

Stock Code: 2903

Far Eastern Department Stores LTD.

**Handbook for the 2015 Annual Meeting
of Shareholders**

MEETING TIME: 09:00 a.m. (Monday), June 22, 2015

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 2015 Annual Meeting of Shareholders

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. 2014 Messages to shareholders.

Explanation:

The 2014 Messages to Shareholders is attached as page 4-11.

Preface

Reflecting on 2014, the U.S. has wrapped up its quantitative easing (QE) strategy to announce the arrival of economic recovery, Euro zone continued to suffer from economic slowdown due to commodity prices and unemployment issues, China slowed its economic growth with impaired credit rating and over expansion of shadow banking resulting in lurking economic crisis; Japan adopting easy monetary policy, GDP still under recession, not sure if domestic consumption and private investments could rebound to prosperity. In the future, the world economic outlook should be optimistic following the US recovery. However, Federal Reserve's raise of interest rate, geopolitics and conflicts, changes of oil prices, the status of Ebola syndrome are all factors which will have impact on the world economy.

In 2014, Taiwan's economy turns positive with better than expected economic forecast to register a growth of 3.74%, the highest in the recent 3 years. Among which, domestic consumption was most remarkable. As a result of improved corporate profitability, the need for manpower, the rebound of stock market, and the growth in tourism, the momentum of private spending and the strength of consumer confidence largely improved, thus elevated sales of local department stores to exceed NT\$300 billion at a record high of NT\$306.1 billion, up 6% year on year.

However, the nation's department stores are facing fierce competition. In the coming four years, the number of new theme malls and outlet malls is growing rapidly to add about 30% of incremental sales space, which will become the major drive for Taiwan's retail market. Given the booming local tourist industry, many international fast fashion brands have entered Taiwan to open their stores and attracted customers who favor fast fashion in limited quantity and accessible price which registered market value of more than NT\$20 billion. In addition, with blurring lines between online and offline retailing, the retail expansion is crossing industries, for example household appliances are sold in the 24-hours run supermarkets, and hypermarkets open stores at primary downtown area. Competition not only exists within the retail industry, but also overtakes market share from different industries. Last but not least, department stores must speed up the integration of physical and virtual channels to migrate toward the Omni Channel era.

Facing with these competition and challenges, Far Eastern Department Stores (FEDS) has

responded with prudent planning, proactive expansion, broad vision, and flexible strategy to strengthen our niche business and competitive edge. While operating under such fierce retail landscape, the Company aims to seize opportunities, engage in transformation, and deliver outstanding performance. The following three remarkable achievements in 2014 are listed below:

Firstly, sales of FEDS exceeded NT\$40 billion to record high in 2014 and reached NT\$42.32 billion, up 6.7% year on year. Our anniversary sales were also outperforming to register NT\$11.21 billion, up 7.3% than the previous year. Both sales and anniversary sales marked historical highs since the Company's establishment.

Secondly, Top City Taichung Store has opened for three years and delivered excellent performance that set a precedent of Taiwan's department store "to reach NT\$10 billion sales within three years after opening", to lead in the central Taiwan market. Mega City Banqiao Store registered profit in the first year of operation, has recorded profits ever since, and aims at becoming the second largest store under FEDS with over \$10 billion sales in the coming year.

Lastly, FEDS Head Office at Mega Tower was inaugurated in early 2015. This tallest skyscraper in New Taipei City is a green structure following the stringent environmental standard in green cover, recovery and recycle of rain water and green building materials, and received "Silver Grade" recognition of Green Building by the Construction and Planning Agency, Ministry of the Interior. After relocating into the new headquarters, coupled with organization adjustment and improved operations, the Company is filled with a highly competitive management team, which is confident to embrace the new challenges and create new value in the retail sector.

Given the above, with the joint efforts from our colleagues, FEDS recorded in 2014 consolidated sales of NT\$127.2 billion (according to IFRS, consolidated revenues were NT\$45.93 billion), both outperform year on year. Consolidated net profit was NT\$2.16 billion, company alone net profit was NT\$1.53 billion, and earnings per share were NT\$1.07. According to the 16th Board Meeting of FEDS, total cash dividend payout for 2014 was NT\$1. The performance of Far Eastern Retail Group in 2014 and business plans for 2015 are summarized as follows:

Business Report for 2014

(1) Far Eastern Department Stores Ltd.

1. FEDS continues to register record high annual sales of NT\$42.32 billion in 2014, grew NT\$2.66 billion YoY. Top City Taichung Store reported sales of NT\$10.38 billion,

making the record of reaching over \$10 billion sales within 3 years of operations, and Mega City Banqiao Store registered sales of NT\$8.26 billion, which is growing steadily. The two FE21' and Mega City Store in Banqiao area recorded a combined sales of NT\$12.08 billion, accounting for 70% of market share in New Taipei City.

2. To expand customer services, Top City Taichung Store not only introduced renowned boutique brands from Europe and U.S., but also opened distinctive theme coffee, light food restaurants in the apparel section to enrich merchandise mix. To strengthen customer loyalty, elevate aesthetic and cultural ambience, the Store organized many popular and well-received exhibitions including “ALESSI -- the Beauty and the Mastery Exhibition”, “World Vision Taiwan 50th Anniversary Photo and History Exhibition”, and “HITO Music Award Fan Meeting”.
3. After years of preparation, the second-phase section of Banqiao Mega City mall inaugurated its operation in 2014. In the beginning of 2014, many fast fashion flagship stores were opened, added with the Branch of the Group’s Far Eastern International Bank, to provide fashionable shopping and convenient financial services in one place. Combining with the outperformed first-phase mall, its market leadership position is furthered strengthened in this commercial zone.
4. In response to the market changes in the region, Hsinchu Branch went through a series of merchandise adjustment to enhance its brands of apparels for men and women, young lady collections, and house appliances. Popular restaurants were introduced into the store, and cinema was renovated into Gold Class and 4D cinema so as to provide best gourmet and excellent entertainment, thus continue to strengthen its leading position and competitive edge in the region.
5. After years of discussions and planning, Kaohsiung Store introduced world-renowned brands, renovated its floors for women’s and men’s shoes, designed new style of its shopping space, and successfully upgraded the store image.
6. In addition to the above large-scale store renovations, other branches also introduced popular brand merchandises catering into local markets, which was well received by local consumers.
7. Sponsored international exhibitions: “French Weeks” in April, “Korean Gourmet Weeks” in September, and “German Weeks” in December. Every event was well received by consumers who can experience exotic food and lifestyle locally without travelling abroad.
8. Conduct Key Performance Indicator (KPI) appraisal and continue e-platform construction to achieve business target, reach performance target, expedite talent

cultivation, and enrich human capital. Also, further expand the eco-friendly paperless operations, optimize billing system, set up online purchase system, and renew HR system to elevate operation and manual efficiency.

(2) Pacific SOGO Department Store

1. 2014 sales were NT\$43.97 billion, up 6.5% from 2013. Operating income was NT\$2.59 billion, grew 20.1% YoY, and net income before tax was NT\$1.43 billion.
2. The anniversary sales for 2014 were NT\$9.73 billion, up 5.7% than 2013. In addition to successful marketing campaigns, the island-wide stores have all engaged in improving brand image and sales space adjustment during the past year to enhance steady growth.
3. To enhance services, SOGO Taipei Chung Hsiao Store, Fuxing Store, Chungli Store, Hsinchu Store and Kaohsiung Store were undergoing partial renovation and counter replacement, aiming at strengthening food & beverage and recreational services to bring in more high spending customers. While Chungli Store introduced large buffet restaurant and book store, Kaoshiung Store renovated its food court and added a health club.
4. Lian Tai Store in Dalian, China was under renovation to refocus its business model from traditional department store into stylish shopping mall.
5. To acquire steady long-term financing, a NT\$6 billion non-secured syndicated loan was arranged with cross-Strait banking groups.
6. In complying with standard of listed companies, SOGO has adopted International Financial Reporting Standard (IFRS) as a reference for assessment of its financial statements.
7. To strengthen operation management, complete the financial system, accounting system, procurement management and IT management in Taiwan, and integrate the cross-Strait consolidated accounting system.

(3) Far Eastern Ai-Mai Co., Ltd.

1. 2014 sales were NT\$18.71 billion, operating income NT\$51 million, and net income NT\$30 million.
2. In response to food safety issue:
 - (1) Fresh food: Expand the food tracking feature and organic certification in their respective display areas.
 - (2) Groceries: Procure merchandise with Government certification (GMP, HACCP).

3. Continue to improve the shopping space and provide more customer experience.
4. Continue to develop and optimize e-Commerce.

Operations Report for 2015

(1) Far Eastern Department Stores Ltd.

1. After surpassing sales of NT\$10 billion, Top City Taichung Store will readjust its brand and business category mix. Focusing on Fast Fashion and theme restaurants, the Store aims to enhance attraction and bring in more customers. The leading brands of various business categories are to be introduced so as to ensure competitiveness in order to outperform.
2. Banqiao Mega City Store continues to strengthen its merchandise mix, increase sales counters to achieve greater variety, introduce hot sales items and hit brands to satisfy different customer segments and attract more consumers to shop.
3. To highlight its features, Tainan Chenkong Store is scheduled to begin floor renovation, catering to the younger customers. Initial phase will focus on readjusting the apparel and accessories sections, first introducing Fast Fashion brands in order to offer strong merchandize and exclusivity in this market.
4. Banqiao Zhongshan Store is repositioned to attract female customers, and will subsequently readjust its young ladies, women's and children's apparel sections.
5. The other branches will continue to provide consumer-oriented services. Besides fortifying brand adjustments, the stores are also organizing special seasonal celebrations and events combining with the chic culture and creativity to highlight holiday spirit and brighten store attraction.
6. Taiwan's consumers are fond of exotic goods. International exhibitions are therefore still being held this year including U.S. weeks, Korean Weeks, etc., allowing customers to enjoy overseas shopping delight without going abroad.
7. Embracing the Omni-Channel era, further integration of brick-and-mortar and virtual channels, increase third-party payment so as to provide convenience to consumers, and to create e-shopping platform on the company website.
8. The Company is restructuring its organization to set up the Budget Committee, the Market Development Committee, and the Secretariat Department to strengthen operation by dividing tasks into specialized teams to achieve efficiency.
9. To expedite the upgrade of HR management system, the Company plans to introduce

database portal, online HR approval system, sales counter personnel management system, and e-learning platform to strengthen the real-time mobility of its management system.

10. Promote CSR Report to ensure the Company's long-term CSR efforts and initiatives are both seen and understood by key stakeholders through dialogues and communications.

(2) Pacific SOGO Department Stores Co., Ltd.

1. Given growing private consumption, fixed investments and exports, coupled with steady global economic recovery, Directorate-General of Budget, Accounting and Statistics, Executive Yuan predicts Taiwan's 2015 economic growth forecast to be 3.78%. However, with the openings of new retailers such as Breeze A3 Sung Kao Store, Far Glory Big Dome, Linko Mitsui Outlet Park, and Taoyuan Gloria Outlet, competition will become increasingly fierce to sell similar merchandise, the Company's future strategy involves additional spending in marketing and store managing cost.
2. Tun Hua New Hall is expected to complete its curtain wall and floor renovations by October 2015. With the new design concept of shining jewelry box in Eastern Taipei, the Store will showcase international boutique brands, domestic and foreign designer brands, theme restaurants and exotic gourmet, etc.
3. Tianjin Store in China concluded operations on March 1, 2015 as landlord filed for bankruptcy and failed to fulfill contractual terms to develop the neighboring commercial facilities.
4. Initiate new business model to introduce LINE, SOGO APP and e-commerce platform to expand and diversify business.
5. Key targets for 2015: Budget control, cost saving, optimization of efficiency, overall cost control, talent cultivation, and expedite expansion plan in China.
6. Digitization: Set up paperless teleconference room, e-voucher and e-coupon, Wifi environment, integration of online to offline (O2O), online reservation with offline pleasure, offline service with online purchase, synchronized online and offline sales, through the brick stores to provide customers consistent interactive shopping experience and channel consumers to purchase via online orders.
7. Promote non-financial aspect of CSR Report to build up corporate image in terms of corporate governance, environment friendliness and social responsibility for the Company.
8. Restructure the Company's investment in China, establish the cross-border and

cross-Strait capital pool in RMB, and set up internal control system to complete the reporting system of finance, accounting, IT, and procurement.

(3) Far Eastern Ai-Mai Co., Ltd.

1. Elevate customer experience in brick-and-mortar stores – easy shopping, pleasant shopping, and abundant purchase.
 - (1) Quick merchandise search and ease of shopping.
 - (2) Provide more merchandize displays.
 - (3) Strengthen correlated and seasonal display.
2. Adjust merchandise mix – Increase proportion of imported goods, organic and health care products for seniors.
3. Expedite the expansion of e-commerce business, and set up EC experience area (i.e. Nanya new store pilot).
4. The 20th A-mart branch (Banqiao Nanya Store) held its soft opening in January 2015, and was officially inaugurated in April, 2015.

In summary, 2014 was a remarkable year for FEDS, registering more than NT\$40 billion of sales and close to 30% growth in operating profit. Top City Taichung Store marked the record of “achieving NT\$10 billion sales within 3 years”, Mega City Banqiao grew 15% YoY, and recorded joint sales with Banqiao Chungshan Store of NT\$12 billion, accounting for 70% of retail market share in the New Taipei City.

In early 2015, FEDS Corporate Headquarters moved into the Mega Tower building (213.4-meter in height), with 50 stories above ground and 4 basement floors, which is the tallest skyscraper located at New Banqiao Station area of New Taipei City. Given the outstanding performance, FEDS adopts flexible strategy and innovative thinking to create a business model in line with the change of relocating to the new headquarters, the Company is committed to registering stellar growth, expanding operational sites, and reaching new highs.

It is worth mentioning that during recent years we successfully opened three City shopping malls which continued to report excellent performance and profits, demonstrating that the Far Eastern Retail Group is equipped with the comprehensive skillsets to develop world-class mega malls. Pursuant to the innovative and consumer-oriented founding spirit, the management team of FEDS will continue to open new stores in Taiwan, develop the China market, offer best customer services, and create the retail group that offers the highest customer satisfaction, growth, competitiveness, and profitability.

Now that we have arrived at Industry 4.0 era, the IOT (Internet of Things), Big Data, cloud computing, and artificial intelligence have changed people's lives. The retail industry's key value must focus on innovation and consumers' shopping experience. Through high-tech application of mobile payment, wearable devices, etc., the Company will transform and create added value to further enhance its niche and competitive edge.

Facing with Omni-Channel retailing era, FEDS is well prepared to seize the market trend and business opportunities. We will continue to adjust, adapt and transform our Company to ensure that the Far Eastern Retail Group be the leader in innovation, and moves ahead while seeking for sustainable growth, excellence and leadership.

Sincerely yours,

Douglas Tong Hsu
Chairman

2. Financial report of 2014.

Explanation:

The 2014 Financial Statements are attached as page 13-24.

1. Consolidated balance sheets (December 31, 2014)
2. Consolidated statement of comprehensive income (January 1, 2014 ~ December 31, 2014)
3. Consolidated statements of changes in stockholders' equity (January 1, 2014 ~ December 31, 2014)
4. Consolidated statements of cash flow (January 1, 2014 ~ December 31, 2014)
5. Balance sheets (December 31, 2014)
6. Statement of comprehensive income (January 1, 2014 ~ December 31, 2014)
7. Statements of changes in stockholders' equity (January 1, 2014 ~ December 31, 2014)
8. Statements of cash flow (January 1, 2014 ~ December 31, 2014)
9. Independent auditor's report by Deloitte & Touche is attached as page 25-26.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2014		December 31, 2013 (Restated)		January 1, 2013 (Restated)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents	\$ 10,952,918	10	\$ 13,221,405	12	\$ 16,794,103	14
Financial assets at fair value through profit or loss - current	290,895	-	239,974	-	361,327	-
Available-for-sale financial assets - current	487,231	-	552,555	-	511,192	1
Debt investments with no active market - current	1,204,317	1	437,497	-	1,008,193	1
Notes receivable	2,410	-	28,119	-	31,195	-
Trade receivables	527,659	1	766,445	1	1,470,752	1
Trade receivables from related parties	191,931	-	57,302	-	50,977	-
Other receivables	1,508,732	1	1,779,487	2	492,525	-
Current tax assets	200,615	-	418,064	-	291,016	-
Inventories	2,870,727	3	2,976,244	3	3,160,935	3
Prepayments	975,457	1	1,090,656	1	1,164,771	1
Non-current assets held for sale	115	-	377	-	-	-
Other current assets	102,260	-	83,987	-	70,694	-
Total current assets	<u>19,315,267</u>	<u>17</u>	<u>21,652,112</u>	<u>19</u>	<u>25,407,680</u>	<u>21</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current	-	-	-	-	1,013,913	1
Available-for-sale financial assets - non-current	4,989,668	4	4,986,339	4	5,468,512	5
Financial assets measured at cost - non-current	783,652	1	776,374	1	718,583	1
Debt investments with no active market - non-current	125,000	-	521,897	1	632,667	-
Investments accounted for using the equity method	9,546,534	9	9,050,368	8	8,811,079	7
Property, plant and equipment	47,426,385	43	52,166,888	46	52,946,768	45
Investment properties	9,667,344	9	3,070,495	3	3,043,814	3
Intangible assets	7,226,592	6	7,715,184	7	7,711,555	6
Deferred tax assets	926,328	1	940,225	1	1,131,574	1
Prepaid pension costs	185,519	-	222,285	-	222,666	-
Long-term prepayments for lease	9,472,460	8	9,464,677	8	9,837,349	8
Other non-current assets	1,954,939	2	1,920,123	2	1,902,572	2
Total non-current assets	<u>92,304,421</u>	<u>83</u>	<u>90,834,855</u>	<u>81</u>	<u>93,441,052</u>	<u>79</u>
TOTAL	<u>\$ 111,619,688</u>	<u>100</u>	<u>\$ 112,486,967</u>	<u>100</u>	<u>\$ 118,848,732</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings	\$ 6,674,285	6	\$ 7,462,340	7	\$ 9,613,446	8
Short-term bills payable	2,991,683	3	3,047,306	3	4,648,862	4
Notes payable	63,303	-	159,194	-	198,522	-
Trade payables	17,601,054	16	17,693,401	16	18,687,359	16
Trade payables and notes payable to related parties	153,238	-	151,909	-	170,962	-
Other payables	5,495,103	5	5,252,331	5	8,439,193	7
Current tax liabilities	512,116	-	401,874	-	563,223	1
Provisions - current	4,135	-	4,135	-	16,351	-
Deferred revenue - current	65,656	-	101,136	-	63,770	-
Advance receipts	7,829,288	7	7,720,500	7	7,449,114	6
Current portion of bonds payable	1,000,000	1	2,493,512	2	1,200,000	1
Current portion of long-term borrowings	1,764,429	2	1,445,159	1	1,600,000	1
Other current liabilities	265,157	-	252,891	-	168,630	-
Total current liabilities	<u>44,419,447</u>	<u>40</u>	<u>46,185,688</u>	<u>41</u>	<u>52,819,432</u>	<u>44</u>
NON-CURRENT LIABILITIES						
Bonds payable	992,560	1	1,990,702	2	3,454,937	3
Long-term borrowings	21,548,341	19	21,841,434	19	21,992,207	19
Provisions - non-current	31,222	-	30,483	-	30,213	-
Accrued pension liabilities	573,998	-	547,479	1	545,253	1
Deferred tax liabilities	1,729,061	2	1,608,841	1	1,549,219	1
Other non-current liabilities	2,878,845	3	2,841,682	3	2,710,010	2
Total non-current liabilities	<u>27,754,027</u>	<u>25</u>	<u>28,860,621</u>	<u>26</u>	<u>30,281,839</u>	<u>26</u>
Total liabilities	<u>72,173,474</u>	<u>65</u>	<u>75,046,309</u>	<u>67</u>	<u>83,101,271</u>	<u>70</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Common shares	14,391,956	13	14,109,761	13	13,698,797	12
Capital surplus	3,498,252	3	3,498,174	3	3,498,174	3
Retained earnings						
Legal reserve	2,575,473	2	2,358,917	2	2,189,631	2
Special reserve	2,461,168	2	1,931,285	2	1,931,285	1
Unappropriated earnings	2,925,210	3	4,095,216	3	3,596,568	3
Total retained earnings	<u>7,961,851</u>	<u>7</u>	<u>8,385,418</u>	<u>7</u>	<u>7,717,484</u>	<u>6</u>
Other equity	5,900,851	5	3,659,643	3	3,773,795	3
Treasury shares	(97,110)	-	(97,110)	-	(97,110)	-
Total equity attributable to owners of the Company	<u>31,655,800</u>	<u>28</u>	<u>29,555,886</u>	<u>26</u>	<u>28,591,140</u>	<u>24</u>
NON-CONTROLLING INTERESTS						
Total equity	<u>7,790,414</u>	<u>7</u>	<u>7,884,772</u>	<u>7</u>	<u>7,156,321</u>	<u>6</u>
Total equity	<u>39,446,214</u>	<u>35</u>	<u>37,440,658</u>	<u>33</u>	<u>35,747,461</u>	<u>30</u>
TOTAL	<u>\$ 111,619,688</u>	<u>100</u>	<u>\$ 112,486,967</u>	<u>100</u>	<u>\$ 118,848,732</u>	<u>100</u>

(With Deloitte & Touche audit report dated March 25, 2015)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2014		2013 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 45,928,793	100	\$ 46,754,377	100
OPERATING COSTS	<u>22,719,427</u>	<u>50</u>	<u>23,779,290</u>	<u>51</u>
GROSS PROFIT	<u>23,209,366</u>	<u>50</u>	<u>22,975,087</u>	<u>49</u>
OPERATING EXPENSES				
Selling and marketing expenses	1,218,973	3	1,382,355	3
General and administrative expenses	<u>18,661,878</u>	<u>40</u>	<u>18,839,954</u>	<u>40</u>
Total operating expenses	<u>19,880,851</u>	<u>43</u>	<u>20,222,309</u>	<u>43</u>
OPERATING PROFIT	<u>3,328,515</u>	<u>7</u>	<u>2,752,778</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	369,884	1	356,490	1
Other gains and losses	(276,669)	(1)	1,263,732	3
Finance costs	(465,191)	(1)	(508,253)	(1)
Share of the profit or loss of associates	<u>133,261</u>	<u>-</u>	<u>228,035</u>	<u>-</u>
Total non-operating income and expenses	<u>(238,715)</u>	<u>(1)</u>	<u>1,340,004</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	3,089,800	6	4,092,782	9
INCOME TAX EXPENSE	<u>925,311</u>	<u>2</u>	<u>1,052,064</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>2,164,489</u>	<u>4</u>	<u>3,040,718</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET				
Exchange differences on translating foreign operations	48,411	-	114,431	-
Unrealized loss on available-for-sale financial assets	(61,995)	-	(111,661)	-
Revaluation gain	2,328,026	5	-	-
Actuarial loss arising from defined benefit plans	(65,763)	-	(8,943)	-
Share of other comprehensive income (loss) of associates	89,552	-	(83,622)	-
Income tax relating to components of other comprehensive income	<u>(146,294)</u>	<u>-</u>	<u>1,345</u>	<u>-</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2014		2013 (Restated)	
	Amount	%	Amount	%
Other comprehensive income (loss) for the year, net of income tax	<u>\$ 2,191,937</u>	<u>5</u>	<u>\$ (88,450)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>\$ 4,356,426</u></u>	<u><u>9</u></u>	<u><u>\$ 2,952,268</u></u>	<u><u>6</u></u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ 1,529,065</u>	<u>3</u>	<u>\$ 2,185,839</u>	<u>4</u>
Non-controlling interests	<u>635,424</u>	<u>1</u>	<u>854,879</u>	<u>2</u>
	<u><u>\$ 2,164,489</u></u>	<u><u>4</u></u>	<u><u>\$ 3,040,718</u></u>	<u><u>6</u></u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ 3,722,459</u>	<u>8</u>	<u>\$ 2,066,076</u>	<u>4</u>
Non-controlling interests	<u>633,967</u>	<u>1</u>	<u>886,192</u>	<u>2</u>
	<u><u>\$ 4,356,426</u></u>	<u><u>9</u></u>	<u><u>\$ 2,952,268</u></u>	<u><u>6</u></u>
EARNINGS PER SHARE				
Basic	<u>\$1.07</u>		<u>\$1.53</u>	
Diluted	<u>\$1.07</u>		<u>\$1.52</u>	

(With Deloitte & Touche audit report dated March 25, 2015)

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Other Equity		Total		
			Legal Reserve	Special Reserve	Unappropriated Earnings			Unrealized Revaluation Surplus	Treasury Shares			
BALANCE AT JANUARY 1, 2013	\$ 13,698,797	\$ 3,498,174	\$ 2,189,631	\$ 1,931,285	\$ 3,086,960	\$ (71,679)	\$ 3,845,474	\$ -	\$ (97,110)	\$ 28,081,532	\$ 6,792,173	\$ 34,873,705
Effect of retrospective application and retrospective restatement	-	-	-	-	509,608	-	-	-	-	509,608	364,148	873,756
BALANCE AT JANUARY 1, 2013 AS RESTATED	13,698,797	3,498,174	2,189,631	1,931,285	3,596,568	(71,679)	3,845,474	-	(97,110)	28,591,140	7,156,321	35,747,461
Appropriation of the 2012 earnings												
Legal reserve	-	-	169,286	-	(169,286)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,095,903)	-	-	-	-	(1,095,903)	-	(1,095,903)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(160,466)	(160,466)
Share dividends distributed by the Company	410,964	-	-	-	(410,964)	-	-	-	-	-	-	-
Adjustments resulting from investments in associates accounted for using the equity method	-	-	-	-	(2,011)	-	-	-	-	(2,011)	(691)	(2,702)
Acquisition of partly owned subsidiaries	-	-	-	-	(3,416)	-	-	-	-	(3,416)	3,416	-
Net profit for the year ended December 31, 2013	-	-	-	-	2,185,839	-	-	-	-	2,185,839	854,879	3,040,718
Other comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	(5,611)	81,935	(196,087)	-	-	(119,763)	31,313	(88,450)
BALANCE AT DECEMBER 31, 2013	14,109,761	3,498,174	2,358,917	1,931,285	4,095,216	10,256	3,649,387	-	(97,110)	29,555,886	7,884,772	37,440,658
Special reserve provided under Rule No. 1030006415 issued by the FSC	-	-	-	529,883	(529,883)	-	-	-	-	-	-	-
Appropriation of the 2013 earnings												
Legal reserve	-	-	216,556	-	(216,556)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,622,623)	-	-	-	-	(1,622,623)	-	(1,622,623)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(728,353)	(728,353)
Share dividends distributed by the Company	282,195	-	-	-	(282,195)	-	-	-	-	-	-	-
Adjustments resulting from investments in associates accounted for using the equity method	-	78	-	-	-	-	-	-	-	78	28	106
Net profit for the year ended December 31, 2014	-	-	-	-	1,529,065	-	-	-	-	1,529,065	635,424	2,164,489
Other comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	(47,814)	60,743	9,495	2,170,970	-	2,193,394	(1,457)	2,191,937
BALANCE AT DECEMBER 31, 2014	<u>\$ 14,391,956</u>	<u>\$ 3,498,252</u>	<u>\$ 2,575,473</u>	<u>\$ 2,461,168</u>	<u>\$ 2,925,210</u>	<u>\$ 70,999</u>	<u>\$ 3,658,882</u>	<u>\$ 2,170,970</u>	<u>\$ (97,110)</u>	<u>\$ 31,655,800</u>	<u>\$ 7,790,414</u>	<u>\$ 39,446,214</u>

(With Deloitte & Touche audit report dated March 25, 2015)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2014	2013 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 3,089,800	\$ 4,092,782
Adjustments for:		
Depreciation expenses	2,951,638	2,934,424
Amortization expenses	28,907	24,630
Allowance (reversal of allowance) for impairment loss on receivables	(3,321)	8,518
Net gain on financial assets or liabilities at fair value through profit or loss	(46,651)	(33,996)
Gain on disposal of non-current assets held for sale	(316)	-
Finance costs	465,191	508,253
Impairment loss on financial assets	2,055	1,027
Loss (gain) on change in fair value of investment properties	21,931	(26,681)
Reversal of provisions	-	(12,216)
Amortization of prepayments	14,145	13,798
Amortization of prepayments for lease	321,773	256,752
(Reversal of unrealized purchase discounts) unrealized purchase discounts	(11,617)	4,941
Reversal of deferred revenue	(101,136)	(63,770)
Share of the profit of associates	(133,261)	(228,035)
Interest income	(101,762)	(120,037)
Dividend income	(268,122)	(236,453)
Loss on disposal of property, plant and equipment	18,330	41,902
Loss on disposal of intangible assets	-	3,256
Gain on disposal of investments	-	(386,986)
Unrealized loss on physical inventory and slow-moving inventories	13,041	14,217
Impairment loss recognized on intangible assets	495,605	-
Impairment loss recognized on property, plant and equipment	4,637	-
Net changes in operating assets and liabilities		
Financial assets held for trading	(4,270)	1,169,262
Notes receivable	25,709	3,076
Trade receivables	276,947	698,025
Trade receivables and notes receivable from related parties	(134,629)	(6,325)
Other receivables	173,061	(6,519)
Inventories	104,093	165,533
Prepayments	115,264	73,263
Other current assets	(18,273)	(13,293)
Prepaid pension costs	5,294	5,412
Notes payable	(95,891)	(39,328)
Trade payables	(92,347)	(993,958)
Trade payables and notes payable from related parties	1,329	(19,053)
Other payables	(448,737)	(2,032,521)
Advance receipts	\$ 383,519	\$ 541,336
Deferred revenue	65,656	101,136
Accrued pension liabilities	26,519	(11,748)
Other current liabilities	<u>12,266</u>	<u>84,261</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2014	2013 (Restated)
Cash generated from operations	7,156,377	6,514,885
Interest paid	(481,901)	(515,434)
Interest received	116,462	87,411
Dividends received	268,821	335,570
Income tax returned	210,212	34,902
Income tax paid	<u>(819,264)</u>	<u>(1,179,157)</u>
Net cash generated from operating activities	<u>6,450,707</u>	<u>5,278,177</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	-	709,014
(Increase) decrease in debt investments with no active market	(369,923)	681,466
Purchase of financial assets measured at cost	-	(50,000)
Purchase of investments accounted for using the equity method	(360,000)	(147,899)
Decrease in prepaid long-term investments	78,456	78,216
Proceeds from disposal of non-current assets held for sale	582	-
Payments for property, plant and equipment	(1,984,796)	(3,388,947)
Proceeds from disposal of property, plant and equipment	24,190	5,023
Decrease (increase) in other receivables	212,388	(1,250,053)
Payments for intangible assets	(34,958)	(30,186)
Increase in other non-current assets	(52,667)	(21,593)
Increase in prepayments for lease	<u>(372,940)</u>	<u>-</u>
Net cash used in investing activities	<u>(2,859,668)</u>	<u>(3,414,959)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	68,280,489	52,458,782
Repayments of short-term borrowings	(69,231,410)	(54,640,379)
Proceeds from short-term bills payable	23,851,586	25,070,441
Repayments of short-term bills payable	(23,907,209)	(26,671,997)
Proceeds from issue of bonds	-	990,692
Repayments of bonds payable	(2,500,000)	(1,200,000)
Proceeds from long-term borrowings	48,618,177	51,964,386
Repayments of long-term borrowings	(48,592,000)	(52,270,000)
Increase in other non-current liabilities	26,571	131,672
Dividends paid to owners of the Company	(1,622,612)	(1,095,903)
Dividends paid to non-controlling interests	<u>(720,319)</u>	<u>(197,462)</u>
Net cash used in financing activities	<u>\$ (5,796,727)</u>	<u>\$ (5,459,768)</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>(62,799)</u>	<u>23,852</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,268,487)	(3,572,698)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>13,221,405</u>	<u>16,794,103</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 10,952,918</u>	<u>\$ 13,221,405</u>

(With Deloitte & Touche audit report dated March 25, 2015)

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.
BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2014		December 31, 2013 (Restated)		January 1, 2013 (Restated)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash	\$ 453,650	1	\$ 516,953	1	\$ 870,675	2
Available-for-sale financial assets - current	251,769	1	285,698	1	254,779	-
Debt investments with no active market - current	192,371	-	191,594	-	-	-
Notes receivable	223	-	26,350	-	28,645	-
Trade receivables	245,217	-	242,626	-	509,631	1
Trade receivables from related parties	12,039	-	15,676	-	14,187	-
Other receivables	66,111	-	329,741	1	486,527	1
Current tax assets	20,163	-	20,163	-	41,547	-
Inventories	413,419	1	384,916	1	430,141	1
Prepayments	249,054	-	247,658	-	261,485	-
Other current assets	15,151	-	21,801	-	5,720	-
Total current assets	<u>1,919,167</u>	<u>3</u>	<u>2,283,176</u>	<u>4</u>	<u>2,903,337</u>	<u>5</u>
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current	2,993,608	5	2,968,556	5	2,812,603	5
Financial assets measured at cost - non-current	109,488	-	111,543	-	62,570	-
Investments accounted for using the equity method	19,177,267	31	19,543,431	32	18,793,425	31
Property, plant and equipment	27,090,806	43	31,227,060	51	30,972,607	51
Investment properties	8,734,944	14	1,771,695	3	1,754,815	3
Intangible assets	21,897	-	5,494	-	3,480	-
Deferred tax assets	69,505	-	52,901	-	91,050	-
Prepaid pension costs	185,519	-	222,285	1	222,666	-
Long-term prepayments for lease	2,423,382	4	2,485,787	4	2,548,191	4
Other non-current assets	207,026	-	218,746	-	238,483	1
Total non-current assets	<u>61,013,442</u>	<u>97</u>	<u>58,607,498</u>	<u>96</u>	<u>57,499,890</u>	<u>95</u>
TOTAL	<u>\$ 62,932,609</u>	<u>100</u>	<u>\$ 60,890,674</u>	<u>100</u>	<u>\$ 60,403,227</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings	\$ 1,800,000	3	\$ 2,650,000	4	\$ 2,500,000	4
Short-term bills payable	1,649,460	3	1,598,491	3	1,699,455	3
Trade payables	3,345,297	5	3,328,710	5	3,848,239	7
Trade payables to related parties	65,002	-	65,113	-	89,723	-
Other payables	2,487,711	4	1,765,311	3	2,364,945	4
Current tax liabilities	166,765	-	40,192	-	-	-
Deferred revenue - current	14,892	-	6,257	-	7,285	-
Advance receipts	3,106,025	5	3,088,826	5	2,989,562	5
Current portion of bonds payable	1,000,000	2	2,493,512	4	1,200,000	2
Current portion of long-term borrowings	999,429	1	997,159	2	600,000	1
Other current liabilities	55,658	-	77,358	-	62,705	-
Total current liabilities	<u>14,690,239</u>	<u>23</u>	<u>16,110,929</u>	<u>26</u>	<u>15,361,914</u>	<u>26</u>
NON-CURRENT LIABILITIES						
Bonds payable	-	-	1,000,000	2	3,454,937	6
Long-term borrowings	14,846,606	24	12,749,762	21	11,696,733	19
Deferred tax liabilities	1,633,110	3	1,388,989	2	1,230,963	2
Other non-current liabilities	106,854	-	85,108	-	67,540	-
Total non-current liabilities	<u>16,586,570</u>	<u>27</u>	<u>15,223,859</u>	<u>25</u>	<u>16,450,173</u>	<u>27</u>
Total liabilities	<u>31,276,809</u>	<u>50</u>	<u>31,334,788</u>	<u>51</u>	<u>31,812,087</u>	<u>53</u>
EQUITY						
Share capital						
Common shares	14,391,956	23	14,109,761	23	13,698,797	22
Capital surplus	3,498,252	5	3,498,174	6	3,498,174	6
Retained earnings						
Legal reserve	2,575,473	4	2,358,917	4	2,189,631	4
Special reserve	2,461,168	4	1,931,285	3	1,931,285	3
Unappropriated earnings	2,925,210	5	4,095,216	7	3,596,568	6
Total retained earnings	<u>7,961,851</u>	<u>13</u>	<u>8,385,418</u>	<u>14</u>	<u>7,717,484</u>	<u>13</u>
Other equity	5,900,851	9	3,659,643	6	3,773,795	6
Treasury shares	(97,110)	-	(97,110)	-	(97,110)	-
Total equity	<u>31,655,800</u>	<u>50</u>	<u>29,555,886</u>	<u>49</u>	<u>28,591,140</u>	<u>47</u>
TOTAL	<u>\$ 62,932,609</u>	<u>100</u>	<u>\$ 60,890,674</u>	<u>100</u>	<u>\$ 60,403,227</u>	<u>100</u>

(With Deloitte & Touche audit report dated March 25, 2015)

FAR EASTERN DEPARTMENT STORES, LTD.
STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2014		2013 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 10,193,869	100	\$ 9,654,548	100
OPERATING COSTS	<u>3,559,957</u>	<u>35</u>	<u>3,403,138</u>	<u>35</u>
GROSS PROFIT	<u>6,633,912</u>	<u>65</u>	<u>6,251,410</u>	<u>65</u>
OPERATING EXPENSES				
Selling and marketing expenses	470,142	4	502,273	5
General and administrative expenses	<u>4,576,040</u>	<u>45</u>	<u>4,480,189</u>	<u>47</u>
Total operating expenses	<u>5,046,182</u>	<u>49</u>	<u>4,982,462</u>	<u>52</u>
OPERATING PROFIT	<u>1,587,730</u>	<u>16</u>	<u>1,268,948</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	143,061	1	134,955	1
Other gains and losses	61,343	1	106,047	1
Finance costs	(214,344)	(2)	(230,803)	(2)
Share of the profit or loss of subsidiaries and associates	<u>215,859</u>	<u>2</u>	<u>1,134,449</u>	<u>12</u>
Total non-operating income and expenses	<u>205,919</u>	<u>2</u>	<u>1,144,648</u>	<u>12</u>
PROFIT BEFORE INCOME TAX	1,793,649	18	2,413,596	25
INCOME TAX EXPENSE	<u>264,584</u>	<u>3</u>	<u>227,757</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>1,529,065</u>	<u>15</u>	<u>2,185,839</u>	<u>22</u>
OTHER COMPREHENSIVE INCOME (LOSS), NET				
Unrealized (loss) gain on available-for-sale financial assets	(8,877)	-	186,872	2
Revaluation gain	2,328,026	23	-	-
Actuarial (loss) gain arising from defined benefit plans	(31,472)	-	5,031	-
Share of other comprehensive income (loss) of subsidiaries and associates	57,423	1	(310,811)	(3)
Income tax relating to components of other comprehensive income	<u>(151,706)</u>	<u>(2)</u>	<u>(855)</u>	<u>-</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Years Ended December 31			
	2014		2013 (Restated)	
	Amount	%	Amount	%
Other comprehensive income (loss) for the year, net of income tax	\$ 2,193,394	22	\$ (119,763)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,722,459</u>	<u>37</u>	<u>\$ 2,066,076</u>	<u>21</u>
EARNINGS PER SHARE				
Basic	<u>\$ 1.07</u>		<u>\$ 1.53</u>	
Diluted	<u>\$ 1.07</u>		<u>\$ 1.52</u>	

(With Deloitte & Touche audit report dated March 25, 2015)

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity			Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized (Loss) Gain on Available-for-sale Financial Assets	Unrealized Revaluation Surplus	Treasury Shares	
BALANCE AT JANUARY 1, 2013	\$ 13,698,797	\$ 3,498,174	\$ 2,189,631	\$ 1,931,285	\$ 3,086,960	\$ (71,679)	\$ 3,845,474	\$ -	\$ (97,110)	\$ 28,081,532
Effect of retrospective application and retrospective restatement	-	-	-	-	509,608	-	-	-	-	509,608
BALANCE AT JANUARY 1, 2013 AS RESTATED	13,698,797	3,498,174	2,189,631	1,931,285	3,596,568	(71,679)	3,845,474	-	(97,110)	28,591,140
Appropriation of the 2012 earnings										
Legal reserve	-	-	169,286	-	(169,286)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,095,903)	-	-	-	-	(1,095,903)
Share dividends	410,964	-	-	-	(410,964)	-	-	-	-	-
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	-	-	-	(2,011)	-	-	-	-	(2,011)
Acquisition of partly owned subsidiaries	-	-	-	-	(3,416)	-	-	-	-	(3,416)
Net profit for the year ended December 31, 2013	-	-	-	-	2,185,839	-	-	-	-	2,185,839
Other comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	(5,611)	81,935	(196,087)	-	-	(119,763)
BALANCE AT DECEMBER 31, 2013	14,109,761	3,498,174	2,358,917	1,931,285	4,095,216	10,256	3,649,387	-	(97,110)	29,555,886
Special reserve provided under Rule No. 1030006415 issued by the FSC	-	-	-	529,883	(529,883)	-	-	-	-	-
Appropriation of the 2013 earnings										
Legal reserve	-	-	216,556	-	(216,556)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,622,623)	-	-	-	-	(1,622,623)
Share dividends	282,195	-	-	-	(282,195)	-	-	-	-	-
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	78	-	-	-	-	-	-	-	78
Net profit for the year ended December 31, 2014	-	-	-	-	1,529,065	-	-	-	-	1,529,065
Other comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	(47,814)	60,743	9,495	2,170,970	-	2,193,394
BALANCE AT DECEMBER 31, 2014	<u>\$ 14,391,956</u>	<u>\$ 3,498,252</u>	<u>\$ 2,575,473</u>	<u>\$ 2,461,168</u>	<u>\$ 2,925,210</u>	<u>\$ 70,999</u>	<u>\$ 3,658,882</u>	<u>\$ 2,170,970</u>	<u>\$ (97,110)</u>	<u>\$ 31,655,800</u>

(With Deloitte & Touche audit report dated March 25, 2015)

FAR EASTERN DEPARTMENT STORES, LTD.
STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Years Ended	
	December 31	
	2014	2013
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 1,793,649	\$ 2,413,596
Adjustments for:		
Depreciation expenses	1,252,030	1,229,410
Amortization expenses	5,377	1,527
Finance costs	214,344	230,803
Interest income	(2,966)	(4,045)
Dividend income	(140,095)	(130,910)
Share of the profit of subsidiaries and associates	(215,859)	(1,134,449)
Loss on disposal of property, plant and equipment	2,662	20,198
Loss on disposal of investment properties	42	97
Impairment loss on financial assets	2,055	1,027
Gain on change in fair value of investment properties	(4,469)	(47,800)
Amortization of prepayments	8,786	9,023
Reversal of deferred revenue	(6,257)	(7,285)
Net changes in operating assets and liabilities		
Notes receivable	26,127	2,295
Trade receivables	(2,591)	267,005
Trade receivables from related parties	3,637	(1,489)
Other receivables	19,084	157,339
Inventories	(28,503)	45,225
Prepayments	(1,580)	13,351
Other current assets	6,650	(16,081)
Prepaid pension costs	5,294	5,412
Trade payables	16,587	(519,529)
Trade payables to related parties	(111)	(24,610)
Other payables	(43,450)	44,847
Advance receipts	196,800	272,038
Deferred revenue	14,892	6,257
Other current liabilities	(21,700)	14,653
Cash generated from operations	3,100,435	2,847,905
Interest paid	(268,123)	(162,424)
Interest received	995	3,492
Dividends received	1,226,802	473,064
Income tax returned	-	34,902
Income tax paid	(62,200)	(5,763)
Net cash generated from operating activities	<u>3,997,909</u>	<u>3,191,176</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in debt investments with no active market	(777)	(191,594)
Purchase of financial assets measured at cost	-	(50,000)
Purchase of investments accounted for using the equity method	(180,000)	(273,949)

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2014	2013 (Restated)
Payments for property, plant and equipment	\$ (1,044,231)	\$ (2,261,957)
Proceeds from disposal of property, plant and equipment	375	4,608
Payments for intangible assets	(21,780)	(3,541)
Payments for investment properties	(42)	(181)
Decrease in other non-current assets	<u>6,692</u>	<u>10,934</u>
Net cash used in investing activities	<u>(1,239,763)</u>	<u>(2,765,680)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	24,100,000	17,546,000
Repayments of short-term borrowings	(24,950,000)	(17,396,000)
Proceeds from short-term bills payable	11,671,438	8,340,739
Repayments of short-term bills payable	(11,620,469)	(8,441,703)
Repayments of bonds payable	(2,500,000)	(1,200,000)
Proceeds from long-term borrowings	39,499,114	42,500,188
Repayments of long-term borrowings	(37,400,000)	(41,050,000)
Increase in other non-current liabilities	1,080	17,568
Dividends paid	<u>(1,622,612)</u>	<u>(1,096,010)</u>
Net cash used in financing activities	<u>(2,821,449)</u>	<u>(779,218)</u>
NET DECREASE IN CASH	(63,303)	(353,722)
CASH AT BEGINNING OF THE YEAR	<u>516,953</u>	<u>870,675</u>
CASH AT END OF THE YEAR	<u>\$ 453,650</u>	<u>\$ 516,953</u>

(With Deloitte & Touche audit report dated March 25, 2015)

(Concluded)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Far Eastern Department Stores, Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014, December 31, 2013 and January 1, 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014, December 31, 2013 and January 1, 2013, and their consolidated financial performance and their cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

As disclosed in Note 3 to the consolidated financial statements, the Group changed their accounting policy for investment properties effective January 1, 2014 and subsequently measured investment properties using the fair value model. This accounting policy was retrospectively applied; thus, the consolidated financial statements as of and for the year ended December 31, 2013 and the consolidated balance sheet as of January 1, 2013 have been restated.

We have also audited the financial statements of the parent company, Far Eastern Department Stores, Ltd. as of and for the years ended December 31, 2014 and 2013, on which we have issued a modified unqualified report.

March 25, 2015

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.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Far Eastern Department Stores, Ltd. (the "Company") as of December 31, 2014, December 31, 2013 and January 1, 2013 and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014, December 31, 2013 and January 1, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

As disclosed in Note 3 to the financial statements, the Company changed its accounting policy for investment properties effective January 1, 2014 and subsequently measured investment properties using the fair value model. This accounting policy was retrospectively applied; thus, the financial statements as of and for the year ended December 31, 2013 and the balance sheet as of January 1, 2013 have been restated.

March 25, 2015

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.

3. Supervisors' audit report on 2014 business report and financial statements.

SUPERVISORS' REPORT

To the 2015 General Shareholders' Meeting of Far Eastern Department Stores, Ltd,
In accordance with 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 2014 and found them in order.

Charles Wang



Philby Chen



May 12th, 2015

III .Matters to be Approved:

1. To accept the 2014 financial statements.

The Board of Directors proposes and recommends that each shareholder votes FOR the acceptance of 2014 business report and financial statements.

Explanatory Notes:

- (1) FEDS's 2014 financial report, including balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, has been audited by independent auditors, Mr. Cho, Ming Hsing and Mr. Yu Hong-Bin of Deloitte & Touche (please refer to P.13-P.24), and has been examined by and determined to be correct and accurate by Supervisors of FEDS. We thereby submit this report.
- (2) The 2014 business report, independent auditors' audit report, and the above-mentioned financial statements are attached within "Matters to be reported".
- (3) Please approve the above-mentioned business report and financial statements.

2. To approve the proposal for the distribution of 2014 surplus earning.

The Board of Directors proposes and recommends that each shareholder votes FOR the distribution of 2014 surplus earning.

Explanatory Notes:

- (1) All the closing transactions as of December 31, 2014 have been completely closed, and have been audited by the accounting firm, Deloitte and Touche. We thereby submit the proposal for distribution of 2014 profits:

1. Unappropriated earnings of January 1, 2014	N.T\$ 1,443,958,888
2. Effect of retrospective application and retrospective restatement	529,883,115
3. On initial adoption of investment properties, investment properties are subsequently measured using the fair value model, and a special reserve should be appropriated	<u>(529,883,115)</u>

4. Unappropriated earnings after adjustments of January 1, 2013 (=1+2-3)	1,443,958,888
5. other comprehensive income (loss)	<u>(47,813,966)</u>
6. Unappropriated earnings after adjustments (=4-5)	1,396,144,922
7. Net Income for the year ended December 31, 2014	1,529,064,789
8.10% legal reserve (7*10%)	<u>(152,906,479)</u>
9. Distributable net profit (=6+7-8)	<u><u>2,772,303,232</u></u>

(2) The earnings available for distribution are allocated as the following:

1. Dividend (60%)	N.T\$ 928,513,283
2. Cash bonus to shareholders (33%)	<u>510,682,306</u>
3. Total Distribution	<u><u>1,439,195,589</u></u>

Note: To distribute employee bonus of NT\$ 61,900,886 and compensation of directors and supervisors of NT\$46,425,664.

(3) Undistributed earnings after distribution N.T\$ 1,333,107,643

(4) The major items of the Distribution of 2014 Dividend :

1.Cash dividends to holders of common share (NT\$ 1.0 per share)	N.T\$ 1,439,195,589
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(5) The distribution of 2014 dividends composes of 2014 surplus earning in priority, and the undistributed profit from 1998 to 2013 in case 2014 surplus earning are insufficient to cover 2014 dividends, and then the undistributed profit before 1998 in case the surplus earning from 1998 to 2013 are insufficient to cover 2014 dividends.

(6) After being approved at the annual General Shareholders' meeting (2015), 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.

(7) Please approve the above-mentioned proposal for the distribution of 2014 profits.

IV. Discussion and Election

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

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

Please vote.

Board of Directors proposes:

Explanatory Notes:

- (1) Pursuant to Article 14-4 of the Securities and Exchange Act and pursuant to the rule issued by Financial Supervisory Commission (official letter No. FSC-Fa-10200531121) on 31 December 2013, the Company shall establish an Audit Committee in lieu of a supervisor in a year in which expires the term of the directors and supervisors of a company. The Audit Committee is responsible for execute powers relegated to supervisors in accordance with laws and regulations.
- (2) The amended or added provisions are shown in the attached comparison table.
- (3) Please approve the proposed resolutions.

Resolution:

Section	Proposed Changes	Current Articles
Article 11	<p>The Shareholders' Meetings shall be General or Extraordinary Shareholders' Meetings. :</p> <ol style="list-style-type: none"> 1. General Shareholders' Meeting shall be held once a year within 6 months of the end of the Company's financial year. 2. <u>A Special Shareholders' meeting shall be convened in accordance with laws and regulations.</u> 	<p>The Shareholders' Meetings shall be General or Extraordinary Shareholders' Meetings. :</p> <ol style="list-style-type: none"> 1. General Shareholders' Meeting shall be held once a year within 6 months of the end of the Company's financial year. 2. <u>Extraordinary Shareholders' Meeting shall be convened by the Board of Directors where it thinks necessary, or by way of written request by shareholders who have held continuously the Company's total issued shares for more than 1 year and whose shareholdings are greater than 3% of the Company's issued shares.</u> <p><u>Other than where the Board of Directors has not convened or is unable to convene Shareholders' Meeting, the Supervisor may also convene Shareholders' Meeting for the benefit of the Company.</u></p>

	Chapter 4 Directors <u>and</u> Managers	Chapter 4 Directors, <u>Supervisors</u> and Managers
Article 17	<p>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".</p> <p><u>Among the directors in the preceding paragraph have three independent directors.</u></p> <p>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 and supervisors 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.</p>	<p>There shall be 7 to 9 Directors <u>and 2 Supervisors</u> 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 <u>and Supervisors</u> shall be determined according to the provisions of "Rules and Review Procedures for Director and Supervisor Ownership Ratios at Public Companies".</p> <p><u>Independent directors shall not be less than two in number and not less than one-fifth of the total number of directors.</u></p> <p>In accordance with Article 192-1 of the Company Act, the Company shall adopt a candidate nomination system for election of the directors <u>and supervisors</u>, and the shareholders shall elect the directors and supervisors from among the nominees listed in the roster of candidates. Independent and non-independent directors <u>and supervisors</u> shall be elected at the same time but on separate ballots.</p>
Article 17-1	<p>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.</p> <p>The organizing members, exercise of powers and other matters to be abided by the Audit Committee shall follow related laws, regulations or</p>	<p>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. <u>The Supervisors will cease to function and be dismissed on the date of instituting of the Audit Committee.</u></p> <p>The organizing members, exercise of powers and other matters to be abided by the Audit Committee shall follow related laws, regulations or</p>

	rules or regulation of the Company. The organization regulations of the Audit Committee shall be adopted by the Board of Director.	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 for a period of 3 years. They may be reappointed following their re-election.	The respective appointments of Directors <u>and Supervisors are</u> for a period of 3 years. They may be reappointed following their re-election.
Article 21	(Be deleted.)	<u>The Supervisors shall perform their supervising duties in accordance with law; furthermore Supervisors may attend meetings of the Board of Directors and present their views, but may not have voting rights. Supervisors may elect from among them a Resident Supervisor.</u>
Article 22	The remuneration of Directors shall be decided by the Shareholders' Meeting.	The remuneration of Directors <u>and Supervisors</u> shall be decided by the Shareholders' Meeting.
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 remuneration of the accountants auditing and reviewing the above documents and statements shall be resolved at the meeting of the Board of the Directors.	The Board of Directors shall in accordance with law furnish various documents and statements <u>and forward the same to the Supervisors for review 30 days prior to the General Shareholders' Meeting, following which the said statements reviewed by the Supervisors</u> and their reports shall be submitted for approval at the General Shareholders' Meeting. The appointment, dismissal and remuneration of the accountants auditing and reviewing the above documents and statements shall be resolved at the meeting of the Board of the Directors.
Article 28	Apart from paying all its income taxes in the case where there are profits at the end of the year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of which shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders the remainder after deducting special reserve as required by law together with undistributed profits from previous	Apart from paying all its income taxes in the case where there are profits at the end of the year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of which shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders the remainder after deducting special reserve as required by law together with undistributed profits from previous

	<p>years in the following manner :</p> <p>a) 60% as share interest, to be distributed based on shareholdings. However in the case of increase in the Company's share capital, unless otherwise stipulated by law, the share interest to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders' meeting;</p> <p>b) 33% as shareholders' bonuses to be distributed based on shareholdings. However in the case of increase in the Company's share capital, the shareholders' bonus to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders' meeting.</p> <p>c) 4% as employees' bonuses</p> <p>d) 3% as remuneration for Directors, the manner in which it is to be distributed shall be decided by the Board of Directors.</p> <p>In the case of employees' bonuses in the form of stock dividends, the manner in which it is to be distributed shall be decided by the Board of Directors.</p>	<p>years in the following manner :</p> <p>a) 60% as share interest, to be distributed based on shareholdings. However in the case of increase in the Company's share capital, unless otherwise stipulated by law, the share interest to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders' meeting;</p> <p>b) 33% as shareholders' bonuses to be distributed based on shareholdings. However in the case of increase in the Company's share capital, the shareholders' bonus to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders' meeting.</p> <p>c) 4% as employees' bonuses</p> <p>d) 3% as remuneration for Directors <u>and Supervisors</u>, the manner in which it is to be distributed shall be decided by the Board of Directors.</p> <p>In the case of employees' bonuses in the form of stock dividends, the manner in which it is to be distributed shall be decided by the Board of Directors.</p>
<p>Article 30</p>	<p>These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p><u>Forty-fifth amendment of June 22, 2015</u></p>	<p>These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p><u>Forty-fourth amendment of June 20, 2014</u></p>

Note *In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

2. Proposal to amend the certain provisions of the Company's "Election Procedures of Directors and Supervisors".

The Board of Directors proposes and recommends that each shareholder votes FOR the amendments of certain provisions of the Company's "Election Procedures of Directors and Supervisors".

Please vote.

Board of Directors proposes:

Explanatory Notes:

- (1) In order to co-operate the establishment of an Audit Committee in lieu of a supervisor, we propose to amend Article 1, Article 2, Article 3, Article 8 and Article 13 of the Company's "Election Procedures of Directors and Supervisors". The amended provisions are shown in the attached comparison table.
- (2) Please approve the proposed resolutions.

Resolution:

Section	Proposed Changes	Current Articles
	Election Procedures of Director	Election Procedures of Director <u>and Supervisor</u>
Article 1	The election of directors shall be pursued in accordance with the procedures herein.	The election of directors <u>and supervisors</u> shall be pursued in accordance with the procedures herein.
Article 2	The election of directors adopts the method of accumulated vote-counts. The attendance card number of the voters shall be used on the ballot instead of the name of the voters. The ballots shall be prepared by the board of directors, numbered according to the attendance card numbers and noted with share number represented for voting.	The election of directors <u>and supervisors</u> adopts the method of accumulated vote-counts. The attendance card number of the voters shall be used on the ballot instead of the name of the voters. The ballots shall be prepared by the board of directors, numbered according to the attendance card numbers and noted with share number represented for voting.
Article 3	The election of <u>independent directors and non-independent directors</u> shall be pursued according to the number of position required. The independent directors, non-independent directors shall be elected at the same election with the number of selectees calculated separately; those candidates receiving more voting rights shall be elected as Directors. The same applies to the election of Supervisor(s). If there are more than	The election of <u>directors and supervisors</u> shall be pursued according to the number of position required. The independent directors, non-independent directors <u>and supervisors</u> shall be elected at the same election with the number of selectees calculated separately; those candidates receiving more voting rights shall be elected as Directors. The same applies to the election of Supervisor(s). If there are more than two candidates obtaining

	<p>two candidates obtaining the same number of vote but the number of position offered is limited, a draw shall be made amongst the two candidates to determine. The chairperson shall conduct the drawing for the candidate who is absent.</p> <p>The Company, in accordance with Article 192-1 of the Company Act, shall adopt a candidate nomination system for election of the directors Besides, the qualifications of independent directors, independent condition, and other conditions should adhere to the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and other regulation.</p>	<p>the same number of vote but the number of position offered is limited, a draw shall be made amongst the two candidates to determine. The chairperson shall conduct the drawing for the candidate who is absent.</p> <p>The Company, in accordance with Article 192-1 of the Company Act, shall adopt a candidate nomination system for election of the directors <u>and supervisors</u>. Besides, the qualifications of independent directors, independent condition, and other conditions should adhere to the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and other regulation.</p>
Article 8	<u>The ballot boxes shall be prepared by the Company and publicly checked by the vote monitoring personnel before voting commences.</u>	<u>There shall be one ballot box for director and supervisor elections respectively. The ballot counting shall be pursued separately for the two elections.</u>
Article 13	The elected directors shall be given the election notification by the board of directors.	The elected directors <u>and supervisors</u> shall be given the election notification by the board of directors.

3. Proposal to amend the certain provisions of the “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 co-operate the establishment of an Audit Committee in lieu of a supervisor, we propose to amend Article 4, Article 8, Article 9-1, Article 10, Article 14 and Article 16 of the Company’s “Procedures for Acquisition and Disposition of Assets”. The amended provisions are shown in the attached comparison table.
- (2) Please approve the proposed resolutions.

Resolution:

Section	Proposed Changes	Current Articles
Article4 1 ST paragraph	Where the approval of the Board of Directors is required in respect of acquisition or disposition of assets pursuant to these Procedures or by virtue of other law, directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to <u>the Audit Committee</u> . The Board of Directors shall take into account the opinions of the independent directors and furthermore record in the minutes of such meetings the independent directors' consenting or dissenting opinions and the reasons in holding a meeting discussing the acquisition and disposition of assets as required herein.	Where the approval of the Board of Directors is required in respect of acquisition or disposition of assets pursuant to these Procedures or by virtue of other law, directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to <u>the Supervisors</u> . <u>In the event that the Company has independent directors</u> , the Board of Directors shall take into account the opinions of the independent directors and furthermore record in the minutes of such meetings the independent directors' consenting or dissenting opinions and the reasons in holding a meeting discussing the acquisition and disposition of assets as required herein.
2 nd paragraph	<u>Any transaction involving major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the board of directors for a resolution.</u>	
3 rd paragraph	<u>If approval of more than half of all Audit Committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting. The terms "all Audit Committee members" and "all</u>	

	directors" <u>shall be counted as the actual number of persons currently holding those positions.</u>	
Article8 2)	<p>Related Parties Transaction 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 <u>been approved by the Audit Committee and then by the board of directors</u> :</p> <p>(a)~(f) omitted (g) Restrictions on this transaction and other key contractual issues.</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</p>	<p>Related Parties Transaction 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 <u>been approved by the board of directors and recognized by the supervisors</u>:</p> <p>(a)~(f) omitted (g) Restrictions on this transaction and other key contractual issues.</p> <p><u>Where the position of independent director has been created by the Company</u>, 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</p>

<p>3)</p>	<p>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)~(e) omitted</p> <p>(f)Where the appraisal results pursuant to the preceding items are all 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)<u>The independent director</u> shall undertake measures in compliance with Article 218 of the Company Law;</p> <p>iii) The Shareholders' Meeting shall be informed of measures under items i) and ii) hereinabove, with details of the transaction to be disclosed in the Company's</p>	<p>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)~(e) omitted</p> <p>(f)Where the appraisal results pursuant to the preceding items are all 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)<u>The Supervisors</u> shall undertake measures in compliance with Article 218 of the Company Law;</p> <p>iii) The Shareholders' Meeting shall be informed of measures under items i) and ii) hereinabove, with details of the transaction to be disclosed in the Company's</p>
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	annual report or prospectus. (g) ~ (h) omitted	annual report or prospectus. (g) ~ (h) omitted
Article9-1 2 nd paragraph	The calculation of transaction amount refer to Article 8 2) shall be done in accordance with Article 12 1) f) 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 <u>been approved by the Audit Committee and then by the board of directors</u> need not be counted toward the transaction amount.	The calculation of transaction amount refer to Article 8 2) shall be done in accordance with Article 12 1) f) 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 <u>been approved by the board of directors and recognized by the supervisors</u> need not be counted toward the transaction amount.
Article10 3)	Acquisition or Disposition of Derivative Products (1) ~ (2) omitted 3) Internal Audit System The Company's internal auditors shall regularly review the appropriateness of internal controls for derivative product trading, and shall on a monthly basis conduct compliance of these Procedures by the Trading Department, with audit reports to be compiled thereafter; where major irregularities are discovered, <u>the Audit Committee</u> shall be notified by writing.	Acquisition or Disposition of Derivative Products (1) ~ (2) omitted 3) Internal Audit System The Company's internal auditors shall regularly review the appropriateness of internal controls for derivative product trading, and shall on a monthly basis conduct compliance of these Procedures by the Trading Department, with audit reports to be compiled thereafter; where major irregularities are discovered, <u>all Supervisors</u> shall be notified by writing.
4)	(4) Regular Appraisal and Measures In the Event of Irregularities (a)~(b) omitted (c) The director of the Audit Department shall regularly review the suitability of the existing risk management measures and whether the procedures set out in this Article have been complied with; This person shall furthermore monitor	(4) Regular Appraisal and Measures In the Event of Irregularities (a)~(b) omitted (c) The director of the Audit Department shall regularly review the suitability of the existing risk management measures and whether the procedures set out in this Article have been complied with; This person shall furthermore monitor

	<p>the trades and profits/losses status, and shall take the necessary measures and immediately report to the Board of Directors where irregularities are discovered; <u>The Independent Directors of the Company</u> shall attend meetings of the Board of Directors and shall express their opinions.</p> <p>(d) omitted</p>	<p>the trades and profits/losses status, and shall take the necessary measures and immediately report to the Board of Directors where irregularities are discovered; <u>where the Company has appointed Independent Directors</u>, who shall attend meetings of the Board of Directors and shall express their opinions.</p> <p>(d) omitted</p>
<p>Article14</p> <p>3)</p>	<p>Subsidiaries of the Company shall comply with the following:</p> <p>3)The subsidiaries of the Company shall on their own <u>evaluate</u> 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 <u>self-evaluation</u> reports of the subsidiaries.</p>	<p>Subsidiaries of the Company shall comply with the following:</p> <p>3)The subsidiaries of the Company shall on their own <u>examine</u> 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 <u>self-examination</u> reports of the subsidiaries.</p>
<p>Article16</p> <p>1ST</p> <p>paragraph</p>	<p><u>Following the approval by the Audit Committee of these Procedures, the same shall be forwarded to the Board of Directors and shall furthermore be submitted for approval at the Shareholders’ Meeting.</u> The same procedure shall apply in the case of amendments. The directors’ dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to <u>the Audit Committee.</u></p>	<p><u>Following the approval by the Board of Directors of these Procedures, the same shall be forwarded to the respective Supervisors and shall furthermore be submitted for approval at the Shareholders’ Meeting.</u> The same procedure shall apply in the case of amendments. The directors’ dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to <u>the Supervisors.</u></p>

2 nd paragraph	<u>When</u> 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.	<u>Where the position of independent director has been created by the Company,</u> 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.
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Note *In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

4. Proposal to amend the certain provisions of the Company's "Procedures for Endorsements and Guarantees" and Company's "Procedures for Lending of Capital to Others".

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" and Company's "Procedures for Lending of Capital to Others".

Please vote.

Board of Directors proposes:

Explanatory Notes:

- (1) In order to co-operate the establishment of an Audit Committee in lieu of a supervisor and the practical needs for operation, we propose to amend Article 4, Article 7, Article 9 and Article 11 of the Company's "Procedures for Endorsements and Guarantees", and amend Article 2, Article 4, Article 5, Article 6, Article 9 and Article 10 of the Company's "Procedures for Lending of Capital to Others". The amended provisions are shown in the attached comparison table.
- (2) Please approve the proposed resolutions.

Resolution:

To amend certain provisions of the Company's "Procedures for Endorsements and Guarantees".

Section	Proposed Changes	Current Articles
<p data-bbox="261 271 406 369">Article 4 1ST paragraph</p> <p data-bbox="261 1579 406 1657">2nd paragraph</p>	<p data-bbox="432 271 959 963">Prior to the provision of endorsements or guarantees, the Company's finance department shall carefully evaluate its compliance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies ("Regulations"), these Procedures, including the following items and prepare and submit to <u>the Audit Committee the evaluation report for approval, and</u> the Board of Directors for approval; provided that, due to the time-constraints, the Board of Directors may authorize the Chairman to approve such provision subject to ratification by the Board of Directors in the upcoming meeting:</p> <ol data-bbox="432 996 959 1545" style="list-style-type: none"> 1) necessity and rationale of the endorsements/guarantees; 2) credit standing and risk evaluation of the party to be secured under such endorsements/guarantees; 3) impact on the Company's operation, financial condition and shareholders' interests; and 4) whether collaterals are required and appraised values of such collaterals. <p data-bbox="432 1579 959 2027">A company that directly and/or indirectly holds more than 90 % of the voting shares in the Company shall follow accordingly to Article 2, paragraph 2 to <u>allow the Audit Committee and</u> allow the Board of Directors to make any endorsements/guarantees to other parties. This, however, does not apply to any company that directly and/or indirectly holds 100% of the voting shares in this company.</p>	<p data-bbox="986 271 1513 929">Prior to the provision of endorsements or guarantees, the Company's finance department shall carefully evaluate its compliance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies ("Regulations"), these Procedures, including the following items and prepare and submit to the Board of Directors the evaluation report for approval; provided that, due to the time-constraints, the Board of Directors may authorize the Chairman to approve such provision subject to ratification by the Board of Directors in the upcoming meeting:</p> <ol data-bbox="986 996 1513 1545" style="list-style-type: none"> 1) necessity and rationale of the endorsements/guarantees; 2) credit standing and risk evaluation of the party to be secured under such endorsements/guarantees; 3) impact on the Company's operation, financial condition and shareholders' interests; and 4) whether collaterals are required and appraised values of such collaterals. <p data-bbox="986 1579 1513 1982">A company that directly and/or indirectly holds more than 90 % of the voting shares in the Company shall follow accordingly to Article 2, paragraph 2 to allow the Board of Directors to make any endorsements/guarantees to other parties. This, however, does not apply to any company that directly and/or indirectly holds 100% of the voting shares in this company.</p>

4 th paragraph	<p>Where the Company proposes to provide an endorsement and/or guarantees as a result of business transactions which is in conformity with the conditions set out herein but exceed the limit as stipulated above as a result of business needs, it shall require the approval of <u>the Audit Committee and</u> the Board of Directors and the joint guarantee by more than half of the Directors in respect of the possible loss incurred by the excessive guarantee, as well as amendment to these Procedures subject to ratification by the Shareholders' Meeting. In the event that the Shareholders' Meeting raises objection, the Company shall formulate a proposal to cancel the excess within stipulated time limit.</p>	<p>Where the Company proposes to provide an endorsement and/or guarantees as a result of business transactions which is in conformity with the conditions set out herein but exceed the limit as stipulated above as a result of business needs, it shall require the approval of the Board of Directors and the joint guarantee by more than half of the Directors in respect of the possible loss incurred by the excessive guarantee, as well as amendment to these Procedures subject to ratification by the Shareholders' Meeting. In the event that the Shareholders' Meeting raises objection, the Company shall formulate a proposal to cancel the excess within stipulated time limit.</p>
5 th paragraph	<p><u>The Board of Directors shall take into account the opinions of the independent directors and furthermore record in the minutes of such meetings the independent directors' consenting or dissenting opinions and the reasons in holding a meeting discussing the conditions above-mentioned, this Procedures or providing endorsements and/or guarantees.</u></p>	<p><u>In the event that the Company has independent directors, the Board of Directors shall take into account the opinions of the independent directors and furthermore record in the minutes of such meetings the independent directors' consenting or dissenting opinions and the reasons in holding a meeting discussing the conditions above-mentioned, this Procedures or providing endorsements and/or guarantees.</u></p>
6 th paragraph	<p>Where the parties secured by such endorsements/guarantees fail to comply with these Procedures or the amounts have exceeded the limits as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same to <u>the Audit Committee</u>. Improvement shall be completed within the time limit stipulated in improvement plans.</p>	<p>Where the parties secured by such endorsements/guarantees fail to comply with these Procedures or the amounts have exceeded the limits as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same to <u>the Supervisors</u>. Improvement shall be completed within the time limit stipulated in improvement plans.</p>
8 th paragraph	<p><u>If approval of more than half of all Audit Committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of</u></p>	

	<u>the Audit Committee shall be recorded in the minutes of the board of directors meeting. The terms "all Audit Committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.</u>	
Article 7 1 ST paragraph	The Company's endorsements and guarantees shall be made based on the "Application for Endorsements and/or Guarantees" duly filled by the company requiring the same. The Company shall set up specific files and record detailing the name of the company secured by endorsements/guarantees provided, the relevant amount, <u>the date of approval by the Audit Committee</u> , the date of resolved by the Board or that on which the Chairman had approved, the date of endorsement and guarantee, and matters of due diligence as required under Article 4 (1) herein.	The Company's endorsements and guarantees shall be made based on the "Application for Endorsements and/or Guarantees" duly filled by the company requiring the same. The Company shall set up specific files and record detailing the name of the company secured by endorsements/guarantees provided, the relevant amount, the date of resolved by the Board or that on which the Chairman had approved, the date of endorsement and guarantee, and matters of due diligence as required under Article 4 (1) herein.
2 nd paragraph	The Company's internal audit department shall conduct at least a quarterly audit of these Procedures and status of implementation and make written records in details. In the event of major irregularities, the internal audit department shall inform <u>the Audit Committee of the same</u> in writing.	The Company's internal audit department shall conduct at least a quarterly audit of these Procedures and status of implementation and make written records in details. In the event of major irregularities, the internal audit department shall inform <u>all Supervisors of the same</u> in writing.
Article 9 2 nd paragraph	Subsidiaries of the Company shall on their own <u>evaluate</u> whether their procedures in relation to endorsements/guarantees are in compliance with the Regulations and whether endorsements/guarantees provided are in compliance with their procedures. The Company's internal audit department shall review the <u>self-evaluation</u> reports of the said subsidiaries.	Subsidiaries of the Company shall on their own <u>examine</u> whether their procedures in relation to endorsements/guarantees are in compliance with the Regulations and whether endorsements/guarantees provided are in compliance with their procedures. The Company's internal audit department shall review the <u>self-examination</u> reports of the said subsidiaries.
Article 11	<u>These amended Procedures shall be forwarded to Shareholders' Meeting for approval upon approved by the Audit Committee and resolved by the Board of Directors.</u> Directors' dissents recorded in the meeting minutes or written statements shall also be forwarded	<u>These Procedures shall be forwarded to the Supervisors and Shareholders' Meeting for approval upon resolved by the Board of Directors.</u> Directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to <u>the</u>

	by the Company to <u>the Audit Committee</u> and Shareholders' Meeting for discussion.	<u>Supervisors</u> and Shareholders' Meeting for discussion. <u>The same procedure shall also apply to amendments hereof.</u>
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Note *In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

To amend certain provisions of the Company's "Procedures for Lending Capital to Others".

Section	Proposed Changes	Current Articles
Article 2 2 nd paragraph	<u>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.</u> 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.	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.
4 th paragraph	<u>The total amount and individual amount of loans</u> extended by the Company to any overseas subsidiary seeking short-term financing, over which the Company owns directly or indirectly 100% voting shares, <u>shall be in accordance with lender's "Procedures for Lending Capital to Others".</u>	<u>The cumulative amount of loans</u> extended by the Company to any overseas subsidiary seeking short-term financing, over which the Company owns directly or indirectly 100% voting shares, <u>shall not exceed twenty percent (40%) of the Latest Net Worth of the Company.</u>
Article 4 1 st paragraph	When handling a loan by the Company, the Borrowers are required to present requisite financial information and the application to the Company's finance department for limits of loans. The finance department shall evaluate such application in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees ("Regulations") as well as these Procedures including the following items and prepare and submit to <u>the Audit Committee the evaluation report for approval</u> and the Board of Directors for approval without	When handling a loan by the Company, the Borrowers are required to present requisite financial information and the application to the Company's finance department for limits of loans. The finance department shall evaluate such application in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees ("Regulations") as well as these Procedures including the following items and prepare and submit to the Board of Directors the evaluation report for approval without authorizing any other persons to

	<p>authorizing any other persons to undertake the above-mentioned procedure:</p> <ol style="list-style-type: none"> 1) necessity and rationale of the loan; 2) the Borrowers' credit standing and risk evaluation; 3) impact on the Company's operation, financial condition and shareholders' interests 4) whether collaterals are required and appraised values of such collaterals. 	<p>undertake the above-mentioned procedure:</p> <ol style="list-style-type: none"> 1) necessity and rationale of the loan; 2) the Borrowers' credit standing and risk evaluation; 3) impact on the Company's operation, financial condition and shareholders' interests 4) whether collaterals are required and appraised values of such collaterals.
6 th paragraph	<p><u>The Board of Directors shall take into account the opinions of the independent directors and furthermore record in the minutes of such meetings the independent directors' consenting or dissenting opinions and the reasons in holding a meeting discussing these Procedures or extending loans hereunder.</u></p>	<p><u>In the event that the Company has independent directors, the Board of Directors shall take into account the opinions of the independent directors and furthermore record in the minutes of such meetings the independent directors' consenting or dissenting opinions and the reasons in holding a meeting discussing these Procedures or extending loans hereunder.</u></p>
7 th paragraph	<p>Where the balance of loans has exceeded the limits, or the Borrower fails to comply with these Procedures, as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same <u>to the Audit Committee</u>. Improvement shall be completed within the time limit stipulated in improvement plans.</p>	<p>Where the balance of loans has exceeded the limits, or the Borrower fails to comply with these Procedures, as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same <u>to the Supervisors</u>. Improvement shall be completed within the time limit stipulated in improvement plans.</p>
8 th paragraph	<p><u>If approval of more than half of all Audit Committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting. The terms "all Audit Committee members" and "all directors" shall be counted as the actual number of persons currently</u></p>	

	<u>holding those positions.</u>	
Article 5 3 rd paragraph	Interest for short term financing shall be calculated on a negotiated rate basis which rate is subject to adjustment depending on the costs of fund of the Company. Adjustments in interest rate shall be implemented after the finance department has submitted the application to the General Manager for approval. Interest receivable <u>shall be settled on a negotiated periodical basis.</u>	Interest for short term financing shall be calculated on a <u>floating</u> rate basis which rate is subject to adjustment depending on the costs of fund of the Company. Adjustments in interest rate shall be implemented after the finance department has submitted the application to the General Manager for approval. Interest receivable <u>shall be settled once a month.</u>
Article 6 1 st paragraph	The Company shall maintain accounts books for loan extension setting out in details the subjects of loans, their amount, <u>the date of approval by the Audit Committee,</u> date of approval by the Board of Directors, loan drawdown date and results of evaluation as required under Article 4 (1) above.	The Company shall maintain accounts books for loan extension setting out in details the subjects of loans, their amount, date of approval by the Board of Directors, loan drawdown date and results of evaluation as required under Article 4 (1) above.
2 nd paragraph	The Company's internal audit department shall conduct at least a quarterly audit of these Procedures and status of implementation and make written records in details. In the event of major irregularities, the internal audit department shall inform <u>Audit Committee</u> of the same.	The Company's internal audit department shall conduct at least a quarterly audit of these Procedures and status of implementation and make written records in details. In the event of major irregularities, the internal audit department shall inform <u>all Supervisors</u> of the same.
Article 9 2 nd paragraph	Subsidiaries of the Company shall on their own <u>evaluate</u> whether their procedures in relation to capital of lending to others are in compliance with the Regulations and whether their loans extended to others are in compliance with their procedures. The Company's internal audit department shall review the <u>self-evaluation</u> reports of the said subsidiaries.	Subsidiaries of the Company shall on their own <u>examine</u> whether their procedures in relation to capital of lending to others are in compliance with the Regulations and whether their loans extended to others are in compliance with their procedures. The Company's internal audit department shall review the <u>self-examination</u> reports of the said subsidiaries.
Article 10	<u>These amended Procedures shall be forwarded to Shareholders' Meeting for approval upon approved by the Audit Committee and then resolved by the Board of Directors.</u> Directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to <u>the Audit Committee</u> and <u>Shareholders'</u>	<u>These Procedures shall be forwarded to the Supervisors and Shareholders' Meeting for approval upon resolved by the Board of Directors.</u> Directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to <u>the Supervisors</u> and <u>Shareholders' Meeting</u> for discussion. The same

	Meeting for discussion.	<u>procedure shall also apply to amendments hereof.</u>
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5. Proposal to re-elect the Company's Directors.

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

Please vote.

Board of Directors proposes:

Explanatory Notes:

- (1) Pursuant to the Article 17 of the Company's Articles of Incorporation, the Company shall adopt a candidate nomination system for election of the Independent Directors, and the shareholders shall elect the Directors from among the nominees listed in the slate of the Director candidates.
- (2) The Company's Directors of 16th term will expire on June 21, 2015. Therefore, the Directors shall re-elect in the general shareholders' meeting in 2015 in accordance with Article 18 of the Company's Articles of Incorporation. After the re-election of Directors including three Independent Directors in the general shareholders' meeting in 2015, the respective appointments of Directors and Independent Directors will be from June 22, 2015 to June 21, 2018, and be for a period of 3 years.
- (3) Pursuant to the Article 192-1 of the Company Law and relative provisions, these nine Director candidates including three Independent Directors candidates reviewed and approved by the 13th meeting of 16th term of Board of Directors on May 12, 2015 are shown in the following table.
- (4) Please approve the proposed resolutions.

Resolution:

The Slate of Candidates

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

Title	Name	Education	Experience	Current Position	Shareholding	Legal Entity Represent and its Shareholding
Director	Nicole Hsu	Bachelor, major in Fine Arts in Interior Design, New York School of Interior Design, USA	<ol style="list-style-type: none"> 1. Director, Far Eastern Department Stores Ltd., 2. Senior Designer, Saladino Group, Inc., New York 	Director, Far Eastern Department Stores Ltd.	0	Far Eastern New Century Co., Ltd. 241,769,702
Director	Yvonne Li	Master, Major in Accounting, University of Illinois at Urbana-Champaign, USA	<ol style="list-style-type: none"> 1. Far EasTone Telecommunications Co. Ltd., <ul style="list-style-type: none"> ■ President, ■ CCO ■ CFO 2. Vice President, CitiBank. 	<ol style="list-style-type: none"> 1. Far Eastern Info Service (Holding)Ltd., <ul style="list-style-type: none"> ■ Chairman ■ President 2. Chairman, <ul style="list-style-type: none"> ■ Far Eastern Tech-Info (Shanghai) Ltd. ■ Arcoa Communication Co., Ltd. ■ Qware Communications Co., Ltd. ■ Far Eastern Electronic Commerce Co., Ltd. 3. President, Far EasTone Telecommunications Co. Ltd. 	0	Far Eastern New Century Co., Ltd. 241,769,702
Director	Jin Lin Liang	Master, Major in Mass Communication, Illinois State University, USA	<ol style="list-style-type: none"> 1. Director, Far Eastern Department Stores Ltd. 2. President, Ding Ding Integrated Marketing Services Ltd. 3. Director, Far Eastern Electronic Commerce Co., Ltd. 4. Executive Director, Yuan Ding Tech-info (Shanghai) Ltd. 5. Chairman, Yuan Hsin Digital Co., Ltd. 	<ol style="list-style-type: none"> 1. Director, Far Eastern Department Stores Ltd. 2. President, Ding Ding Integrated Marketing Services Ltd. 3. Director, Far Eastern Electronic Commerce Co., Ltd. 4. Executive Director, Yuan Ding Tech-info (Shanghai) Ltd. 5. Chairman, Yuan Hsin Digital Co., Ltd. 	0	Asia Cement Corporation , 80,052,950

Title	Name	Education	Experience	Current Position	Shareholding	Legal Entity Represent and its Shareholding
Director	Philby Lee	Bachelor, Department of Accounting, Arizona State University, USA	<ol style="list-style-type: none"> 1. Director, Far Eastern Department Stores Ltd. 2. Chairman, Far Eastern Big City Shopping Malls Co., Ltd. 	<ol style="list-style-type: none"> 1. Supervisor, Far Eastern Department Stores Ltd., 2. Director, Pacific (China) Investment Co., Ltd. 3. Chairman, Far Eastern Big City Shopping Malls Co., Ltd. 4. CEO, Far Eastern Retail Business Development HQ. 	76,483	Yue Li Investment Corporation, 1,769,001
Independent Director	EDWARD YUNG DO WAY	MBA, University of Georgia, USA	<ol style="list-style-type: none"> 1. Deloitte Taiwan <ul style="list-style-type: none"> ■ Managing Partner & CEO ■ Director, Deloitte Global Board ■ Director, Deloitte Greater China Board 2. Director, The Child Welfare League Foundation 3. Chairman, United Way of Taiwan, R.O.C. 	<ol style="list-style-type: none"> 1. Chairman, Yong Qin Xing Ye Limited Co. 2. Independent Director, <ul style="list-style-type: none"> ■ Apex Biotechnology Corp. ■ Synnex Technology International Corp. ■ Taiwan Cement Corp. 3. Supervisor, <ul style="list-style-type: none"> ■ Sercomm Corp. ■ Chilisun Electronics Corp. ■ Iron Force Industrial Co., Ltd. 4. Director, <ul style="list-style-type: none"> ■ Vanguard International Semiconductor Corp. ■ MiTAC Holdings Corp. ■ Wowprime Corp. 	0	-

Title	Name	Education	Experience	Current Position	Shareholding	Legal Entity Represent and its Shareholding
Independent Director	CHIEN YOU HSIN	Ph.D., Aeronautics and Astronautics, New York University, USA.	<ol style="list-style-type: none"> 1. The first Minister, Department of the Environmental Protection Administration, Executive Yuan, R.O.C. (Taiwan) 2. Minister, Ministry of Transportation and Communications 3. Minister, Ministry of Foreign Affairs 4. Senior Advisor, National Security Council 5. Representative, Taipei Representative Office in the U.K. 6. National Policy Advisor, Office of the President, R.O.C. (Taiwan) 7. Deputy Secretary General , Office of the President, R.O.C. (Taiwan) 8. Legislator, Legislative Yuan (Member of Parliament) 9. Chairman, International Cooperation and Development Fund 10. Professor and Dean, College of Engineering, Tamkang University 	<ol style="list-style-type: none"> 1. Chairman, Taiwan Institute for Sustainable Energy 2. Chairman, Telecommunication & Transportation Foundation 3. Chairman, Taiwan Institute for Climate change and Energy 4. Independent Director, Eva Airways Corporation 	0	-

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

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

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

Please vote.

Board of Directors proposes:

Explanatory Notes:

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

Resolution:

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

Title	Name	Title and Competition Company	Major Business Scope
Director	Douglas Tong Hsu	<p>Chairman</p> <ul style="list-style-type: none"> ● Far Eastern Ai Mai Co., Ltd. ● FEDS Asia Pacific Development Co., Ltd. ● FEDS New Century Development Co., Ltd. <p>Director</p> <ul style="list-style-type: none"> ● Pacific Sogo Department Stores Co., Ltd. ● Ya Tung Department Stores Ltd. ● Far Eastern City Super Co. Ltd. 	Retail and wholesale.
Director	Nancy Hsu, Representative of Ding Ding Management Consultant Corporation	<p>Chairman</p> <ul style="list-style-type: none"> ● Ya Tung Department Stores Ltd. ● Far Eastern City Super Co. Ltd. <p>Director</p> <ul style="list-style-type: none"> ● Far Eastern Ai Mai Co., Ltd. ● FEDS Asia Pacific Development Co., Ltd. ● FEDS New Century Development Co., Ltd. 	Retail and wholesale.
Director	Yvonne Li, Representative of Far Eastern New Century Co., Ltd.	<p>Chairman, Far Eastern Electronic Commerce Co., Ltd.</p> <p>Director, Pacific Sogo Department Stores Co., Ltd.</p>	Retail and wholesale.
Director	Jin Lin Liang, Representative of Asia Cement Corporation	Director, Far Eastern Electronic Commerce Co., Ltd.	Retail and wholesale.
Director	Philby Lee, Representative of Yue Li Investment Corporation.	Chairman, Far Eastern Big City Shopping Malls Co., Ltd.	Retail and wholesale.
Independent Director	EDWARD YUNG DO WAY	Director, Wowprime Corp.	Retail and wholesale.

V. Extemporany Motion

VI Rules and Regulations

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

Chapter 1 General Provisions

Article 1 The Company is duly incorporated under the provisions of the Company Law of the Republic of China, and shall be called: Far Eastern Department Stores Ltd.

Article 2 The Company's businesses are as follows :

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

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

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

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

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

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

Chapter 2 Share Capital

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

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

The Company can issue special shares.

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

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

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

Chapter 3 Shareholders' Meeting

- Article 11 The Shareholders' Meetings shall be General or Extraordinary Shareholders' Meetings. :
1. General Shareholders' Meeting shall be held once a year within 6 months of the end of the Company's financial year.
 2. Extraordinary Shareholders' Meeting shall be convened by the Board of Directors where it thinks necessary, or by way of written request by shareholders who have held continuously the Company's total issued shares for more than 1 year and whose shareholdings are greater than 3% of the Company's issued shares.

Other than where the Board of Directors has not convened or is unable to convene Shareholders' Meeting, the Supervisor may also convene Shareholders' Meeting for the benefit of the Company.

- 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 and 2 Supervisors 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 and Supervisors shall be determined according to the provisions of "Rules and Review Procedures for Director and Supervisor Ownership Ratios at Public Companies".

Independent directors shall not be less than two in number and not less than one-fifth of the total number of 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 supervisors, and the shareholders shall elect the directors and supervisors from among the nominees listed in the roster of candidates. Independent and non-independent directors and supervisors 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 Supervisors will cease to function and be ipso facto dismissed on the date of instituting of the Audit Committee.

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 and Supervisors 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 The Supervisors shall perform their supervising duties in accordance with law; furthermore Supervisors may attend meetings of the Board of Directors and present their views, but may not have voting rights. Supervisors may elect from among them a Resident Supervisor.
- Article 22 The remuneration of Directors and Supervisors 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 forward the same to the Supervisors for review 30 days prior to the General Shareholders' Meeting, following which the said statements reviewed by the Supervisors and their reports shall be submitted for approval at the General Shareholders' Meeting. The appointment, dismissal and remuneration of the accountants auditing and reviewing the above documents and statements shall be resolved at the meeting of the Board of the Directors.
- Article 27 The distribution of dividends shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Dividends shall be distributed at the ratio as set forth in these Articles of Incorporation aimed at maintaining the stability of dividend distributions. When distributing dividends, the cash dividends shall not be less than 10% of the aggregate sum of dividends and bonus distributed in the same year.
- Article 28 Apart from paying all its income taxes in the case where there are profits at the end of the year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of which shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders the remainder after deducting special

reserve as required by law together with undistributed profits from previous years in the following manner :

- a) 60% as share interest, to be distributed based on shareholdings. However in the case of increase in the Company's share capital, unless otherwise stipulated by law, the share interest to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders' meeting;
- b) 33% as shareholders' bonuses to be distributed based on shareholdings. However in the case of increase in the Company's share capital, the shareholders' bonus to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders' meeting.
- c) 4% as employees' bonuses
- d) 3% as remuneration for Directors and Supervisors, the manner in which it is to be distributed shall be decided by the Board of Directors. In the case of employees' bonuses in the form of stock dividends, the manner in which it is to be distributed shall be decided by the Board of Directors.

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

Chapter 6 Supplementary Provisions

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

- First amendment on December 20, 1967;
- Second amendment on October 2, 1968;
- Third amendment on July 29, 1969;
- Fourth amendment on August 26, 1969;
- Fifth amendment on February 19, 1970;
- Sixth amendment on June 26, 1970;
- Seventh amendment on August 21, 1972;
- Eighth amendment on March 30, 1973;
- Ninth amendment on May 2, 1974;
- Tenth amendment on May 30, 1975;
- Eleventh amendment on April 19, 1976;
- Twelfth amendment on March 25, 1977;
- Thirteenth amendment on March 6, 1978;
- Fourteenth amendment on April 6, 1979;
- Fifteenth amendment on April 18, 1980;
- Sixteenth amendment on April 9, 1981;
- Seventeenth amendment on April 15, 1982;
- Eighteenth amendment on November 29, 1982;
- Nineteenth amendment on May 12, 1983;
- Twentieth amendment on May 12, 1984;

Twenty-first amendment on May 6, 1985;
Twenty-second amendment on May 7, 1986;
Twenty-third amendment on April 30, 1987;
Twenty-fourth amendment on April 28, 1988;
Twenty-fifth amendment on April 29, 1989;
Twenty-sixth amendment on April 30, 1990;
Twenty-seventh amendment on May 2, 1991;
Twenty-eighth amendment on April 24, 1992;
Twenty-ninth amendment on April 30, 1993;
Thirtieth amendment on April 7, 1994;
Thirty-first amendment on April 15, 1995;
Thirty-second amendment on May 10, 1996;
Thirty-third amendment on May 9, 1997;
Thirty-fourth amendment on May 18, 1998;
Thirty-fifth amendment on May 12, 1999;
Thirty-sixth amendment on May 10, 2000;
Thirty-seventh amendment on May 9, 2001;
Thirty-eighth amendment on May 31, 2002;
Thirty-ninth amendment on June 10, 2003;
Fortieth amendment on June 2, 2006;
Forty-first amendment of June 9, 2010
Forty-Second amendment of June 23, 2011
Forty-third amendment of June 20, 2013
Forty-fourth amendment of June 20, 2014

2. Rules of Procedure of Shareholders Meeting for Far Eastern Department Stores Ltd (the “Company”).

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

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

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

and /or substitute to the contents of the original proposal(s) at the said shareholders' meeting.

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

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

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

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

For a stockholders' meeting convened by the board of directors, the chairman of the board of directors shall preside at the meeting. If the chairman of the board of directors is on leave or unable to exert the rights, the vice-chairman of the board of directors shall preside instead. If the position of vice-chairman is vacant or the vice-chairman is on leave or unable to exert the rights the chairman of the board of directors shall designate a director to preside at the meeting. If no director is so designated, the chairman of the meeting shall be elected by the board of directors from among themselves. When a director serves as chair, the director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair. For a stockholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting; if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

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

- 3) The chairperson shall announce starting of the meeting when the attending stockholders (or proxies) represent more than half of the total shares issued in public. The chairperson may announce postponement of meeting if the legal quorum is not present after the designated meeting time. Such postponement is limited to two times and the aggregated postponed time shall not exceed one hour. If quorum is still not present after two postponements but the attending stockholders (or proxies) represent more than one third of the total shares issued in public, tentative resolution/s may be passed with respect to ordinary resolution/s by a majority of those present. After proceeding with the aforesaid tentative resolutions, the chairperson may put the tentative resolutions for re-voting over the meeting if and when the shares represented by the attending stockholders (or proxies) reached the legal quorum.

- 4) If the stockholders' meeting is convened by the board of directors, the agenda shall be designated by the board of directors. The meeting shall proceed in accordance with the designated agenda and shall not be amended without resolutions. If the meeting is convened by person, other than the board of directors, having the convening right, the provision set out in the preceding paragraph shall apply mutatis mutandis. Except with stockholders' resolution, the chairperson shall not declare adjournment of the meeting before the first two matters set out in the agendas (including extemporary motions) are concluded. During the meeting, if the chairperson declares adjournment of the meeting in violation of the preceding rule, a new chairperson may be elected by a resolution passed by majority of the attending stockholders to continue the meeting. When the meeting is adjourned by resolution, the stockholders shall not elect another chairperson to continue the meeting at the same location or another venue.
- 5) The stockholders (or proxies) shall complete statement slip setting out the number of his/her attendance card, name and statement brief before speaking, and the chairperson will designate the order in which each person is to speak during the session. No statement will be considered to have been made if the stockholders (or proxies) merely complete the statement slip without speaking at the meeting. If there are any discrepancies between the content of the statement slip and the speech made, the statement to be adopted shall be the statement confirmed.
- 6) Any proposal for the agendas shall be submitted in written form. Except for the proposals set out in the agenda, any proposal by the stockholders (or proxies) to amend, substitute or to initiate extemporary motions with respect to the original proposal shall be seconded by other stockholders (or proxies). The same rule shall apply to any proposal to amend the agenda and motion to adjourn the meeting. The shares represented by the proponents and the seconders shall reach 100,000.
- 7) The explanation of proposal shall be limited to 5 minutes. The statement of inquiry and reply shall be limited to 3 minutes per person. The time may be extended for 3 minutes with the chairperson's permission. The chairperson may restrain stockholders (or proxies) from speaking if that stockholders (or proxies) speak overtime, speak beyond the allowed frequency or content of the speech is beyond the scope of the proposal. When a stockholder (or proxy) is speaking, other stockholder (or proxy) shall not interrupt without consent of the chairperson and the speaking stockholder (or proxy). Any disobedient of the preceding rule shall be prohibited by the chairperson.

Article 15 of this meeting rule shall apply if the disobedient do not follow the chairperson's instructions.
- 8) For the same proposal, each person shall not speak more than 2 times. When a juristic person is a stockholder, only one representative shall be appointed to attend the meeting, if more than two representatives were appointed to attend the meeting, only one representative is allowed to speak.
- 9) After speaking by the attending stockholder (or proxy), the chairperson may reply in person or assign relevant officer to reply. Over the proposal discussion, the chairperson may conclude the discussion in a timely manner and where necessary announce discussion is closed.
- 10) For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting. No discussion or voting shall proceed for matters unrelated to the proposals. The personnel responsible for overseeing and counting of the votes

for resolutions shall be appointed by the chairperson with the consent of the stockholders (or proxies). The person responsible for vote overseeing shall be of the stockholder status.

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

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

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

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

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

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

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

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

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

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

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

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

VII. Appendices

1. Shareholding of Directors and Supervisors.

Book closure date (April 24th, 2015)

Title	Name	Representative	Shareholdings	Ratio of Shareholding %
Chairman	Douglas Tong Hsu	-	1,779,835	0.12
Directors	Ding Ding Management Consultant Corp.	Nancy Hsu	73,009	0.01
	Far Eastern New Century Corporation	Alex Ro	241,769,702	16.80
		Nicole Hsu		
	Asia Cement Corporation	Jin Lin Liang	80,052,950	5.56
Independent Directors	Edward Yung Do Way		-	-
	Chien You Hsin		-	-
	Total shares owned by all Directors		323,675,496	22.49
	The total legal registered shares owned by all Directors		34,540,694	2.40
Supervisors	Oriental Union Chemical Corporation	Charles Wang	14,378,228	1.00
	U-Li Investment Company	Philby Chen	1,769,001	0.12
	Total shares owned by all Supervisors		16,147,229	1.12
	The total legal registered shares owned by all Supervisors		3,454,069	0.24

Note 1: The total issued and outstanding shares on the book closure date: 1,439,195,589 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. Effects on Business Performance and EPS Resulting From Stock Dividend Distribution Proposed by 2015 Regular Shareholders' Meeting.

Unit: NT \$

Item	Year	2015 (Estimate)
Paid-in Capital (beginning of the year)		14,391,955,890
Stock & Cash Dividend Distribution	Cash Dividend (NT\$/per share)	1.00
	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	
Pro Forma EPS & P/E Ratio	If Retained Earnings Pro Forma Earnings Per Share Distributed in Cash Dividend	Pro Forma Earnings Per Share
		Pro Forma Average Yearly Return on Investment
	If Capital Surplus not Distributed in Stock Dividend	Pro Forma Earnings Per Share
		Pro Forma Average Yearly Return on Investment
	If Retained Earnings & Capital Surplus Distributed in Cash Dividend rather than Stock Dividend	Pro Forma Earnings Per Share
		Pro Forma Average Yearly Return on Investment

Note: * As we do not disclose our financial forecast information of 2015, in compliance with relevant Government regulations, there is no need to provide this information.

3. Employees Bonus and Remuneration of Directors and Supervisors.

The bonus of employees and compensation of Directors and Supervisors were resolved by the Board of Directors on 25 March 2015. The relevant information is disclosed below:

- (1) Cash bonus to employees: NT\$61,900,886, Cash compensation to Directors and Supervisors: NT\$46,425,664 and Bonus and compensation in shares, options, warranties, and other equity-linked forms: None
- (2) After the Shareholders' Meeting resolving the actual distribution amount, the difference would be regarded as accounting estimation adjustment and recognized to the profit and loss of 2015.

Note: Pursuant to the rule issued by Financial Supervisory Commission (Letter No. FSC-Shen-1010059296) on 28 December 2012,