President</li> </ul> </li> <li>2. Chairman, <ul style="list-style-type: none"> <li>■ YuMing Advertising Agency Co., Ltd.</li> <li>■ Ya Tung Department Stores Ltd.</li> <li>■ Bai Yang Investment Co., Ltd.</li> <li>■ Far Eastern Hon Li Do Co., Ltd.</li> <li>■ Far Eastern City Super Co. Ltd.</li> <li>■ Bai Fa China Holding (HK) Limited,</li> <li>■ Pacific (China) Investment Co., Ltd.</li> </ul> </li> </ol>	1,173,788	Ding Ding Management Consultant Corporation 73,009

Title	Name	Education	Experience	Current Position	Shareholding	Legal Entity Represent and its Shareholding
Director	Nicole Hsu	Bachelor, major in Fine Arts in Interior Design, New York School of Interior Design, USA	<ol style="list-style-type: none"> <li>Director, Far Eastern Department Stores Ltd.,</li> <li>Senior Designer, Saladino Group, Inc., New York</li> </ol>	Director, Far Eastern Department Stores Ltd.	0	Far Eastern New Century Co., Ltd. 241,769,702
Director	Yvonne Li	Master, Major in Accounting, University of Illinois at Urbana-Champaign, USA	<ol style="list-style-type: none"> <li>Far EasTone Telecommunications Co. Ltd., <ul style="list-style-type: none"> <li>■ President,</li> <li>■ CCO</li> <li>■ CFO</li> </ul> </li> <li>Vice President, CitiBank.</li> </ol>	<ol style="list-style-type: none"> <li>Far Eastern Info Service (Holding)Ltd., New Century Infocomm Tech Co.,Ltd <ul style="list-style-type: none"> <li>■ Chairman</li> <li>■ President</li> </ul> </li> <li>Chairman, <ul style="list-style-type: none"> <li>■ Far Eastern Tech-Info (Shanghai) Ltd.</li> <li>■ Arcoa Communication Co., Ltd.</li> <li>■ Q-ware Communications Co., Ltd.</li> </ul> </li> <li>President, Far EasTone Telecommunications Co. Ltd.</li> <li>Director, Far Eastern Department Stores Ltd. Omusic Co., Ltd Alliance Digital Technology Co. Pacific SOGO Department Stores Co., Ltd</li> </ol>	0	Far Eastern New Century Co., Ltd. 241,769,702

Title	Name	Education	Experience	Current Position	Shareholding	Legal Entity Represent and its Shareholding
Director	Jin Lin Liang	Master, Major in Mass Communication, Illinois State University, USA	<ol style="list-style-type: none"> <li>1. Director, Far Eastern Department Stores Ltd.</li> <li>2. President, Ding Ding Integrated Marketing Services Ltd.</li> <li>3. Director, Far Eastern Electronic Commerce Co., Ltd.</li> <li>4. Executive Director, Yuan Ding Tech-info (Shanghai) Ltd.</li> <li>5. Chairman, Yuan Hsin Digital Co., Ltd.</li> </ol>	<ol style="list-style-type: none"> <li>1. Director, Far Eastern Department Stores Ltd.</li> <li>2. President, Ding Ding Integrated Marketing Services Ltd.</li> <li>3. Executive Director, Yuan Ding Tech-info (Shanghai) Ltd.</li> <li>4. Chairman, Yuan Hsin Digital Co., Ltd.</li> </ol>	0	Asia Cement Corporation , 80,052,950
Director	Philby Lee	Bachelor, Department of Accounting, Arizona State University, USA	<ol style="list-style-type: none"> <li>1. Director, Far Eastern Department Stores Ltd.</li> <li>2. Chairman, Far Eastern Big City Shopping Malls Co., Ltd.</li> <li>3. CEO, Far Eastern Retail Business Development HQ.</li> </ol>	<ol style="list-style-type: none"> <li>1. Director, Far Eastern Department Stores Ltd. Far Eastern Amart Company Ltd. Yuanshi digital technology Co.,Ltd.</li> <li>2. Chairman, Far Eastern Big City Shopping Malls Co., Ltd. Chubei New Century Shopping Mall Co., Ltd</li> <li>3. CEO, Far Eastern Retail Business Development HQ.</li> </ol>	76,483	Yue Li Investment Corporation, 1,769,001

Title	Name	Education	Experience	Current Position	Shareholding	Legal Entity Represent and its Shareholding
Independent Director	EDWARD YUNG DO WAY	MBA, University of Georgia, USA	<ol style="list-style-type: none"> <li>1. Deloitte Taiwan <ul style="list-style-type: none"> <li>■ Managing Partner &amp; CEO</li> <li>■ Director, Deloitte Global Board</li> <li>■ Director, Deloitte Greater China Board</li> </ul> </li> <li>2. Director, The Child Welfare League Foundation</li> <li>3. Chairman, United Way of Taiwan, R.O.C.</li> <li>4. CPA, University of Georgia, USA</li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman, Yong Qin Xing Ye Limited Co.</li> <li>2. Independent Director, <ul style="list-style-type: none"> <li>■ Primax Electronics Ltd.</li> <li>■ Synnex Technology International Corp.</li> <li>■ Cathay Financial Holdings Co., Ltd.</li> <li>■ Cathay United Commercial Bank Co., Ltd.</li> <li>■ Far Eastern Department Stores Ltd</li> </ul> </li> <li>3. Supervisor, <ul style="list-style-type: none"> <li>■ Chilisun Electronics Corp.</li> <li>■ Kaimei Electronic corp.</li> </ul> </li> <li>4. Director, <ul style="list-style-type: none"> <li>■ Vanguard International Semiconductor Corp.</li> <li>■ MiTAC Holdings Corp.</li> <li>■ Iron force industrial co. ltd</li> </ul> </li> </ol>	0	



Title	Name	Education	Experience	Current Position	Shareholding	Legal Entity Represent and its Shareholding
Independent Director	CHIEN YOU HSIN	Ph.D., Aeronautics and Astronautics, New York University, USA.	<ol style="list-style-type: none"> <li>1. The first Minister, Department of the Environmental Protection Administration, Executive Yuan, R.O.C. (Taiwan)</li> <li>2. Minister, Ministry of Transportation and Communications</li> <li>3. Minister, Ministry of Foreign Affairs</li> <li>4. Representative, Taipei Representative Office in the U.K.</li> <li>5. Legislator, Legislative Yuan (Member of Parliament)</li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman, Taiwan Institute for Sustainable Energy</li> <li>2. Chairman, Telecommunication &amp; Transportation Foundation</li> <li>3. Chairman, Taiwan Institute for Climate change and Energy</li> <li>4. Independent Director, Eva Airways Corporation. Far Eastern Department Stores Ltd</li> <li>5. Director, ECOVE Environment Corporation.</li> </ol>	0	-

Title	Name	Education	Experience	Current Position	Shareholding	Legal Entity Represent and its Shareholding
Independent Director	Raymond R. M. Tai	<ol style="list-style-type: none"> <li>1. Master, Department of American Studies, University of Hawaii, USA</li> <li>2. Honor Ph.D. in School of Law, Fu Jen Catholic University, Taiwan</li> <li>3. Bachelor, Department of Foreign Languages and Literatures of National Taiwan University</li> </ol>	<ol style="list-style-type: none"> <li>1. Deputy Director, Department of North America, Ministry of Foreign Affairs, Republic of China(Taiwan)</li> <li>2. Adjunct Instructor, Department of Foreign Languages and Literatures, National Taiwan University</li> <li>3. Third Secretary, Permanent Representative of the Republic of China to the United Nations</li> <li>4. Second Secretary, the R.O.C. Embassy in American</li> <li>5. Director-General, Government Information Office Executive Yuan, R.O.C. Taiwan</li> <li>6. Deputy Director, National affairs.</li> <li>7. Adjunct Professor, Department of Journalism, Chinese Culture University</li> <li>8. Consultant, Department of North America, Ministry of Foreign Affairs</li> <li>9. Representative, Taipei Economic and Cultural Office in United Kingdom</li> <li>10. Deputy Secretary-General to the President and Spokesperson</li> <li>11. Executive Secretary, The National Unification Council</li> <li>12. Senior Advisor and Convener, The National Unification Council</li> <li>13. Ambassador Extraordinary and Plenipotentiary of the Republic of China (Taiwan) to the Holy See</li> </ol>	<ol style="list-style-type: none"> <li>1. Director, Professor Lilian Chao Culture &amp; Education Foundation.</li> <li>2. Executive Director , Universal Peace Federation – Taiwan</li> <li>3. Managing Supervisor, Chinese Confucius And Mencius Association</li> <li>4. Independent Director, Far Eastern Department Stores Ltd</li> </ol>	0	-

#### **4. Proposal to lift the restriction on non-competition of the Company's directors as defined in Article 209 of the Company Law.**

The Board of Directors proposes and recommends that each shareholder votes FOR lifting the restriction on non-competition of directors as defined in Article 209 of the Company Law.

Please vote.

Board of Directors proposes:

#### **Explanatory Notes:**

1. According to Paragraph 1 of Article 209 of the Company Law, a director who performs any act for himself or on behalf of another person that is within the scope of the company's business shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. As the Company's new directors might have invested in or managed other companies engaged in the business identical with or similar to the Company's and assumed the position of director or manager in the companies, we hereby ask the shareholders' meeting to approve the relief of the Company's restrictions on the non-competition of new directors and their representatives in accordance with Article 209 of the Company Law.

#### **Resolution:**

To lift the restriction on non-competition of the Company's directors

Title	Name	Title and Competition Company	Major Business Scope
Director	Douglas Tong Hsu	<p><b>Chairman</b></p> <ul style="list-style-type: none"> <li>● Far Eastern Ai Mai Co., Ltd.</li> <li>● FEDS Asia Pacific Development Co., Ltd.</li> <li>● FEDS New Century Development Co., Ltd.</li> </ul> <p><b>Director</b></p> <ul style="list-style-type: none"> <li>● Pacific Sogo Department Stores Co., Ltd.</li> <li>● Ya Tung Department Stores Ltd.</li> <li>● Far Eastern City Super Co. Ltd.</li> </ul>	Retail and wholesale.
Director	Nancy Hsu, Representative of Ding Ding Management Consultant Corporation	<p><b>Chairman</b></p> <ul style="list-style-type: none"> <li>● Ya Tung Department Stores Ltd.</li> <li>● Far Eastern City Super Co. Ltd.</li> </ul> <p><b>Director</b></p> <ul style="list-style-type: none"> <li>● Far Eastern Ai Mai Co., Ltd.</li> <li>● FEDS Asia Pacific Development Co., Ltd.</li> <li>● FEDS New Century Development Co., Ltd.</li> <li>● Chubei New Century Shopping mall Co., Ltd.</li> </ul>	Retail and wholesale.
Director	Yvonne Li, Representative of Far Eastern New Century Co.,	<p><b>Director,</b> Pacific Sogo Department Stores Co., Ltd.</p>	Retail and wholesale.
Director	Philby Lee, Representative of Yue Li Investment Corporation.	<p><b>Chairman</b></p> <ul style="list-style-type: none"> <li>● Far Eastern Big City Shopping Malls Co., Ltd.</li> <li>● Chubei New Century Shopping mall Co., Ltd</li> </ul> <p><b>Director</b></p> <ul style="list-style-type: none"> <li>● Far Eastern Ai Mai Co., Ltd.</li> <li>● Yuanshi digital technology Co.,Ltd.</li> </ul>	Retail and wholesale.

## **V. Extemporany Motion**

# VI. Rules and Regulations

## 1. Articles of Incorporation of Far Eastern Department Stores Ltd.(the “Company”)

### Chapter 1 General Provisions

- Article 1 The Company is duly incorporated under the provisions of the Company Law of the Republic of China, and shall be called: Far Eastern Department Stores Ltd.
- Article 2 The Company's businesses are as follows :
1. General merchandise 、 silk nylon 、 cotton cloth 、 candies cookies 、 cans 、 entertainment appliances 、 hardware 、 furniture 、 decorations 、 hand-made local products 、 stationery 、 library appliances 、 CD/DVD 、 camera appliances 、 children toys (excluding gambling 、 porn game and air-soft gun) 、 shoe/ hat/ raining garment 、 medicine/medical equipment 、 cigarette /wine 、 rice/corn 、 salt 、 the import and export of beverage 、 clocks/watches/glasses/camera's business & maintenances 、 electronic business & maintenances 、 Children's entertainment playground/facility business (excluding gambling 、 porn game and play gun) 、 restaurants 、 food courts 、 beverage stores 、 film developer shop 、 and advertisement business(permitted business);
  2. To operate gourmet grocery market, fresh food business, frozen vegetable, frozen meat/fish, dry food, and all kinds of flavoring sources;
  3. To operate all kinds of product distribution, product classification and storage business;
  4. The import and sales of vendor machines and measurement devices;
  5. Authorizing a construction companies to build , commercial buildings and residential buildings for leasing and selling;
  6. The business of gold and jewelry;
  7. The business of tape recorder, radar CD player, and lets and sales of film tape, and CD/DVD;
  8. The sales, import and export business, and dealer business of vehicles and vehicles parts ( for example, seats, vehicles refresher, wax, car accessories and etc.);
  9. Vehicles repair and the operation and management of parking lot;
  10. To operate gas station to supply gasoline, diesel fuel, the food and beverages in automatic vendor machine;
  11. The business of art gallery and the deal of its works and antiques;
  12. The business 、 repair 、 bidding and import and export business of all kind of wire and wireless telecom appliances;
  13. The business of hair salon and various kinds of beauty services;
  14. The entrusted management business of department stores and the stores in international and general tourist hotels;
  15. The business of computer & telecom instrument/services;
  16. JZ99030 photo shooting industry;
  17. JZ99090 various kind services of festivities;
  18. J701040 Leisure and entertaining activities;

19. F401161 the import of tobacco;
20. F401171 the import of liquor;
21. Except where permits are required, to run operations not forbidden or limited by laws and regulations.

Article 3 The Corporation may provide guarantee in accordance to the regulations set out in the "Procedure for Endorsements and Guarantees"

Article 4 Where the Company invests in other companies and becomes a shareholder with limited liability, its total investment may exceed 40% of its paid-up capital as stipulated under Article 13 of the Company Law, subject to approval of the Board of Directors.

Article 5 The Company is incorporated in New Taipei City, the Republic of China; the Board of Directors may by resolution approve the establishment of domestic and international branches where it deems necessary.

Article 6 The Company's Organization Chart should be adopted separately.

## Chapter 2 Share Capital

Article 7 The Company's total capital shall be Seventeen Billion and Five hundred Million New Taiwan Dollar (NT\$17,500,000,000) divided into 1,750,000,000 shares of NT\$10 each. The Board of Directors is authorized to issue the un-issued shares in separate trenches. Out of the above total capital amount, One Hundred Million New Taiwan Dollar (NT\$100,000,000) shall be divided into 10,000,000 shares of NT\$10 each, to be issued as warrants for employees to subscribe.

Article 8 Shares issued by the Company are not required to be evidenced by share certificates, provided that they shall be recorded at the Securities Central Depository Enterprises.

The Company can issue special shares.

In the event of the Company merging with another company, matters relating to the merger need not be approved by way of a resolution of the special shareholders meeting.

Article 9 Matters relating to the Company's shares shall be dealt with according to the provisions of "Regulations Governing Handling of Stock Affairs by Public Companies" and the relevant laws and regulations.

Article 10 Registration of share transfer shall be closed within 60 days prior to General Shareholders' Meeting, or with 30 days prior to Extraordinary Shareholders' Meeting or within 5 days prior to the record date on which Company distributes the dividends or bonuses.

## Chapter 3 Shareholders' Meeting

Article 11 The Shareholders' Meetings shall be General or Extraordinary Shareholders' Meetings. :

1. General Shareholders' Meeting shall be held once a year within 6 months of the end of the Company's financial year.
2. A Special Shareholders' meeting shall be convened in accordance with laws and regulations.

Article 12 Notices of General Shareholders' Meeting shall be in writing and delivered to the shareholders along with a public notice 30 days before the General Shareholders' Meeting and 15 days before the Extraordinary Shareholders' Meeting. The said notices shall specify the date, place and reasons for calling the shareholders' meeting.

Article 13 Unless otherwise stipulated by the Company Law, a quorum shall be present at the shareholders' meeting if shareholders representing more than half of the shares issued by the Company are in attendance and resolutions at the said assembly shall be passed if approved by a majority of the shareholders in attendance.

Article 14 Shareholders may by way of power of attorney appoint proxies to attend the said shareholders' meeting. Except for trust enterprises or share registration agencies approved by the securities management authorities, when one shareholder is entrusted by two or more shareholders, the voting right represented by the said shareholder shall not exceed 3% of the voting rights of total shares issued. Where it has so exceeded, the voting right in excess shall not be included.  
Unless otherwise stipulated by the Company Law, attendance of shareholder's proxies shall be in accordance with the provisions of "Regulation Governing the Use of Proxies For Attendance of Shareholders' Meeting of Public Companies".

Article 15 Unless otherwise stipulated by the Company Law and the Articles of Incorporation, shareholders' meeting shall be conducted in accordance with the Company's regulations for shareholders' meeting.

Article 16 Minutes and resolutions of shareholders' meeting shall be recorded and signed by or affixed with the seal of the chairman of the meeting. The said minutes and resolutions shall specify the date and place of the shareholders' meeting, number of shares represented by the shareholders (or proxies) present at the meeting; number of voting rights represented; name of the chairman of the shareholders' meeting; resolutions and the manner in which they are passed. The said minutes and resolutions shall be kept, together with the register of shareholders' attendance and the proxies' powers of attorney, in compliance with the law.

#### Chapter 4 Directors, Supervisors and Managers

Article 17 There shall be 7 to 9 Directors of the Company, who are elected and appointed from the persons with legal capacity at the shareholders' meeting. The total shares number of the registered shares of the Company held by all of the Directors shall be determined according to the provisions of "Rules and Review Procedures for Director and



Supervisor Ownership Ratios at Public Companies".

Among the directors in the preceding paragraph have three independent directors.

In accordance with Article 192-1 of the Company Act, the Company shall adopt a candidate nomination system for election of the directors, and the shareholders shall elect the directors from among the nominees listed in the roster of candidates. Independent and non-independent directors shall be elected at the same time but on separate ballots.

Article 17-1 Pursuant to Article 14-4 of the Securities and Exchange Act, the Company will establish an Audit Committee. The Audit Committee shall make up of the entire number of independent directors, is responsible of executing powers relegated to supervisors by the Company Act, Securities and Exchange Act and other laws and regulations.

The organizing members, exercise of powers and other matters to be abided by the Audit Committee shall follow related laws, regulations or rules or regulation of the Company. The organization regulations of the Audit Committee shall be adopted by the Board of Director.

Article 18 The respective appointments of Directors are for a period of 3 years. They may be reappointed following their re-election.

Article 19 The Board of Directors of the Company shall comprise the directors. A Chairman shall be elected from among the Director to represent the company. Where the Chairman has taken leave or is unable to perform his duties for any reasons, the Chairman shall appoint a Director to act on his behalf, failing which the Board of Directors shall nominate from among them a person to act on behalf of the Chairman of the Company.

Article 20 Meetings of the Board of Directors, which shall be held quarterly, shall be convened by the Chairman. Unless otherwise stipulated by the Company Law, a quorum shall be present at the Board of Directors if it is attended by more than half of the Directors, and a resolution passed if approved by a majority of the Directors in attendance. The Chairman may, in case of emergency, convene meetings of the Board at any time.

When a Director is unable to personally attend the meeting of the Board of Directors, he may entrust another Director to represent him in accordance with law.

The notice of meeting of board of directors could be served by way of writing document, e-mail or fax.

Article 21 (Deleted.)

Article 22 The compensation of Directors shall be decided by the Shareholders' Meeting.

Article 23 The Company shall have a General Manager and a number of Vice Presidents, Junior Vice Presidents and Managers. The appointment and dismissal of the above staff shall be by way of a majority at the meetings of the Board of Directors, subject to more than half of the Directors are in attendance of the said meetings.

Article 24 The Chairman and the General Manager shall handle the daily affairs of the Company in compliance with the resolution of the Board of the Directors.

## Chapter 5 Accounting

Article 25 The Company's fiscal year shall commence on the First of January of each year, and ends on the Thirty-first of December of the same year. The final accounts are settled at the end of the Company's fiscal year.

Article 26 The Board of Directors shall in accordance with law furnish various documents and statements and their reports shall be submitted for approval at the General Shareholders' Meeting.

The appointment, dismissal and compensation of the accountants auditing and reviewing the above documents and statements shall be resolved at the meeting of the Board of the Directors.

Article 27 The distribution of dividends shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Dividends shall be distributed at the ratio as set forth in these Articles of Incorporation aimed at maintaining the stability of dividend distributions. When distributing dividends, the cash dividends shall not be less than 10% of the aggregate sum of dividends and bonus distributed in the same year.

Article 28 Apart from paying all its income taxes in the case where there are profits at the end of the year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of which shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders the remainder after deducting special reserve as required by law together with undistributed profits from previous years in the following manner :

a) 60% as share interest, to be distributed based on shareholdings. However in the case of increase in the Company's share capital, unless otherwise stipulated by law, the share interest to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders' meeting;

b) 3% as shareholders' bonuses to be distributed based on shareholdings. However in the case of increase in the Company's

share capital, the shareholders' bonus to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders' meeting.

c) 4% as employees' bonuses

d) 3% as compensation for Directors, the manner in which it is to be distributed shall be decided by the Board of Directors. In the case of employees' bonuses in the form of stock dividends, the manner in which it is to be distributed shall be decided by the Board of Directors.

Article 29 All matters not covered herein shall be undertaken in accordance with the Company Law of the Republic of China and the other relevant law and regulations.

## Chapter 6 Supplementary Provisions

Article 30 These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.

First amendment on December 20, 1967;  
Second amendment on October 2, 1968;  
Third amendment on July 29, 1969;  
Fourth amendment on August 26, 1969;  
Fifth amendment on February 19, 1970;  
Sixth amendment on June 26, 1970;  
Seventh amendment on August 21, 1972;  
Eighth amendment on March 30, 1973;  
Ninth amendment on May 2, 1974;  
Tenth amendment on May 30, 1975;  
Eleventh amendment on April 19, 1976;  
Twelfth amendment on March 25, 1977;  
Thirteenth amendment on March 6, 1978;  
Fourteenth amendment on April 6, 1979;  
Fifteenth amendment on April 18, 1980;  
Sixteenth amendment on April 9, 1981;  
Seventeenth amendment on April 15, 1982;  
Eighteenth amendment on November 29, 1982;  
Nineteenth amendment on May 12, 1983;  
Twentieth amendment on May 12, 1984;  
Twenty-first amendment on May 6, 1985;  
Twenty-second amendment on May 7, 1986;  
Twenty-third amendment on April 30, 1987;  
Twenty-fourth amendment on April 28, 1988;  
Twenty-fifth amendment on April 29, 1989;  
Twenty-sixth amendment on April 30, 1990;  
Twenty-seventh amendment on May 2, 1991;  
Twenty-eighth amendment on April 24, 1992;  
Twenty-ninth amendment on April 30, 1993;  
Thirtieth amendment on April 7, 1994;  
Thirty-first amendment on April 15, 1995;  
Thirty-second amendment on May 10, 1996;

Thirty-third amendment on May 9, 1997;  
Thirty-fourth amendment on May 18, 1998;  
Thirty-fifth amendment on May 12, 1999;  
Thirty-sixth amendment on May 10, 2000;  
Thirty-seventh amendment on May 9, 2001;  
Thirty-eighth amendment on May 31, 2002;  
Thirty-ninth amendment on June 10, 2003;  
Fortieth amendment on June 2, 2006;  
Forty-first amendment of June 9, 2010  
Forty-Second amendment of June 23, 2011  
Forty-third amendment of June 20, 2013  
Forty-fourth amendment of June 20, 2014  
Forty-fifth amendment of June 22, 2015  
Forty-sixth amendment of June 17, 2016

## **2. Rules of Procedure of Shareholders' Meeting for Far Eastern Department Stores Ltd (the "Company").**

- 1) The stockholders' meeting of the Company shall be held according to the rules herein.
- 2) The location for stockholders' meeting shall be the Company's place of business or a place convenient for attendance by stockholders (or by proxies) that is suitable to holding of this meeting. The meeting shall be held between 9:00AM and 3:00PM.

This Corporation shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention. The time during which shareholder attendance registrations will be accepted shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

The Company at a stockholders' meeting shall adopt the electronic transmission as one of the methods for exercising the voting power. The method for exercising the voting power shall be described in the shareholders' meeting notice to be given to the shareholders. A shareholder who exercises his/her/its voting power at a shareholders meeting by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respect of any extemporaneous motion(s) and/or the amendment(s) and /or substitute to the contents of the original proposal(s) at the said shareholders' meeting.

Shareholders (or by proxies) shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification. The stockholders (or proxies) when attending the meeting shall wear admission badge and hand in signed attendance form.

The attendance to a shareholders' meeting shall be determined subject to shares. The present shares shall be calculated based on the attendance cards as furnished, in addition to the shares exercising voting right in electronic form.

The Company may appoint lawyers, accountants or related personnel to attend the stockholders' meeting.

The personnel in charge of handling the affairs of the meeting shall wear identification badge or armband.

For a stockholders' meeting convened by the board of directors, the chairman of the board of directors shall preside at the meeting. If the chairman of the board of directors is on leave or unable to exert the rights, the vice-chairman of the board of directors shall preside instead. If the position of vice-chairman is vacant or the vice-chairman is on leave or unable to exert the rights the chairman of the board of directors shall designate a director to preside at the meeting. If no director is so designated, the chairman of the meeting shall be elected by the board of directors from among themselves. When a director serves as chair, the director shall be one

who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair. For a stockholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting; if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

The complete processes of the meeting shall be recorded by voice and video recorders and all the records shall be kept by the Company for a minimum period of at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

- 3) The chairperson shall announce starting of the meeting when the attending stockholders (or proxies) represent more than half of the total shares issued in public. The chairperson may announce postponement of meeting if the legal quorum is not present after the designated meeting time. Such postponement is limited to two times and the aggregated postponed time shall not exceed one hour. If quorum is still not present after two postponements but the attending stockholders (or proxies) represent more than one third of the total shares issued in public, tentative resolution/s may be passed with respect to ordinary resolution/s by a majority of those present. After proceeding with the aforesaid tentative resolutions, the chairperson may put the tentative resolutions for re-voting over the meeting if and when the shares represented by the attending stockholders (or proxies) reached the legal quorum.
- 4) If the stockholders' meeting is convened by the board of directors, the agenda shall be designated by the board of directors. The meeting shall proceed in accordance with the designated agenda and shall not be amended without resolutions. If the meeting is convened by person, other than the board of directors, having the convening right, the provision set out in the preceding paragraph shall apply mutatis mutandis. Except with stockholders' resolution, the chairperson shall not declare adjournment of the meeting before the first two matters set out in the agendas (including extemporary motions) are concluded. During the meeting, if the chairperson declares adjournment of the meeting in violation of the preceding rule, a new chairperson may be elected by a resolution passed by majority of the attending stockholders to continue the meeting. When the meeting is adjourned by resolution, the stockholders shall not elect another chairperson to continue the meeting at the same location or another venue.
- 5) The stockholders (or proxies) shall complete statement slip setting out the number of his/her attendance card, name and statement brief before speaking, and the chairperson will designate the order in which each person is to speak during the session. No statement will be considered to have been made if the stockholders (or proxies) merely complete the statement slip without speaking at the meeting. If there are any discrepancies between the content of the statement slip and the speech made, the statement to be adopted shall be the statement confirmed.
- 6) Any proposal for the agendas shall be submitted in written form. Except for the proposals set out in the agenda, any proposal by the stockholders (or proxies) to amend, substitute or to initiate extemporary motions with respect to the original proposal shall be seconded by other stockholders (or proxies). The same rule shall apply to any proposal to amend the agenda and motion to adjourn the meeting. The shares represented by the proponents and the seconders shall reach 100,000.

7) The explanation of proposal shall be limited to 5 minutes. The statement of inquiry and reply shall be limited to 3 minutes per person. The time may be extended for 3 minutes with the chairperson's permission. The chairperson may restrain stockholders (or proxies) from speaking if that stockholders (or proxies) speak overtime, speak beyond the allowed frequency or content of the speech is beyond the scope of the proposal. When a stockholder (or proxy) is speaking, other stockholder (or proxy) shall not interrupt without consent of the chairperson and the speaking stockholder (or proxy). Any disobedient of the preceding rule shall be prohibited by the chairperson.

Article 15 of this meeting rule shall apply if the disobedient do not follow the chairperson's instructions.

8) For the same proposal, each person shall not speak more than 2 times. When a juristic person is a stockholder, only one representative shall be appointed to attend the meeting, if more than two representatives were appointed to attend the meeting, only one representative is allowed to speak.

9) After speaking by the attending stockholder (or proxy), the chairperson may reply in person or assign relevant officer to reply. Over the proposal discussion, the chairperson may conclude the discussion in a timely manner and where necessary announce discussion is closed.

10) For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting. No discussion or voting shall proceed for matters unrelated to the proposals. The personnel responsible for overseeing and counting of the votes for resolutions shall be appointed by the chairperson with the consent of the stockholders (or proxies). The person responsible for vote overseeing shall be of the stockholder status.

11) In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or Company's articles of incorporation, resolution shall be passed by a majority of the voting rights represented by the stockholders (or proxies) attending the meeting.

The proposal for a resolution shall be deemed approved if the shareholder(s) present(s) no objection by exercising voting in electronic form and the chairperson inquires and received no objection at a shareholders meeting, the validity of such approval has the same effect as if the resolution has been put to vote.

If the shareholder object the proposal(s), the resolution of proposal(s) should been put to vote. The Chairman can decide that the resolution of proposal(s) should been put to vote one by one, or the resolution of proposals including the proposal to re-elect the directors and supervisors should been put to vote several times or one time with counting of votes by each proposal.

If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson. If one of the two proposals has been approved, the other proposal shall be deemed rejected without requirement to put it to vote.

The results of voting and election shall be announced on the spot after the vote counting and be kept for records.

- 12) During the meeting, the chairperson may at his/her discretion declare time for break.
- 13) The meeting shall be adjourned if encountering an air-raid alarm during the meeting. The meeting shall resume one hour after the alarm is lifted.
- 14) The chairperson may maintain the meeting order by instructing the security guards. The security guards shall wear the armband for identification when helping maintaining the venue order.
- 15) The stockholders (or proxies) shall obey the instructions of the chairperson and security guards in terms of maintaining the order. The chairperson or security guards may exclude the persons disturbing the stockholders' meeting from the meeting.
- 16) For matters not governed by the rules specified herein, shall be governed according to Company Law, Stock Exchange Law and the other related laws and regulations.
- 17) The rules herein take effect after approval at the stockholders' meeting; the same apply for any amendments.



### **3. Election Procedures of Director and Supervisor for Far Eastern Department Stores Ltd. (the “Company”)**

- 1) The election of directors and supervisors shall be pursued in accordance with the procedures herein.
- 2) The election of directors and supervisors adopts the method of accumulated vote-counts. The attendance card number of the voters shall be used on the ballot instead of the name of the voters. The ballots shall be prepared by the board of directors, numbered according to the attendance card numbers and noted with share number represented for voting.
- 3) The election of directors and supervisors shall be pursued according to the number of position required. The independent directors, non-independent directors and supervisors shall be elected at the same election with the number of selectees calculated separately; those candidates receiving more voting rights shall be elected as Directors. The same applies to the election of Supervisor(s). If there are more than two candidates obtaining the same number of vote but the number of position offered is limited, a draw shall be made amongst the two candidates to determine. The chairperson shall conduct the drawing for the candidate who is absent.

The Company, in accordance with Article 192-1 of the Company Act, shall adopt a candidate nomination system for election of the directors and supervisors. Besides, the qualifications of independent directors, independent condition, and other conditions should adhere to the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and other regulation.

- 4) In the beginning of the election, the chairperson shall assign two personnel for vote overseeing and vote counting respectively. The personnel for vote overseeing shall be of the stockholder status.
- 5) The responsibility of the vote-overseeing personnel's responsibility shall be as follows:
  - Check and seal the ballot box in public before ballot casting.
  - Maintain the order and check for any negligence and illegality for voting.
  - Unseal the ballot box and check the ballot number after ballot casting.
  - Check for any invalid ballots and hand in the valid ballots to the vote-counting personnel.
  - Oversee the vote-counting personnel recording the ballot numbers received by each candidate.
- 6) If the candidate is a natural person with the stockholder status, the voters shall fill out the ballot with the name and stockholder number of the candidate. If the candidate is not of the stockholder status, the ballot shall be filled out with the name and international identification number or passport number of the candidate. If the candidate is the government or juristic stockholder, the ballot shall be filled out with the number, the name of government or juristic person and the representative name. If there are more than one representative, all the representative names shall be listed.
- 7) The ballot shall be considered invalid in any of the following situations:
  - Not the ballot provided under the rules herein
  - One ballot with more than two candidate names listed
  - Blank ballot

- Ballot not filled out according to article 6 or ballot with unrelated writing to this election
- Written characters blurred and not legible
- Incorrect candidate information on the ballot

- 8) There shall be one ballot box for director and supervisor elections respectively. The ballot counting shall be pursued separately for the two elections.
- 9) When all the ballots are cast in the box, the personnel of vote overseeing and counting shall simultaneously unseal the ballot boxes.
- 10) The vote-overseeing personnel shall be present for vote counting.
- 11) If there is any question about the ballot, the vote-overseeing personnel shall check whether it is invalid. The invalid ballots shall be collected and kept separately. The vote-overseeing personnel shall designate them as the invalid with signature and seal after ballot counting.
- 12) For the results of ballot counting, the vote-overseeing personnel shall make sure of correctness of the total ballot number after combining the numbers of the valid and invalid ballots. The numbers of the valid and invalid ballots shall be recorded separately and the chairperson shall announce the elected.
- 13) The elected directors and supervisors shall be given the election notification by the board of directors.
- 14) The rules herein take effect after approval at the stockholders' meeting. The same apply for any amendment

## VII. Appendices

### 1. Shareholding of Directors.

Book closure date (April 23th, 2018)

Title	Name	Representative	Shareholdings	Ratio of Shareholding %
Chairman	Douglas Tong Hsu	-	1,779,835	0.13
Directors	Ding Ding Management Consultant Corp.	Nancy Hsu	73,009	0.01
	Far Eastern New Century Corporation	Nicole Hsu	241,769,702	17.06
		Yvonne Li		
	Asia Cement Corporation	Jin Lin Liang	80,052,950	5.65
	U-Li Investment Company	Philby Lee	1,769,001	0.12
Independent Directors	Edward Yung Do Way		-	-
	Chien You Hsin		-	-
	Raymond R. M. Tai		-	-
Total shares owned by all Directors			325,444,497	22.97
The total legal registered shares owned by all Directors			34,006,574	2.40

**Note 1:** The total issued and outstanding shares on the book closure date: 1,416,940,589 shares.

**Note 2:** The shareholding of all directors and supervisors meet the minimum required combined shareholding.

**Note 3:** The shares held by each individual representative appointed are not counted in the calculation of the combined shareholding of all directors and supervisors.

## 2. Impact of the stock dividend distribution on operating results, EPS and shareholders' return on investment.

Unit: NT \$

Item	Year	2018 ( Estimate )
Paid-in Capital (beginning of the year)		14,169,405,890
Stock & Cash Dividend Distribution	Cash Dividend (NT\$/per share)	1.0
	Stock Dividend from Retained Earnings	0.00
	Stock Dividend from Capital Surplus	0.00
Variance in Business Performance	Operating Income	not applicable (note)
	% Change in Operating Income	
	Net Income	
	% Change in Net Income	
	Earnings Per Share	
	% Change in EPS	
	Average Return on Investment (%) (Reciprocal of Average P/E Ratio)	
Pro Forma EPS & P/E Ratio	If Retained Earnings Pro Forma Earnings Per Share Distributed in Cash Dividend	Pro Forma Earnings Per Share
		Pro Forma Average Yearly Return on Investment
	If Capital Surplus not Distributed in Stock Dividend	Pro Forma Earnings Per Share
		Pro Forma Average Yearly Return on Investment
	If Retained Earnings & Capital Surplus Distributed in Cash Dividend rather than Stock Dividend	Pro Forma Earnings Per Share
		Pro Forma Average Yearly Return on Investment

**Note:** \* As we do not disclose our financial forecast information of 2018, in compliance with relevant Government regulations, there is no need to provide this information.