

Stock Code: 2903

Far Eastern Department Stores LTD.

Handbook for the 2019 Annual Meeting of Shareholders

Meeting Time: 09:00 a.m. (Tuesday), June 25, 2019

**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 2019 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

Extemporaneous Motion

Adjournment

II. Matters to be Reported

1. 2018 Business Report

Preface

In 2018, despite the trade dispute between China and the U.S., a turbulent financial market, coupled with geopolitical risks, world economic growth remained at 3.7%, according to the International Monetary Fund (IMF). While the U.S. economy has outperformed, other developed economies such as Europe and Japan continued to underperform whilst China also reported sluggish growth under the impact of trade war.

Taiwan's economic growth is not in line with the global performance. The economy outperformed over 3% of growth in the first half of 2018. In contrast, due to the weak momentum in the second half, the annual growth is lowered by 0.23% year-on-year to 2.63%. Looking into the future, there are still uncertainties in the global economy. The government has adjusted its domestic demand policies to drive economic growth via expanding domestic consumption, together with a steady labor market, a salary adjustment, and an increased base salary, all these measures can stimulate and stabilize the growth momentum in private consumption.

Taiwan department stores' total revenue reached NT\$340.1 billion in 2018, up 1.6% year-over-year with consecutive growth for nine years. However, competition and challenges have also intensified along with the dynamic market. Faced with transformation and disruptive changes in the retail environment, FEDS has been keen to lead the industry to focus on "retail technologies" and develop smart retailing by adopting digital technologies to create smart stores and transform its business model. On the other hand, by deploying digital systems, we are refining management efficiency, expediting the transformation of the workforce, processes, and a positive mindset to improve the overall efficiency and profitability. Thanks to the joint efforts by the management team and all of the workforce, in 2018 FEDS delivered an outstanding performance, registering record high sales and operating profit exceeding NT\$2 billion, and continues to create maximum value and reward for its shareholders.

Given the power of disruptive technologies, FEDS has been embracing digital transformation, deploying future intelligent retailing, and entering the new terrain of smart retailing. During the past year, our outstanding performances were comprehensive and often been accredited by several domestic and international awards. We were bestowed with nearly 20 honors, including "National Sustainable Development Awards," by the Executive Yuan; "Excellent Innovation Award" by Retailers Association of Chinese Taipei; "Taiwan Corporate Sustainability Awards," "Growth through Innovation Award," and "Social Inclusion Award" by Taiwan Corporate Sustainability Award; "Top 50 Corporate Sustainability Award" by Commonwealth Magazine; and selected in the "Top 100 Brand Asia list." Facing this new digital era, the Company will continue to innovate, transform, and rebuild so as to operate the new retailing as "Digitized FEDS," construct smart stores, develop "digital operation, digital management, digital experience," enrich new shopping journey for consumers, transform traditional retailing, and

embrace new challenges of smart retailing.

Operating Report of 2018

In 2018, FEDS recorded consolidated sales of NT\$116.4 billion (according to IFRS, consolidated revenues were NT\$39.24 billion). Consolidated net profit was NT\$1.65 billion, company alone net profit was NT\$1.32 billion, and earnings per share were NT\$0.94. According to the 18th Board Meeting of FEDS, total cash dividend payout for 2018 was NT\$0.85. Operating result of the Far Eastern Retail Group in 2018 is summarized as follows:

(1) Far Eastern Department Stores

1. Maintaining growth momentum and continuously rising profit, FEDS registered sales at NT\$44.28 billion in 2018, up 1.12% year-on-year; operating profit stood at NT\$2.09 billion which grew 11% from 2017, and pretax net profit was NT\$1.63 billion.
2. With “Bricks + Clicks” to create online and offline shopping, FEDS launched a brand-new online shopping website in April 2018 focusing on online and offline integration and diversion. Vouchers obtained online can be used in the department stores. After purchasing online, deliveries can be sent to stores to effectively direct online customers into physical stores and attract a more diversified customer base.
3. To embrace the trend of digitization, FEDS has upgraded its APP smart digital services, and added mobile payment tools including e-vouchers, allowing consumers to enjoy more real-time shopping convenience with added benefits, in order to optimize digital shopping experience, and increase more customer loyalty.
4. Position as the market trend lead, in responding to the latest fashion trends to introduce new brands into the market and renovate the existing counters' image. For example, Mega City Banqiao has introduced Emporio Armani and Y3; Top City Taichung introduced OMEGA, upgraded COACH, and refurnished Tiffany stores; by constantly improving each store's brand counters to maintain the exquisite image as a fashion trend leader.
5. Sponsoring international culinary exhibitions to bring new gourmet trends, in 2018 FEDS sponsored four major international exhibitions including the U.S., Japan, Korea, and Canada, which were all well received to attract huge foot traffic. These international exhibitions let the customers enjoy exotic delicacies and produce in close encounters as to its origins.
6. To expedite digitized management, the Company already established or upgraded over 40 digital systems, set up exclusive management data value chain through database analytics, elevating management efficiency and execution effectiveness while also preparing for the use of big data.
7. To fulfill corporate social responsibilities, FEDS has set up its CSR standards and collected nearly 20 domestic and international major awards in 2018; aiming at the theme of “Caring, Healthy, and Eco-friendly,” the Company sponsored 336 non-profit events throughout the

year to encourage the public to care for people, be mindful of staying healthy and be environmental friendly, and maintain a sustainable life style.

(2) Far Eastern SOGO Department Stores

1. The sales in 2018 were NT\$44.39 billion, up 1.2% from 2017. Operating profit was NT\$2.28 billion, grew 8.3% year-on-year; pretax net profit was NT\$830 million, up 19.5% from 2017, the increase of revenues and stringent operating expenses contributed to growth.
2. To improve customer services and meet their demands, SOGO adjusted each store's environment, merchandise, and brands; altogether 426 counters were modified, accounting for 18% of total brands, in combination with holistic promotional campaigns to boost customer flow and revenues.
3. In Taiwan, new competitor department stores are constantly emerging to fight for customer volume and revenues. In response, the management at Far Eastern SOGO Taipei Megastores shall implement "Top Store Strategy" in the Metropolitan Taipei area and commit to the developments in environments, merchandise, brand, service, and digital developments in order to lead the industry and create market share.
4. In 2017, Far Eastern SOGO closed its Chengdu Beicheng Store and Tianfu Store in China both of which reported losses, which should contribute favorably to operating efficiency in 2018. Also, improvements were expedited of three major stores (Hsu Huei in Shanghai, FEDS Metropolitan Plaza Store, and FEDS Jiangbei Store in Chongqing) to bring increased profit.
5. To achieve group synergy, in 2018 the Company joined forces with Far Eastern International Bank to promote their credit card leading to total spending amounting to NT\$4.19 billion, surging 41% year-on-year.
6. Far Eastern SOGO has been committed to corporate social responsibilities and received 18 domestic and international CSR awards plus 6 certificates including first prize of "The National Brand Yushan Award" to be granted audience by the R.O.C. President Tsai Ing-wen and "Enterprise Environmental Protection Award" by R.O.C. Environmental Protection Administration with SOGO being the first department store to be accredited this national occupational safety and health award during its 27 years of history. Also because of their reduction of carbon emission by 25%, the Company is the first retailer to be awarded Taiwan's first "Carbon Labeling" to department store. In terms of CSR endeavors, Social Return on Investment (SROI) of our "SO GOOD Child Juvenile Role Model" rating stood at 10.18, ranking top of similar categories throughout Taiwan.

(3) Far Eastern Ai-Mai

1. Ai-Mai registered sales of NT\$14.73 billion in 2018, down 1.9% year-on-year, if excluding the closure of Yuanlin Store, revenues dropped by only 0.9%; operating profit stood at NT\$75.39 million, grew 26.7% from 2017.
2. Strengthen customer management and marketing:

Consolidate key customers, elevate membership ratio, and apply content marketing and O2O strategy to enhance customer loyalty.

3. Continuous optimization of shopping space and merchandise:
 - (1) Improve friendly shopping environment: Ratio of senior membership to exceed 40%, increase rest and ready-to-dine areas to create more convenient shopping.
 - (2) Enrich customer shopping experience: Trial services at Taoyuan Store in end of July 2018, providing on site cooking service for customers (tempanyaki and tempura workshops).
 - (3) Merchandise differentiation: Introduce small-pack organic and self-labeled brand products (sales ratio 5%) to increase the ratio of imported and seasonal goods.
4. Deepen EC engagement: Ai-Mai online shopping builds multi-platform and multi-store delivery operating model, launched on Shopee website in June 2018.

Business Plan

Digital technologies have significantly disrupted the consumption model of traditional retailing. Consumers' shopping journey roams freely between virtual and physical channels, the requirements and expectations for their shopping experience are also becoming much higher. We shall quickly respond to consumer needs with forward vision, flexible strategy, agile thinking, and the leverage of new technologies to better serve the consumers and continue to create outstanding performance:

(1)Far Eastern Department Stores

1. Create an innovative leading shopping mall, FEDS 5G Store: FEDS Hsinyi Store is scheduled to have its grand opening in second half of 2019 as a new smart department store to satisfy consumers' needs and imagination for smart e-tailing.
2. Continue to lead fashion trend, establish fashion icons, each branch store is proceeding with merchandise mix adjustments in accordance with local market features, create hot topics, elevate inbound and merchandise marketing, and therefore further increase revenues.
3. Enhance customer loyalty, increase their number of visits, plan more flexible and diverse promotion programs via big data analytics and data application, and also with the help of digital technologies to seize more real time consumer trends.
4. Increase interaction with the mall, stay close with cultural topics, each branch store organizes festive atmosphere and cooperates actively with government or public sectors to promote CSR events, and let each store serve as the daily hub for local public welfare platform and district commercial center.
5. Responding to changes in media environment and technological innovation, the Company will strengthen the application of digital media and social platforms, and attract attention in a lively and interesting engagement to elevate digital communication services.
6. Continue to enhance the digital services of smart APP and official website, integrate virtual and physical channels, and allow customers to enjoy speedy and personalized services.
7. Taiwan's consumers are highly interested in foreign products. In 2019, FEDS continues

- to sponsor various international exhibitions so that customers can feel the full replication of foreign destination atmospheres without traveling abroad.
8. Promote Taiwan's local delicacies, support locally grown produce, plan to sponsor Taiwan featured cultural product exhibitions including a Hakka culture and food exhibition, a Taiwan specialties market, a springtime cultural and creativity fair, and an independent farmer's market.
 9. Focus on management: promote digitized management, establish management reporting system, expedite talent cultivation, foster competitive management teams, and continue to lower operating costs, optimize enterprise resource allocation, and set up a low leverage business model.

(2)Far Eastern SOGO Department Stores

1. According to Director-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan's economic growth for 2019 is forecasted at 2.22%, lower than that of 2018 due to sluggish growth after third quarter of 2018. Current global economy is still at its low end and spending is expected to drop and affect revenues. 2019 is filled with changes and challenges. We will strive and aim to increase revenues, continue to cut expenses, and increase profit.
2. Revenues of four major annual campaigns (Chinese New Year, Mother's Day, Mid-year Sales, and Anniversary Sales) account for 38% of total revenues. In addition to traditional marketing, we will invest more in digital marketing in accordance with the new retailing era.
3. The quantity and quality of customers are the basic foundation for our operations. Subsequent to cultivating HG card spending groups in 2018, we will further enhance VIP services to elevate spending with higher contribution to revenue growth than average members.
4. In terms of "Taipei Megastores Top Store Strategy," the Fuxing Store will become more exquisitely high-end as the single store with highest revenues in the northern Taiwan, while the Zhongxiao Store will increase its customer flow focusing on the family customer base to create a unique and friendly mega store.
5. Expedite digital developments to embrace new economy, upgrade and revise SOGO APP to add mobile payment, digital marketing, and social media e-commerce.
6. The lease of Hsinchu Store will expire in September 2019. We are currently negotiating for a lower lease to achieve profit target; if the lease is too costly in this intense market competition and the store fails to report profit, the Company is considering its closure .
7. With dynamic digital advancements in China, each store is also integrating online and offline operations, fully utilizing the digital communication, marketing, and campaigns to increase revenues. Shanghai Hsu Huei Store, Chongqing FEDS Metropolitan Plaza Store, and Jiangbei Store are on the priority list to boost profit.
8. As the house relocation and reconstruction in the neighborhood of FEDS Luomashi Store in Chengdu had been delayed, there is a huge loss of foot traffic with serious brand loss

- and difficulty in recruiting booths. If the situation continues to worsen, we will suggest closure of the operation to cut down loss.
9. There is still growth opportunity in the Chengdu, China market. Now we are developing new locations, and will submit appropriate new development projects for the Company to consider.
 10. For 2019, Operation Division has set up “SOGO Fortune Pig in Action” strategy, instills SOGO FUN operational execution, each store aims to achieve fun retailing and inbound marketing, with the methodology of more digitization, more creativeness, and more customer flow to create high margin as well as high profit.

(3)Far Eastern Ai-Mai

1. In 2019, we will continue to optimize sales space, elevate service quality, proceed with digital transformation, combine big data of Happy Go, explore new quality customers, develop new interactive APP, and create customer loyalty with Happy Go members.
2. Optimize sales space, elevate store experience – 3E strategy
 - (1) 、 Edited :
 - A. Decrease redundant or ineffective SKU, optimize merchandise mix, satisfy comprehensive selection, and improve category distinction and operating efficiency.
 - B. Quicken response speed to customers.
 - C. Fully utilize store space to create maximum value.
 - (2) 、 Elevated :
 - A. Commit to better quality and collaborate with exclusive small farmers to engage in direct sales of traceable agricultural products, and LOHAS organic food.
 - B. Optimize display to highlight more fashion, trending, and seasonable merchandise to boost number and spending of customers.
 - C. Provide more comfortable shopping space.
 - (3) 、 Exclusive :
 - A. Establish professional on site cooking workshops (tempanyaki, noodle, sushi, and vegetable) to elevate services and experiences.
 - B. Set up exclusive and themed product exhibition zones and immediate launch on shelves.
3. Digital transformation :
 - (1) Replace new P.O.S.
 - (2) Introduce electronic labeling
 - (3) Introduce auto billing system
 - (4) Develop interactive APP
4. The lease will expire for Yungfu Store and Chungking Store which will stop operations in March.

5. Taichung Shuinan Store is scheduled to open in third quarter of 2019.

Future Prospective

New technologies have become the fundamental power to develop new retailing. Far Eastern Department Stores positioned as the “Digitized FEDS” has been growing steadily, expediting its digital transformation and technology deployments so as to embrace the new smart retailing era. FEDS Hsinyi Store is expected to meet the consumers in the latter half of 2019 as a brand new “smart shopping mall” to satisfy consumers’ smart technology shopping needs. Aside from increasing digital application within the mall, conducting digital communication and digital marketing by applying data analytics, we are also offering nearly 30 innovative services of digital approaches, each being the industry first. With personalized interactive services, we will provide an innovative smart shopping experience.

As Taiwan’s leading publicly listed department store, FEDS will also continue to strengthen corporate governance, establish a model corporate structure, implement professional division and accountability, and create a management team with a competitive advantage, equipping FEDS with a competitive edge in facing the challenges of new retailing. We respect stakeholder interest and comply with the “New Corporate Governance Blueprint” issued by Financial Supervisory Commission as the guideline to deepen the function and operation of promoting corporate governance. To fully enhance the function of the board of directors, relying on the professional and diversified background of our board members to periodically communicate and have dialogues with the management team to draw upon governance strategy, improve policymaking, assist in promoting enterprise transformation, drive for sustainable operation and fulfill the sustainability performance in terms of economy, environment, and society.

“Natural selection, survival of the fittest” is the rule of nature. This is the same with the survival and competition of enterprises where one must be highly adaptive to pass the keen challenges of the market. Facing swift changes in the retail industry, FEDS will continue to expand its scale and seek appropriate merger targets and investment opportunities. The management team is also actively involved in changes and innovation, with forward vision and agile action to plan an innovative operating strategy, establish a smart retail blueprint, create an innovative business model, and seize a concrete path to fulfill its decisions. Overall, this will ensure everlasting growth and sustainable excellence, sailing toward new oceans to create a continuous growth curve and continue to create maximum value and reward for its shareholders.

Chairman Douglas Tong Hsu

2. Financial report of 2018.

Explanation:

The 2018 Financial Statements are attached as page 9-31.

Consolidated balance sheets (December 31, 2018)

Consolidated statement of comprehensive income (January 1, 2018~ December 31, 2018)

Consolidated statements of changes in stockholders' equity (January 1, 2018 ~December 31, 2018)

Consolidated statements of cash flow (January 1, 2018 ~ December 31, 2018)

Balance sheets (December 31, 2018)

Statement of comprehensive income (January 1, 2018 ~ December 31, 2018)

Statements of changes in stockholders' equity (January 1, 2018~ December 31, 2018)

Statements of cash flow (January 1, 2018 ~ December 31, 2018)

Independent auditor's report by Deloitte & Touche is attached as
page10~14 and page 22-25.

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 (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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 (collectively referred to as the "consolidated financial statements").

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, 2018 and 2017, 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, 2018. 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, 2018 are stated as follows:

Evaluation of Impairment Loss of Goodwill

As of December 31, 2018, the goodwill of the Group was NT\$3,302,782 thousand, accounted for 3% 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 19 of the accompanying consolidated financial statements.

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

1. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure their objectivity and assignment were not influenced or restricted, and the methodology conducted was under regulation.
2. We understood the process of management's estimation of the future sales growth rate and profit margin predicted by the operating segments in mainland China.
3. As a consideration for the assessment reliability in the year of 2019 and for succeeding years, we compared 2018 budget and actual operating results of the operating segments in mainland China, estimating the accuracy of management's historical forecast.
4. We confirmed whether management used the appropriate discount rate to assess impairments by using the same evaluation model to calculate the weighted average cost of capital ratio and whether the weighted average cost of capital used by management was significantly different.

Fair Value Evaluation of Investment Properties

As of December 31, 2018, the carrying amount of investment properties was NT\$8,690,640 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. The fair value evaluation involved significant accounting estimation and judgment. As a result, the fair value evaluation of investment property is considered to be a key audit matter. Refer to Notes 4, 5 and 18 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. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure that their objectivity and assignment were not influenced or restricted, and the methodology conducted was under regulation.
2. We reviewed significant lease contracts and compared relevant market rentals to assess the reasonableness of cash flow forecasts.
3. We assessed the reasonableness of the valuer's assumptions and methods used in the valuation.

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, 2018 and 2017 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 IFRS, IAS, IFRIC, and 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, 2018 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 Ming-Hsing Cho.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2019

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, 2018 AND 2017** (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 14,594,847	14	\$ 16,116,484	15
Financial assets at fair value through profit or loss - current	437,747	-	496,455	1
Financial assets at fair value through other comprehensive income - current	244,785	-	-	-
Available-for-sale financial assets - current	-	-	233,523	-
Financial assets at amortized cost - current	2,077,919	2	-	-
Debt investments with no active market - current	-	-	1,914,388	2
Notes receivable	2,287	-	1,131	-
Trade receivables	1,582,273	2	1,113,758	1
Trade receivables from related parties	155,942	-	126,364	-
Other receivables	2,159,355	2	1,784,033	2
Current tax assets	5,655	-	3,079	-
Inventories	2,729,234	3	2,583,275	2
Prepayments	977,014	1	870,134	1
Other current assets	85,798	-	69,068	-
Total current assets	<u>25,052,856</u>	<u>24</u>	<u>25,311,692</u>	<u>24</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current	3,960,014	4	-	-
Available-for-sale financial assets - non-current	-	-	2,944,887	3
Financial assets at amortized cost- non-current	227,400	-	-	-
Financial assets measured at cost - non-current	-	-	608,037	-
Debt investments with no active market - non-current	-	-	227,000	-
Investments accounted for using the equity method	8,678,647	8	8,444,059	8
Property, plant and equipment	43,532,941	42	43,699,225	41
Investment properties	8,690,640	8	8,738,216	8
Intangible assets	3,449,258	3	5,059,516	5
Deferred tax assets	772,100	1	719,578	1
Long-term prepayments for lease	7,704,464	8	8,176,674	8
Other non-current assets	1,678,021	2	1,779,567	2
Total non-current assets	<u>78,693,485</u>	<u>76</u>	<u>80,396,759</u>	<u>76</u>
TOTAL	<u>\$103,746,341</u>	<u>100</u>	<u>\$105,708,451</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 12,957,612	13	\$ 13,084,956	12
Short-term bills payable	3,480,365	3	2,514,700	3
Contract liabilities - current	7,525,468	7	-	-
Notes payable	3,683	-	3,071	-
Trade payables	17,579,453	17	18,285,105	17
Trade payables to related parties	104,999	-	127,880	-
Other payables	3,687,578	4	4,250,840	4
Current tax liabilities	609,796	1	539,394	1
Provisions - current	6,592	-	6,828	-
Advance receipts	354,277	-	7,456,419	7
Deferred revenue - current	-	-	83,761	-
Current portion of bonds payable	-	-	998,149	1
Current portion of long-term borrowings	-	-	3,500,000	3
Other current liabilities	320,947	-	264,545	-
Total current liabilities	<u>46,630,770</u>	<u>45</u>	<u>51,115,648</u>	<u>48</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	15,090,000	15	13,258,102	13
Provisions - non-current	24,909	-	26,465	-
Deferred tax liabilities	2,114,362	2	1,915,480	2
Net defined benefit liabilities	808,480	1	945,908	1
Other non-current liabilities	1,387,430	1	1,588,670	1
Total non-current liabilities	<u>19,425,181</u>	<u>19</u>	<u>17,734,625</u>	<u>17</u>
Total liabilities	<u>66,055,951</u>	<u>64</u>	<u>68,850,273</u>	<u>65</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE GROUP				
Share capital				
Ordinary shares	14,169,406	14	14,169,406	13
Capital surplus	3,315,420	3	3,315,931	3
Retained earnings				
Legal reserve	3,166,880	3	3,013,281	3
Special reserve	2,656,286	2	2,643,743	3
Unappropriated earnings	2,081,772	2	2,274,946	2
Total retained earnings	7,904,938	7	7,931,970	8
Other equity	4,231,252	4	3,678,521	3
Treasury shares	(97,110)	-	(97,110)	-
Total equity attributable to owners of the Company	29,523,906	28	28,998,718	27
NON-CONTROLLING INTERESTS	8,166,484	8	7,859,460	8
Total equity	<u>37,690,390</u>	<u>36</u>	<u>36,858,178</u>	<u>35</u>
TOTAL	<u>\$103,746,341</u>	<u>100</u>	<u>\$105,708,451</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, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUES	\$39,242,551	100	\$41,166,982	100
OPERATING COSTS	<u>19,091,584</u>	<u>49</u>	<u>20,673,607</u>	<u>50</u>
GROSS PROFIT	<u>20,150,967</u>	<u>51</u>	<u>20,493,375</u>	<u>50</u>
OPERATING EXPENSES				
Selling and marketing expenses	923,663	2	1,036,753	3
General and administrative expenses	15,056,030	39	16,369,898	40
Expected credit loss	<u>(16,055)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>15,963,638</u>	<u>41</u>	<u>17,406,651</u>	<u>43</u>
OPERATING PROFIT	<u>4,187,329</u>	<u>10</u>	<u>3,086,724</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	530,849	1	213,248	-
Other gains and losses	(1,743,179)	(4)	(116,574)	-
Finance costs	(437,280)	(1)	(445,376)	(1)
Share of profit for loss of associates accounted for using the equity method	<u>11,396</u>	<u>-</u>	<u>(39,180)</u>	<u>-</u>
Total non-operating income and expenses	<u>(1,638,214)</u>	<u>(4)</u>	<u>(387,882)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	2,549,115	6	2,698,842	6
INCOME TAX EXPENSE	<u>898,620</u>	<u>2</u>	<u>853,820</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,650,495</u>	<u>4</u>	<u>1,845,022</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	534,199	2	-	-
Remeasurement of defined benefit plans	(50,328)	-	(78,408)	-
Share of other comprehensive income (loss) of associates accounted for using the equity method	409,335	1	(3,666)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>23,366</u>	<u>-</u>	<u>13,325</u>	<u>-</u>
	<u>916,572</u>	<u>3</u>	<u>(68,749)</u>	<u>-</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (14,562)	-	\$ 53,290	-
Unrealized loss on available-for-sale financial assets	-	-	(140,221)	-
Share of other comprehensive income (loss) of associates accounted for using the equity method	<u>5,267</u>	<u>-</u>	<u>(3,528)</u>	<u>-</u>
	<u>(9,295)</u>	<u>-</u>	<u>(90,459)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>907,277</u>	<u>3</u>	<u>(159,208)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,557,772</u>	<u>7</u>	<u>\$ 1,685,814</u>	<u>4</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,318,150	3	\$ 1,535,986	3
Non-controlling interests	<u>332,345</u>	<u>1</u>	<u>309,036</u>	<u>1</u>
	<u>\$ 1,650,495</u>	<u>4</u>	<u>\$ 1,845,022</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,029,426	5	\$ 1,363,957	3
Non-controlling interests	<u>528,346</u>	<u>2</u>	<u>321,857</u>	<u>1</u>
	<u>\$ 2,557,772</u>	<u>7</u>	<u>\$ 1,685,814</u>	<u>4</u>
EARNINGS PER SHARE				
Basic	<u>\$ 0.94</u>		<u>\$ 1.09</u>	
Diluted	<u>\$ 0.93</u>		<u>\$ 1.09</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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company												
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity				Treasury Shares	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain on Property Revaluation	Total			
BALANCE AT JANUARY 1, 2017	\$ 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 (loss) 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
Effect of retrospective application and retrospective restatement	-	-	-	-	92,444	-	(1,421,503)	1,242,300	-	-	(86,759)	-	(86,759)
BALANCE AT JANUARY 1, 2018 AS RESTATEMENT	14,169,406	3,315,931	3,013,281	2,643,743	2,367,390	86,048	-	1,242,300	2,170,970	(97,110)	28,911,959	7,859,460	36,771,419
Appropriation of 2017 earnings													
Legal reserve	-	-	153,599	-	(153,599)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	12,543	(12,543)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,416,940)	-	-	-	-	-	(1,416,940)	-	(1,416,940)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(220,697)	(220,697)
	-	-	153,599	12,543	(1,583,082)	-	-	-	-	-	(1,416,940)	(220,697)	(1,637,637)
Net profit for the year ended December 31, 2018	-	-	-	-	1,318,150	-	-	-	-	-	1,318,150	332,345	1,650,495
Other comprehensive (loss) income for the year ended December 31, 2018, net of income tax	-	-	-	-	(24,850)	4,606	-	731,520	-	-	711,276	196,001	907,277
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,293,300	4,606	-	731,520	-	-	2,029,426	528,346	2,557,772
Difference between equity purchase price and carrying amount arising from actual acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments resulting from investments in associates accounted for using the equity method	-	(511)	-	-	(28)	-	-	-	-	-	(539)	(625)	(1,164)
Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	4,192	-	-	(4,192)	-	-	-	-	-
BALANCE AT DECEMBER 31, 2018	\$ 14,169,406	\$ 3,315,420	\$ 3,166,880	\$ 2,656,286	\$ 2,081,772	\$ 90,654	\$ -	\$ 1,969,628	\$ 2,170,970	\$ (97,110)	\$ 29,523,906	\$ 8,166,484	\$ 37,690,390

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 2,549,115	\$ 2,698,842
Adjustments for:		
Depreciation expenses	2,355,319	2,650,811
Amortization expenses	51,903	44,687
Expected credit loss reversed on trade receivables	(16,055)	-
Impairment loss reversal on receivables	-	(7,062)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(10,443)	2,851
Finance costs	437,280	445,376
Interest income	(128,124)	(74,855)
Dividend income	(152,720)	(138,393)
Share of (profit) loss of associates accounted for using the equity method	(11,396)	39,180
Loss on disposal of property, plant and equipment	26,487	223,336
Loss on disposal of investment properties	90,621	-
Loss on disposal of intangible assets	-	3,261
Gain on disposal of non-current assets held for sale	-	(6,628)
Gain on disposal of investments	-	(428,971)
Impairment loss recognized on financial assets	-	2,055
Impairment loss recognized on intangible assets	1,630,000	1,205,840
Impairment loss recognized on property, plant and equipment	38,047	2,040
Unrealized gain on physical inventory and slow-moving inventories	(18,415)	(1,734)
(Gain) loss on changes in fair value of investment properties	(43,045)	9,061
Amortization of prepayments	5,582	25,903
Amortization of prepayments for lease	337,503	325,824
Reversal of deferred revenue	-	(92,267)
Reversal of unrealized purchase discounts	433	(1,506)
Net changes in operating assets and liabilities		
Financial assets held for trading	-	5,009
Decrease in financial assets mandatorily classified as at fair value through profit or loss	69,151	-
Notes receivable	(1,156)	14,763
Trade receivables	(465,119)	(355,141)
Trade receivables from related parties	(26,163)	36,721
Other receivables	(319,715)	52,691
Inventories	(127,977)	181,071
Prepayments	36,461	148,600
Other current assets	(16,730)	10,249
Contract liabilities - current	361,734	-
Notes payable	612	(34,821)
Trade payables	(705,652)	2,034,431
Trade payables to related parties	(22,881)	14,063
Other payables	(718,428)	(979,615)
Reversal of provisions	(2,045)	(13,548)

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FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Deferred revenue	\$ -	\$ 83,761
Advance receipts	120,205	71,379
Other current liabilities	56,402	(14,111)
Net defined benefit liabilities	<u>(191,239)</u>	<u>(92,161)</u>
Cash generated from operations	5,189,552	8,090,992
Dividends received	290,342	238,940
Interest paid	(436,417)	(431,023)
Interest received	115,480	67,559
Income tax returned	194	3,125
Income tax paid	<u>(672,202)</u>	<u>(799,617)</u>
Net cash generated from operating activities	<u>4,486,949</u>	<u>7,169,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at cost	(163,931)	-
Proceeds from sale of debt investments with no active market	-	(1,324,877)
Acquisition of investments accounted for using the equity method	-	(286,655)
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	49,288	84,174
Proceeds from disposal of non-current assets held for sale	-	13,500
Payments for property, plant and equipment	(2,257,557)	(1,825,793)
Proceeds from disposal of property, plant and equipment	606	1,940
Payments for intangible assets	(63,726)	(53,748)
Payments for investment properties	-	(1,481)
Decrease in other non-current assets	<u>(82,785)</u>	<u>77,909</u>
Net cash used in investing activities	<u>(2,518,105)</u>	<u>(2,235,526)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	174,720,516	137,230,416
Repayments of short-term borrowings	(174,820,679)	(133,883,006)
Proceeds from short-term bills payable	26,313,358	29,826,307
Repayments of short-term bills payable	(25,347,693)	(30,002,553)
Repayments of bond payables	(1,000,000)	-
Proceeds from long-term borrowings	75,821,898	67,111,036
Repayments of long-term borrowings	(77,490,000)	(71,280,600)
Decrease in other non-current liabilities	(26,346)	(35,184)
Dividends paid to owners of the Company	(1,414,847)	(992,035)
Dividends paid to non-controlling interests	<u>(256,698)</u>	<u>(267,424)</u>
Net cash used in financing activities	<u>(3,500,491)</u>	<u>(2,293,043)</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>10,010</u>	<u>(34,864)</u>

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FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (1,521,637)	\$ 2,606,543
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>16,116,484</u>	<u>13,509,941</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 14,594,847</u>	<u>\$ 16,116,484</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, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, 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, 2018. 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, 2018 are stated as follows:

Evaluation of Impairment Loss of Goodwill on Investments in Subsidiaries

Carrying amounts of investments in the Company's subsidiaries include goodwill, which was acquired through indirect investment on Pacific Liu Tong Investment Co. Ltd. for 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 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 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 goodwill impairment of investments in subsidiaries is included.

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

1. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure their objectivity and assignment were not influenced or restricted, and the methodology conducted was under regulation.
2. We understood the process of management's estimation of the future sales growth rate and profit margin predicted by the operating segments in mainland China.

3. As a consideration for the assessment reliability in the year of 2019 and for succeeding years, we compared 2018 budget and actual operating results of the operating segments in mainland China, estimating the accuracy of management's historical forecast.
4. We confirmed whether the management used the appropriate discount rate to assess impairment by using the same evaluation model used to calculate the weighted average cost of capital ratio and whether the weighted average cost of capital used by management was significantly different.

Fair Value Evaluation of Investment Properties

As of December 31, 2018, the carrying amount of investment properties was NT\$9,062,640 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 15 to the accompanying financial statements for the relevant detailed information.

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

1. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure that their objectivity and assignment were not influenced or restricted, and the methodology conducted was under regulation.
2. We reviewed the significant lease contracts to ensure the accuracy of fundamental information for cash flow forecasts.
3. We assessed the reasonableness of the valuer's assumptions and methods used in the valuation.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 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 Ming-Hsing Cho.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2019

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, 2018 AND 2017** **(In Thousands of New Taiwan Dollars)**

	2018		2017	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash	\$ 746,181	1	\$ 731,111	1
Financial assets at amortized cost - current	25,095	-	-	-
Notes receivable	140	-	-	-
Trade receivables	710,140	1	445,110	1
Trade receivables from related parties	70,052	-	58,247	-
Other receivables	337,628	1	86,428	-
Inventories	378,188	1	331,080	1
Prepayments	237,820	-	222,711	-
Other current assets	13,780	-	11,408	-
Total current assets	<u>2,519,024</u>	<u>4</u>	<u>1,886,095</u>	<u>3</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current	2,354,351	4	-	-
Available-for-sale financial assets - non-current	-	-	1,945,059	3
Financial assets measured at cost - non-current	-	-	103,894	-
Investments accounted for using the equity method	19,570,715	32	20,151,049	33
Property, plant and equipment	25,314,067	41	25,020,048	41
Investment properties	9,062,640	15	9,120,816	15
Intangible assets	50,207	-	50,001	-
Deferred tax assets	192,145	-	111,621	-
Long-term prepayments for lease	2,173,763	4	2,236,168	4
Other non-current assets	321,053	-	266,326	1
Total non-current assets	<u>59,038,941</u>	<u>96</u>	<u>59,004,982</u>	<u>97</u>
TOTAL	<u>\$61,557,965</u>	<u>100</u>	<u>\$60,891,077</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 6,710,000	11	\$ 6,300,000	10
Short-term bills payable	2,299,032	4	1,699,188	3
Contract liabilities - current	2,847,832	5	-	-
Notes payable and trade payables	4,878,840	8	5,026,846	8
Trade payables to related parties	76,148	-	85,055	-
Other payables	1,284,856	2	1,226,591	2
Current tax liabilities	148,613	-	124,398	-
Deferred revenue - current	-	-	37,604	-
Advance receipts	188,206	-	2,885,830	5
Current portion of long-term borrowings	-	-	3,500,000	6
Other current liabilities	154,900	-	113,556	-
Total current liabilities	<u>18,588,427</u>	<u>30</u>	<u>20,999,068</u>	<u>34</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	11,100,000	18	8,600,000	14
Deferred tax liabilities	2,064,540	4	1,884,830	3
Net defined benefit liabilities	89,001	-	237,508	1
Other non-current liabilities	192,091	-	170,953	-
Total non-current liabilities	<u>13,445,632</u>	<u>22</u>	<u>10,893,291</u>	<u>18</u>
Total liabilities	<u>32,034,059</u>	<u>52</u>	<u>31,892,359</u>	<u>52</u>
EQUITY				
Share capital				
Ordinary shares	14,169,406	23	14,169,406	23
Capital surplus	3,315,420	5	3,315,931	6
Retained earnings				
Legal reserve	3,166,880	5	3,013,281	5
Special reserve	2,656,286	4	2,643,743	4
Unappropriated earnings	2,081,772	4	2,274,946	4
Total retained earnings	7,904,938	13	7,931,970	13
Other equity	4,231,252	7	3,678,521	6
Treasury shares	(97,110)	-	(97,110)	-
Total equity	<u>29,523,906</u>	<u>48</u>	<u>28,998,718</u>	<u>48</u>
TOTAL	<u>\$61,557,965</u>	<u>100</u>	<u>\$60,891,077</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, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE	\$10,781,588	100	\$10,581,149	100
OPERATING COSTS	<u>4,285,132</u>	<u>40</u>	<u>4,097,426</u>	<u>39</u>
GROSS PROFIT	<u>6,496,456</u>	<u>60</u>	<u>6,483,723</u>	<u>61</u>
OPERATING EXPENSES				
Selling and marketing expenses	375,165	4	402,891	4
General and administrative expenses	4,031,963	37	4,198,675	39
Expected credit loss reversed	<u>(11)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>4,407,117</u>	<u>41</u>	<u>4,601,566</u>	<u>43</u>
OPERATING PROFIT	<u>2,089,339</u>	<u>19</u>	<u>1,882,157</u>	<u>18</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	335,487	3	72,518	1
Other gains and losses	(14,332)	-	170,706	1
Finance costs	(169,089)	(1)	(199,285)	(2)
Share of loss of subsidiaries and associates accounted for using the equity method	<u>(607,556)</u>	<u>(6)</u>	<u>(144,445)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(455,490)</u>	<u>(4)</u>	<u>(100,506)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	1,633,849	15	1,781,651	17
INCOME TAX EXPENSE	<u>315,699</u>	<u>3</u>	<u>245,665</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,318,150</u>	<u>12</u>	<u>1,535,986</u>	<u>15</u>
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(5,559)	-	(22,745)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	311,658	3	-	-

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	\$ 390,615	4	\$ (36,272)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>5,528</u>	<u>-</u>	<u>3,867</u>	<u>-</u>
	<u>702,242</u>	<u>7</u>	<u>(55,150)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Unrealized loss on available-for-sale financial assets	-	-	(26,854)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	<u>9,034</u>	<u>-</u>	<u>(90,025)</u>	<u>(1)</u>
	<u>9,034</u>	<u>-</u>	<u>(116,879)</u>	<u>(1)</u>
Other comprehensive (loss) income for the year, net of income tax	<u>711,276</u>	<u>7</u>	<u>(172,029)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,029,426</u>	<u>19</u>	<u>\$ 1,363,957</u>	<u>13</u>
EARNINGS PER SHARE, NT\$				
Basic	<u>\$ 0.94</u>		<u>\$ 1.09</u>	
Diluted	<u>\$ 0.93</u>		<u>\$ 1.09</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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	Other Equity (Note 22)										
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain on Property Revaluation	Treasury Shares	Total Equity
			Legal Reserve	Special Reserve	Earnings			Income			
BALANCE AT JANUARY 1, 2017	\$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 (loss) 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
Effect of retrospective application and retrospective restatement	-	-	-	-	92,444	-	(1,421,503)	1,242,300	-	-	(86,759)
BALANCE AT JANUARY 1, 2018 AS RESTATED	14,169,406	3,315,931	3,013,281	2,643,743	2,367,390	86,048	-	1,242,300	2,170,970	(97,110)	28,911,959
Appropriation of 2017 earnings											
Legal reserve	-	-	153,599	-	(153,599)	-	-	-	-	-	-
Special reserve	-	-	-	12,543	(12,543)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,416,940)	-	-	-	-	-	(1,416,940)
	-	-	153,599	12,543	(1,583,082)	-	-	-	-	-	(1,416,940)
Net profit for the year ended December 31, 2018	-	-	-	-	1,318,150	-	-	-	-	-	1,318,150
Other comprehensive (loss) income for the year ended December 31, 2018, net of income tax	-	-	-	-	(24,850)	4,606	-	731,520	-	-	711,276
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,293,300	4,606	-	731,520	-	-	2,029,426
Difference between equity purchase price and carrying amount arising from actual acquisition of subsidiary	-	(511)	-	-	(28)	-	-	-	-	-	(539)
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	-	-	-	4,192	-	-	(4,192)	-	-	-
BALANCE AT DECEMBER 31, 2018	\$14,169,406	\$ 3,315,420	\$ 3,166,880	\$ 2,656,286	\$ 2,081,772	\$ 90,654	\$ -	\$ 1,969,628	\$ 2,170,970	\$ (97,110)	\$29,523,906

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, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,633,849	\$ 1,781,651
Adjustments for:		
Depreciation expenses	1,016,063	1,187,359
Amortization expenses	18,678	12,481
Expected credit loss reversed on trade receivables	(11)	-
Amortization of prepayments	476	715
Finance costs	169,089	199,285
Reversal of deferred revenue	-	(37,161)
Share of loss of subsidiaries and associates accounted for using the equity method	607,556	144,445
Interest income	(160)	(38)
Dividend income	(85,322)	(72,480)
Loss on disposal of property, plant and equipment	6,439	7,062
Loss on disposal of investment properties	90,700	166
Gain on disposal of investments	-	(194,022)
Impairment loss recognized on financial assets	-	2,055
Loss (gain) on changes in fair value of investment properties	(32,218)	78,539
Net changes in operating assets and liabilities		
Notes receivable	(140)	14,890
Trade receivables	(261,485)	(83,591)
Trade receivables from related parties	(11,805)	(18,051)
Other receivables	(251,557)	(15,574)
Inventories	(47,108)	52,187
Prepayments	(15,109)	32,970
Other current assets	(2,372)	(1,408)
Contract liabilities	166,895	-
Notes payable and trade payables	(148,006)	1,803,137
Trade payables to related parties	(8,907)	25,621
Other payables	26,491	(74,995)
Deferred revenue	-	37,604
Advance receipts	36,068	131,025
Other current liabilities	41,344	(16,934)
Net defined benefit liabilities	(154,066)	(99,798)
Cash generated from operations	2,795,382	4,897,140
Interest paid	(210,771)	(229,773)
Interest received	160	38
Dividends received	378,552	228,650
Income tax returned	170	3,123
Income tax paid	(186,940)	(230,313)
Net cash generated from operating activities	<u>2,776,553</u>	<u>4,668,865</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at cost	\$ (25,095)	\$ -
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	(1,272,504)	(969,786)
Payments for investment properties	(306)	(2,193)
Increase in other non-current assets	(54,007)	(34,160)
Payments for intangible assets	(13,155)	(25,979)
Proceeds from disposal of property, plant and equipment	<u>26</u>	<u>998</u>
Net cash used in investing activities	<u>(1,365,041)</u>	<u>(4,327,322)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	93,400,000	90,450,000
Repayments of short-term borrowings	(92,990,000)	(88,050,000)
Proceeds from short-term bills payable	16,610,243	13,340,889
Repayments of short-term bills payable	(16,010,399)	(12,791,179)
Proceeds from long-term borrowings	61,000,000	55,450,000
Repayments of long-term borrowings	(62,000,000)	(57,546,916)
Increase in other non-current liabilities	8,561	11,488
Dividends paid	<u>(1,414,847)</u>	<u>(992,035)</u>
Net cash used in financing activities	<u>(1,396,442)</u>	<u>(127,753)</u>
NET INCREASE IN CASH	15,070	213,790
CASH AT THE BEGINNING OF THE YEAR	<u>731,111</u>	<u>517,321</u>
CASH AT THE END OF THE YEAR	<u><u>\$ 746,181</u></u>	<u><u>\$ 731,111</u></u>

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

(Concluded)

3. Audit Committee's review report on 2018 business report and financial statements.

SUPERVISORS' REPORT

To the 2018 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 2018 and found them in order.

The Convener of the Audit Committee: Yung Do Way

May 3, 2019

4. Report of 2018 employees' compensation and Directors' remuneration

- 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\$ 1,725,916,290. The Company proposes that the ratio and amount of distribution for the compensation of employees are 3.2% and NT\$ 55,384,367, and the ratio and amount of distribution for the compensation of directors are 2.4% and NT\$ 41,538,275. 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 2018 business report and financial statements.

The Board of Directors proposes and recommends that each shareholder votes for the acceptance of 2018 business report and financial statements.

Explanatory Notes:

1. FEDS's 2018 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 Ming-Xin Zhuo of Deloitte & Touche (please refer to P.9-P.31), 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 2018 surplus earning.

The Board of Directors proposes and recommends that each shareholder votes for the distribution of 2018 surplus earning.

Explanatory Notes:

1. All the closing transactions as of December 31, 2018 have been completely closed, and have been audited by the accounting firm, Deloitte and Touche. We thereby submit the proposal for distribution of 2018 profits:

1.	Unappropriated earnings of January 1, 2018	NT\$691,862,560
2.	Effect of retrospective application	92,443,816
3.	Adjusted un-appropriated earnings as of January 1, 2018(1+2)	784,306,376
4.	The adjustments of retained earnings for by using equity method	(27,208)
5.	Disposal of investments in equity instruments at fair value through other comprehensive income, cumulative profit and loss transferred directly to retained earnings	4,191,500
6.	Recognizing the re-measurements of defined benefit plans in retained earnings	(24,849,865)
7.	Un-appropriated earnings after adjustments(3-4+5-6)	763,620,803
8.	Net Income for the year ended December 31, 2018	1,318,150,315
9.	10% legal reserve (=8*10%)	(131,815,032)
10.	Special reserve	(73,329,992)
11.	Distributable net profit(7+8-9-10)	1,876,626,094
12.	Earnings distribution (NT\$0.85 per share)	(1,204,399,501)
13.	Un-appropriated earnings after distribution(=11-12)	672,226,593

2. The distribution of 2018 dividends composes of 2018 surplus earning in priority, and the undistributed profit from 1998 to 2017 in case 2018 surplus earning are insufficient to cover 2018 dividends, and then the undistributed profit before 1997 in case the surplus earning from 1997 to 2017 are insufficient to cover 2018 dividends.
3. After being approved at the annual General Shareholders' meeting (2019), 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 2018 profits.

Resolution

IV. Discussion and Election

1. 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. In order to comply with the amendments of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" announced by official letter No. 1070341072 of the Financial Supervisory Commission ("FSC") dated November 26, 2018, and to operate in coordination with the Company's reorganization, it is proposed to amend the "Procedures For Acquisition And Disposition Of Assets".
2. To amend article 2 、 3 、 5 、 7 、 8 、 9 、 9-1 、 12 and 14.

Resolution:

Section	Proposed Changes	Current Articles
Article 2	<p>The term “Assets” used in these Procedures includes the following:</p> <ol style="list-style-type: none"> 1) Securities: Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call(put) warrants, beneficial interest securities, and asset-backed securities. 2) Real property (including land, houses and buildings, investment real property) and equipment; 3) Memberships; 4) Patents, copyrights, trademarks, franchise right and other intangible assets; <u>5) Right-of-use assets.</u> <u>6) Derivatives;</u> <u>7) Assets acquired or disposed of in connection with mergers, demergers, acquisition or transfer of shares in accordance with acts of law;</u> <u>8) Other major assets.</u> 	<p>The term “Assets” used in these Procedures includes the following:</p> <ol style="list-style-type: none"> 1) Securities: Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call(put) warrants, beneficial interest securities, and asset-backed securities. 2) Real property (including land, houses and buildings, investment real property, <u>easement</u>) and equipment; 3) Memberships; 4) Patents, copyrights, trademarks, franchise right and other intangible assets; 5) Derivatives; 6) Assets acquired or disposed of in connection with mergers, demergers, acquisition or transfer of shares in accordance with acts of law; 7) Other major assets.

Section	Proposed Changes	Current Articles
Article 3	<p>Definitions in these Procedures:</p> <p>1) "Derivatives": Forward contracts, option contracts, futures contracts, leverage contracts, and swap contracts and compound contracts combining the above products whose value is derived from <u>a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2) "Assets acquired or disposed through mergers, demergers, acquisitions or transfer of shares in accordance with act of law": Refers to assets acquired or disposed through mergers, demergers or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article <u>156-3</u>, of the Company Act.</p> <p>3) to 6) would be omitted</p>	<p>Definitions in these Procedures:</p> <p>1) "Derivatives": Forward contracts, option contracts, futures contracts, leverage contracts, and swap contracts <u>and compound contracts combining the above products</u> whose value is derived from <u>assets, interest rates, foreign exchange rates, indexes or other interests.</u> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2) "Assets acquired or disposed through mergers, demergers, acquisitions or transfer of shares in accordance with act of law": Refers to assets acquired or disposed through mergers, demergers or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156, <u>paragraph 8</u> of the Company Act.</p> <p>3) to 6) would be omitted</p>

Section	Proposed Changes	Current Articles
Article 5	<p>The Company's total investment in securities shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports; furthermore individual securities in which it may invest shall not exceed sixty per cent (60%) of its shareholders' equity reflected in the latest financial reports, and investments in non-operational real property <u>and</u> equipment or <u>right-of-use assets thereof</u> shall not exceed fifty per cent (50%) of its shareholders' equity reflected in the latest financial reports.</p> <p>The rest of the article would be omitted.</p>	<p>The Company's total investment in securities shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports; furthermore individual securities in which it may invest shall not exceed sixty per cent (60%) of its shareholders' equity reflected in the latest financial reports, and investments in non-operational real property and equipment shall not exceed fifty per cent (50%) of its shareholders' equity reflected in the latest financial reports.</p> <p>The rest of the article would be omitted.</p>

Section	Proposed Changes	Current Articles
Article 7	<p>Acquisition or disposition of real property <u>、</u> equipment or <u>right-of-use assets thereof</u></p> <p>1) Evaluation process</p> <p>a) For investments in real property <u>、</u> equipment or <u>right-of-use assets thereof</u>, the Accounting Department or other relevant units shall undertake the projection of potential returns as well as evaluation of potential investment risks in relation to the said investment based on the current operation and financial conditions and future development plan.</p> <p>b) The proposed acquisition or disposition of real property <u>or right-of-use assets thereof</u> shall require analysis reports taking reference to their current published value, appraised values and transactions prices for neighboring real properties, etc., along with suggested transaction conditions and prices.</p> <p>c) The proposed acquisition or disposition of equipment <u>or right-of-use assets thereof</u> shall carry out by way of any of the following: price inquiry; price comparison; negotiated prices or tender.</p> <p>2) Valuation reports</p> <p>In the case of real property <u>、</u> equipment or <u>right-of-use assets thereof</u> acquired or disposed by the Company other than as a result of transactions with the <u>domestic</u> government, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipment and facilities or <u>right-of-use assets thereof</u> for business operation purposes, where their transaction value is the amount equivalent to twenty per cent (20%) of the Company's paid-in capital or NT\$ 300 million or above, the Company shall firstly require professional appraiser prior to the date of occurrence of the event to furnish their valuation report (which report shall specify the matters set out in Appendix</p>	<p>Acquisition or disposition of real property or equipment</p> <p>1) Evaluation process</p> <p>a) For investments in real property and equipment, the Accounting Department or other relevant units shall undertake the projection of potential returns as well as evaluation of potential investment risks in relation to the said investment based on the current operation and financial conditions and future development plan.</p> <p>b) The proposed acquisition or disposition of real property shall require analysis reports taking reference to their current published value, appraised values and transactions prices for neighboring real properties, etc., along with suggested transaction conditions and prices.</p> <p>c) The proposed acquisition or disposition of equipment shall carry out by way of any of the following: price inquiry; price comparison; negotiated prices or tender.</p> <p>2) Valuation reports <u>for real property or equipment.</u></p> <p>In the case of real property or equipment acquired or disposed by the Company other than as a result of transactions with the government, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipment and facilities for business operation purposes, where their transaction value is the amount equivalent to twenty per cent (20%) of the Company's paid-in capital or NT\$ 300 million or above, the Company shall firstly require professional appraiser prior to the date of occurrence of the event to furnish their valuation report (which report shall specify the matters set out in Appendix from the Regulations Governing the Acquisition and Disposal of Assets by Public Companies); furthermore, the following provisions shall be complied with:</p>

Section	Proposed Changes	Current Articles
Article 7	<p>from the Regulations Governing the Acquisition and Disposal of Assets by Public Companies); furthermore, the following provisions shall be complied with:</p> <p>a) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for <u>any future changes</u> to the terms and conditions of the transaction.</p> <p>b) to e) would be omitted</p> <p>3) Process in determining authorized investment limit and responsible units Prior to the Company acquiring or disposing real property <u>or</u> equipment <u>or right-of-use assets thereof</u>, the Accounting Department shall firstly submit the board of directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the board of directors for ratification.</p>	<p>a) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>b) to e) would be omitted</p> <p>3) Process in determining authorized investment limit and responsible units Prior to the Company acquiring or disposing real property <u>or</u> equipment, the Accounting Department shall firstly submit the board of directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the board of directors for ratification.</p>

Section	Proposed Changes	Current Articles
Article 8	<p>Related Parties Transaction</p> <p>1) would be omitted.</p> <p>2) Evaluation and Procedures</p> <p>The Company intends to acquire or dispose of real property or <u>right-of-use assets thereof</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property or <u>right-of-use assets thereof</u> from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements etc., or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and then by the board of directors :</p> <p>a) to b) would be omitted.</p> <p>c) With respect to the acquisition of real property or <u>right-of-use assets thereof</u> from a related party, information relating to the appraisal of the fairness of the proposed transaction conditions pursuant to items 3) a) and d) herein;</p> <p>d) to g) would be omitted.</p> <p>When a matter is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>3) Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property or <u>right-of-use assets thereof</u> from related parties, it shall evaluate the fairness of the transaction costs in the following manner: omitted</p>	<p>Related Parties Transaction</p> <p>1) would be omitted.</p> <p>2) Evaluation and Procedures</p> <p>The Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements etc., or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and then by the board of directors :</p> <p>a) to b) would be omitted.</p> <p>c) With respect to the acquisition of real property from a related party, information relating to the appraisal of the fairness of the proposed transaction conditions pursuant to items 3) a) and d) herein;</p> <p>d) to g) would be omitted.</p> <p>When a matter is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>3) Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property from related parties, it shall evaluate the fairness of the transaction costs in the following manner: omitted</p>

Section	Proposed Changes	Current Articles
Article 8	<p>b) Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>c) In the case of the Company acquiring real property or <u>right-of-use assets thereof</u> from related parties, in addition to the appraisal of the costs of the said real property or <u>right-of-use assets thereof</u> in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p> <p>d) Under any one of the following circumstances in which the Company acquires real property or <u>right-of-use assets thereof</u> from related parties, it need only undertake items 1) and 2) herein; the evaluation of fairness of transaction cost as provided for in items a), b) and c) hereunder shall not apply:</p> <p>i) The related party having obtained the real property <u>or right-of-use assets thereof</u> by way of inheritance or gift;</p> <p>ii) The time lapse between the related party's contract for acquisition of the real property <u>or right-of-use assets thereof</u> and this transaction exceeds five(5) years;</p> <p>iii) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>iv) <u>The acquisition of the right-of-use asset of real estate for business operation purposes between the Company and subsidiary, or between subsidiary companies, whose total number of issued shares or total capital is 100%-owned, directly or indirectly, by the Company.</u></p>	<p>b) Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>c) In the case of the Company acquiring real property from related parties, in addition to the appraisal of the costs of the said real property in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p> <p>d) Under any one of the following circumstances in which the Company acquires real property from related parties, it need only undertake items 1) and 2) herein; the evaluation of fairness of transaction cost as provided for in items a), b) and c) hereunder shall not apply:</p> <p>i) The related party having obtained the real property by way of inheritance or gift;</p> <p>ii) The time lapse between the related party's contract for acquisition of the real property and this transaction exceeds five(5) years; or</p> <p>iii) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p>

Section	Proposed Changes	Current Articles
Article 8	<p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f) and g) hereunder; however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p> <p>A. would be omitted.</p> <p>B. Successful transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the practice for sale and purchase <u>or leased</u> of real property.</p> <p>ii) The Company providing evidence that the transaction conditions of its purchase of real property <u>or its lease of right-of-use asset of real property</u> from related party are comparable with those cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. "Cases within the neighboring areas" shall in principle include those in the same or adjacent street</p>	<p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f) and g) hereunder; however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p> <p>A would be omitted.</p> <p>B. Successful transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the practice for sale and purchase of real property.</p> <p><u>C. Successful rental cases by non-related parties involving other floors of the subject matter within the past one (1) year and with non-related parties, their conditions being comparable to those of rental agreements in which there are estimates of acceptable difference between floor levels in accordance with the practice for rental of real property.</u></p> <p>ii) The Company providing evidence that the transaction conditions of its purchase of real property from related party are comparable with those <u>successful</u> cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. "<u>Successful</u> cases within the neighboring areas" shall in principle include those in the same or adjacent street</p>

Section	Proposed Changes	Current Articles
Article 8	<p>and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar. "Approximately similar space" shall in principle include the spaces of those transacted cases between non-related parties that are not less than fifty per cent (50%) of that of the subject matter.</p> <p>f) In case the results of evaluation of the real estate <u>or right-of-use assets thereof</u> acquired by the related party in accordance with the fifth subparagraph of this paragraph have been proven to be lower than dealing price, the following provisions herein below shall be applied.</p> <p>i) With respect to the difference between the transaction price for the real property or <u>right-of-use assets thereof</u> and the evaluated costs, set aside special profit/loss reserve, in compliance with Article 41(1) of the Securities and Exchange Law, which shall not be distributed or allocated in the form of stock dividends. Where investors of the Company that adopt the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special profit/loss reserve for the amount according to their respective shareholding;</p> <p>ii) to iii) would be omitted.</p> <p>g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at premium <u>or leased</u>, or they have been disposed of, <u>or lease agreement had been terminated</u>, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p>	<p>and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar. "Approximately similar space" shall in principle include the spaces of those transacted cases between non-related parties that are not less than fifty per cent (50%) of that of the subject matter.</p> <p>f) In case the results of evaluation of the real estate acquired by the related party in accordance with the fifth subparagraph of this paragraph have been proven to be lower than the transaction price, the Company shall undertake the following:</p> <p>i) With respect to the difference between the transaction price for the real property and the evaluated costs, set aside special profit/loss reserve, in compliance with Article 41(1) of the Securities and Exchange Law, which shall not be distributed or allocated in the form of stock dividends. Where investors of the Company that adopt the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special profit/loss reserve for the amount according to their respective shareholding;</p> <p>ii) to iii) would be omitted.</p> <p>g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at premium, or they have been disposed of, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p>

Section	Proposed Changes	Current Articles
Article 8	<p>h) When the Company obtains real property from a related party or <u>right-of-use assets thereof</u>, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arm's- length transaction.</p> <p>4) The deciding procedure and the units responsible for implementation about the degree of authority delegated, <u>In terms of the following transactions between the Company and its subsidiaries , or between the subsidiaries, whose total number of issued shares or total capital is 100%-owned, directly or indirectly, by the Company,</u> the Accounting Department shall firstly submit the board of directors the relevant information for approval before undertaking the said transaction. The Chairman shall have the authority to approve/disapprove investments which amount is below NT\$ 300 million. In any case, the said transactions shall be submitted to the immediate following meeting of the board of directors for ratification.</p> <p> <u>a) Acquisition or disposal of the equipment or its right-of-use asset for business operation purposes.</u></p> <p> <u>b) Acquisition or disposal of the right-of-use asset of real estate for business operation purposes.</u></p> <p>5) With respect to the regulations of 10 percent of total assets, the calculation is based upon total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>h) When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arm's- length transaction.</p> <p>4) The deciding procedure and the units responsible for implementation about the degree of authority delegated, <u>Prior to the acquisition or disposal of business-use machinery and equipment between the Company and its subsidiaries,</u> the Accounting Department shall firstly submit the board of directors the relevant information for approval before undertaking the said transaction. The Chairman shall have the authority to approve/disapprove investments which amount is below NT\$ 300 million. In any case, the said transactions shall be submitted to the immediate following meeting of the board of directors for ratification.</p> <p>5) With respect to the regulations of 10 percent of total assets, the calculation is based upon total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>

Section	Proposed Changes	Current Articles
Article 9	<p data-bbox="325 239 877 331"><u>Acquisition or Disposition of Intangible Assets or its Right-of-use Asset or Club Membership</u></p> <p data-bbox="325 338 900 943">1) Evaluation and Process a) would be omitted. b) Acquisition or disposition of intangible assets or <u>right-of-use assets thereof</u> shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration expert's valuation report or fair market price, and compiled into analysis reports. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the board of directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the board of directors shall be required before proceeding with the same.</p> <p data-bbox="325 949 874 1111">2) Expert's Valuation Report a) Expert's valuation report shall be required in the case of acquisition or disposition of intangible assets or <u>its right-of-use asset or club membership</u>.</p> <p data-bbox="325 1151 900 1615">b) Where the transaction amount for acquisition or disposition of <u>intangible assets or its right-of-use asset or club membership</u> exceeds twenty per cent (20%) of the Company's paid-in capital or NT\$300 million, except in transaction with government agency, accountants shall, prior to the date of occurrence of the event, be engaged to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p data-bbox="325 1688 596 1715">c) would be omitted.</p>	<p data-bbox="935 239 1390 300">Acquisition of <u>Club Membership or Intangible Assets</u> .</p> <p data-bbox="935 306 1509 875">1) Evaluation and Process a) would be omitted. b) Acquisition or disposition of intangible assets shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration expert's valuation report or fair market price, and compiled into analysis reports. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the board of directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the board of directors shall be required before proceeding with the same.</p> <p data-bbox="935 949 1414 1010">2) Expert's Valuation Report on <u>Club Membership or Intangible Assets</u>.</p> <p data-bbox="935 1016 1442 1111">a) Expert's valuation report shall be required in the case of acquisition or disposition of intangible assets.</p> <p data-bbox="935 1151 1493 1615">b) Where the transaction amount for acquisition or disposition of <u>club membership or intangible assets</u> exceeds twenty per cent (20%) of the Company's paid-in capital or NT\$300 million, except in transaction with government agency, accountants shall, prior to the date of occurrence of the event, be engaged to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p data-bbox="935 1688 1198 1715">c) would be omitted.</p>

Section	Proposed Changes	Current Articles
Article 9	<p>3) Implementation</p> <p>The Company may only proceed with the acquisition or disposition intangible assets <u>or its right-of-use asset or club membership</u> after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>	<p>3) Implementation</p> <p>The Company may only proceed with the acquisition or disposition of <u>club membership</u> or intangible assets after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>

Section	Proposed Changes	Current Articles
Article 9-1	<p>The calculation of transaction amount refer to Article 6, Article7, Article 8-1) and Article 9 shall be done in accordance with Article 12-1)<u>g</u>) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <p>The calculation of transaction amount refer to Article 8 2) shall be done in accordance with Article 12-1)<u>g</u>) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and then by the board of directors need not be counted toward the transaction amount.</p>	<p>The calculation of transaction amount refer to Article 6, Article7, Article 8 1) and Article9 shall be done in accordance with Article 12 1) <u>e</u>) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <p>The calculation of transaction amount refer to Article 8 2) shall be done in accordance with Article 12 1) <u>e</u>) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and then by the board of directors need not be counted toward the transaction amount.</p>

Section	Proposed Changes	Current Articles
Article 12	<p>Procedure for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p> <p>a) Acquisition or disposal of real property or <u>right-of-use assets thereof</u> from or to a related party or <u>right-of-use assets thereof</u>, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p> <p>b) Undertaking merger, demerger, merger or shareholding transfer;</p> <p>c) Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) <u>f</u>);</p> <p>d) The acquisition or disposal of the equipment <u>or its right-of-use asset</u> for business purposes and in which the counterparties are not related parties, and that the transaction amounts reach 1 billion</p> <p>e) Real property obtained by way of entrusted construction on own land, engaging others to construct on rented land, division of property or profits deriving from sale of property following joint-development, <u>and in which the counterparties are not related parties</u>, where the projected amount to be invested in the transaction reaches NT\$500 million.</p>	<p>Procedure for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p> <p>a) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p> <p>b) Undertaking merger, demerger, merger or shareholding transfer;</p> <p>c) Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) f);</p> <p>d) <u>The assets so acquired or disposed are equipment</u> for business purposes and in which the counterparties are not related parties, and that the transaction amounts reach 1 billion.</p> <p>e) Real property obtained by way of entrusted construction on own land, engaging others to construct on rented land, division of property or profits deriving from sale of property following joint-development, where the projected amount to be invested in the transaction reaches NT\$500 million.</p>

Section	Proposed Changes	Current Articles
Article 12	<p>f) Transactions relating to assets other than those stipulated hereinabove or investments in the mainland China area, where their transaction amounts reach twenty per cent (20%) of the Company's paid-in capital or equal or greater than NT\$ 300 million, with the following exceptions:</p> <ul style="list-style-type: none"> i) Sale and purchase of <u>domestic</u> government bonds; ii) Sale and purchase of bonds with call or put options, or subscription or redemption of domestic money market funds. <p>e) The calculation of transaction amount for a),to d) above as follows:</p> <ul style="list-style-type: none"> i) Each single transaction amount; ii) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature; iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property or <u>right-of-use assets thereof</u> under the same development project within one (1) year; iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year. <p>The rest of article 12 would be omitted.</p>	<p>f) Transactions relating to assets other than those stipulated hereinabove or investments in the mainland China area, where their transaction amounts reach twenty per cent (20%) of the Company's paid-in capital or equal or greater than NT\$ 300 million, with the following exceptions:</p> <ul style="list-style-type: none"> i) Sale and purchase of government bonds; ii) Sale and purchase of bonds with call or put options, or subscription or redemption of domestic money market funds. <p>e) The calculation of transaction amount for a),to d) above as follows:</p> <ul style="list-style-type: none"> i) Each single transaction amount; ii) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature; iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property under the same development project within one (1) year; iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year. <p>The rest of article 12 would be omitted.</p>

Section	Proposed Changes	Current Articles
Article 14	<p>Subsidiaries of the Company shall comply with the following:</p> <ol style="list-style-type: none"> 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 the subsidiary shall be listed and summarized by the accounting department of the Company to the Company's board of directors for approval. The aforesaid shall also apply to amendments to the said procedures. 2) The board of directors of the respective subsidiaries shall formulate the limits in respect of the said subsidiaries' acquisition of real property or <u>right-of-use assets thereof</u> that are not for business use or the aggregate amount of securities or individual securities it may invest. 3) The subsidiaries of the Company shall on their own evaluate whether the Procedure of acquisition or disposition of assets formulated by them conform with the provisions of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", and the relative matters in respect of the acquisition or disposition of assets conform with the Procedure of acquisition or disposition of assets formulated by them. The Auditing Office of the Company shall reexamine the self-evaluation reports of the subsidiaries. 	<p>Subsidiaries of the Company shall comply with the following:</p> <ol style="list-style-type: none"> 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 the subsidiary shall be listed and summarized by the accounting department of the Company to the Company's board of directors for approval. The aforesaid shall also apply to amendments to the said procedures. 2) The board of directors of the respective subsidiaries shall formulate the limits in respect of the said subsidiaries' acquisition of real property that are not for business use or the aggregate amount of securities or individual securities it may invest. 3) The subsidiaries of the Company shall on their own evaluate whether the Procedure of acquisition or disposition of assets formulated by them conform with the provisions of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", and the relative matters in respect of the acquisition or disposition of assets conform with the Procedure of acquisition or disposition of assets formulated by them. The Auditing Office of the Company shall reexamine the self-evaluation reports of the subsidiaries.

Section	Proposed Changes	Current Articles
Article 14	<p>4) Where the subsidiaries are not local public companies, the Company shall undertake the public announcement and report in respect of the said subsidiaries' acquisition or disposal of assets, where the same are required to be disclosed pursuant to the provisions of "Regulations Governing Acquisition or Disposition of Assets by Public Companies".</p> <p>5) For public announcement and reports of subsidiaries, " <u>paid-in capital or total asset</u> " shall mean the paid-in capital or total assets of the Company.</p>	<p>4) Where the subsidiaries are not local public companies, the Company shall undertake the public announcement and report in respect of the said subsidiaries' acquisition or disposal of assets, where the same are required to be disclosed pursuant to the provisions of "Regulations Governing Acquisition or Disposition of Assets by Public Companies".</p> <p>5) For public announcement and reports of subsidiaries, "<u>twenty per cent (20%) of the companies' paid-in capital or ten percent (10%) of the total assets</u>" shall mean the paid-in capital or total assets of the Company.</p>

2. Proposal to amend the certain provisions of the Company's "Procedures For Endorsements and Guarantees of Far Eastern Department Stores Ltd".

The Board of Directors proposes and recommends that each shareholder votes FOR the amendments of certain provisions of the Company's "Procedures For Endorsements and Guarantees of Far Eastern Department Stores Ltd".

Please vote.

Board of Directors proposes:

Explanatory Notes:

1. In order to comply with the amendments of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" announced by official letter No. 1080304826 of the Financial Supervisory Commission ("FSC") dated March 7, 2019, and to operate in coordination with the Company's reorganization, it is proposed to amend the Procedures For Endorsements and Guarantees of Far Eastern Department Stores Ltd".
To amend article 8

Resolution:

Section	Proposed Changes	Current Articles
Article 8	<p>The Company shall before the 10th day of each month publish and report the endorsements/guarantees it and its subsidiaries provided and their balance amounts as of the end of last month.</p> <p>Where limits of the Company's endorsements/guarantees set below have occurred, the Company shall publish and report within two days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> 1) The aggregate balance of endorsements/guarantees provided by the Company and its subsidiaries has reached 50% or more of the Company's latest net worth; or 2) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached 20% or more of the Company's latest net worth; or 3) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached Ten Million New Taiwan Dollars (NT\$10,000,000) or more and the aggregate amount of all endorsements/guarantees, <u>the booking value of any investment accounted for using equity method</u>, and balance of loans to, such company has reached 30% of the Company's latest net worth; or 4) The additional individual endorsement/guarantee provided by the Company or its subsidiary has reached Thirty Million New Taiwan Dollars (NT\$30,000,000) or more and has reached 5% or more of the Company's latest net worth. 	<p>The Company shall before the 10th day of each month publish and report the endorsements/guarantees it and its subsidiaries provided and their balance amounts as of the end of last month.</p> <p>Where limits of the Company's endorsements/guarantees set below have occurred, the Company shall publish and report within two days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> 1) The aggregate balance of endorsements/guarantees provided by the Company and its subsidiaries has reached 50% or more of the Company's latest net worth; or 2) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached 20% or more of the Company's latest net worth; or 3) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached Ten Million New Taiwan Dollars (NT\$10,000,000) or more and the aggregate amount of all endorsements/guarantees, investment of a <u>long-term nature in</u>, and balance of loans to, such company has reached 30% of the Company's latest net worth; or 4) The additional individual endorsement/guarantee provided by the Company or its subsidiary has reached Thirty Million New Taiwan Dollars (NT\$30,000,000) or more and has reached 5% or more of the Company's latest net worth.

Section	Proposed Changes	Current Articles
Article 8	<p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any subparagraph of the preceding paragraph.</p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.</p> <p>Date of occurrence in the Procedures refers to the date of contract signing, date of payment, dates of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the <u>endorsements/guarantees</u>, whichever date is earlier.</p> <p>The Company shall assess the status of endorsements/guarantees provided and reserve an appropriate amount to offset against contingent loss. The Company shall furthermore disclose the relevant information in its financial statements and provide the certified accountants with relevant materials for them to carry out the necessary audit processes.</p>	<p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any subparagraph of the preceding paragraph.</p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.</p> <p>Date of occurrence in the Procedures refers to the date of contract signing, date of payment, dates of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the <u>transaction</u>, whichever date is earlier.</p> <p>The Company shall assess the status of endorsements/guarantees provided and reserve an appropriate amount to offset against contingent loss. The Company shall furthermore disclose the relevant information in its financial statements and provide the certified accountants with relevant materials for them to carry out the necessary audit processes.</p>

3. Proposal to amend the certain provisions of the Company's "Procedures for Lending of Capital to Others of Far Eastern Department Stores Ltd."

The Board of Directors proposes and recommends that each shareholder votes FOR the amendments of certain provisions of the Company's "Procedures for Lending of Capital to Others of Far Eastern Department Stores Ltd".

Please vote.

Board of Directors proposes:

Explanatory Notes:

2. In order to comply with the amendments of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" announced by official letter No. 1080304826 of the Financial Supervisory Commission ("FSC") dated March 7, 2019, and to operate in coordination with the Company's reorganization, it is proposed to amend the "Procedures for Lending of Capital to Others of Far Eastern Department Stores Ltd".
To amend article 2 and 8.

Resolution:

Section	Proposed Changes	Current Articles
Article 2	<p>(Limits on the Total Amount of Lending and Respective Subjects)</p> <p>The total amount of loans extended by the Company to the Borrowers as set forth in Article 1 above shall not exceed fifty percent (50%) of the Company's net worth of the last period audited or reviewed by its accountants ("Latest Net Worth of the Company").</p> <p>The total amount of loans extended by the Company to the Business Partners shall not exceed ten percent (10%) of the Latest Net Worth of the Company. The amount of loans extended by the Company to the Business Partners shall not exceed the total amount involved in the business transactions between both parties. Total amount involved in the business transactions refers to the value represented by orders placed, sales or transactions contemplated by the parties in the most recent year.</p> <p>The total amount of loans extended by the Company to all Companies Seeking Short-Term Financing shall not exceed forty percent (40%) of the Latest Net Worth of the Company. The amount of any individual loan hereunder shall not exceed twenty percent (20%) of the Latest Net Worth of the Company.</p> <p>The total amount and individual amount of loans extended by the Company to any overseas subsidiary seeking short-term financing, over which the Company owns directly or indirectly 100% voting shares or <u>voting shares are 100%-owned, directly or indirectly, by the Company,</u> shall not be limited by <u>"the total amount of loans extended by the lender shall not exceed the forty percent (40%) of lender's Net Worth" and "one (1) year period"</u>. However it shall be in accordance with lender's "Procedures for Lending Capital to Others".</p>	<p>(Limits on the Total Amount of Lending and Respective Subjects)</p> <p>The total amount of loans extended by the Company to the Borrowers as set forth in Article 1 above shall not exceed fifty percent (50%) of the Company's net worth of the last period audited or reviewed by its accountants ("Latest Net Worth of the Company").</p> <p>The total amount of loans extended by the Company to the Business Partners shall not exceed ten percent (10%) of the Latest Net Worth of the Company. The amount of loans extended by the Company to the Business Partners shall not exceed the total amount involved in the business transactions between both parties. Total amount involved in the business transactions refers to the value represented by orders placed, sales or transactions contemplated by the parties in the most recent year.</p> <p>The total amount of loans extended by the Company to all Companies Seeking Short-Term Financing shall not exceed forty percent (40%) of the Latest Net Worth of the Company. The amount of any individual loan hereunder shall not exceed twenty percent (20%) of the Latest Net Worth of the Company.</p> <p>The total amount and individual amount of loans extended by the Company to any overseas subsidiary seeking short-term financing, over which the Company owns directly or indirectly 100% voting shares, shall be in accordance with lender's "Procedures for Lending Capital to Others".</p>

Section	Proposed Changes	Current Articles
Article 8	<p>(Procedure for Public Notices and Announcement)</p> <p>The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month.</p> <p>When limits of the Company's loans extended set below have occurred, the Company shall publish and report them within two days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> 1) The balance of any and all loans extended by the Company and its subsidiaries has reached 20% or more of the Latest Net Worth of the Company; or 2) The balance of loans extended by the Company and its subsidiaries to an individual company has reached 10% of the Latest Net Worth of the Company; or 3) Any additional individual loan extended by the Company or its subsidiary exceeds NT\$10 million and has reached 2 % or more of the Latest Net Worth of the Company. <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.</p> <p>Date of occurrence in the Procedures refers to the date of contract signing, date of payment, dates of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the <u>loans</u>, whichever date is earlier.</p>	<p>(Procedure for Public Notices and Announcement)</p> <p>The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month.</p> <p>When limits of the Company's loans extended set below have occurred, the Company shall publish and report them within two days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> 1) The balance of any and all loans extended by the Company and its subsidiaries has reached 20% or more of the Latest Net Worth of the Company; or 2) The balance of loans extended by the Company and its subsidiaries to an individual company has reached 10% of the Latest Net Worth of the Company; or 3) Any additional individual loan extended by the Company or its subsidiary exceeds NT\$10 million and has reached 2 % or more of the Latest Net Worth of the Company. <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.</p> <p>Date of occurrence in the Procedures refers to the date of contract signing, date of payment, dates of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the <u>transaction</u>, whichever date is earlier.</p>

Section	Proposed Changes	Current Articles
Article 8	<p>The Company shall assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the necessary audit processes.</p>	<p>The Company shall assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the necessary audit processes.</p>

V. Extemporaneous 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 bonus which is the remainder based on shareholdings after deducting special reserve as required by law together with undistributed profits from previous years.
- 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. 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; the cash dividends shall not be less than 10% of bonus to the shareholders distributed in the same year.

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
Forty-seventh amendment of June 21, 2018

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.

VII. Appendices

1. Shareholding of Directors.

Book closure date (April 27th, 2019)

Book closure date: April 27th, 2016

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
		Chee Ching		
	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	2019 (Estimate)
Paid-in Capital (beginning of the year)			14,169,405,890
Stock & Cash Dividend Distribution	Cash Dividend (NT\$/per share)		0.85
	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	not applicable (note)
		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 2019, in compliance with relevant Government regulations, there is no need to provide this information.