

Stock Code: 2903

Far Eastern Department Stores LTD.

Handbook for the 2016 Annual Meeting of Shareholders

Meeting Time: 09:00 a.m. (Friday), June 17, 2016

**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 2016 Annual Meeting of Shareholders

Call the Meeting to Order

Chairman Takes Chair

Chairman Remarks

Discussion

Matters to be Reported

Matters to be Approved

Extemporaneous Motion

Adjournment

II. Discussion

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 235 and 235-1 of Company Act, and the rule by Ministry of Economic Affairs, R.O.C. (Letter No. MEA-Shang-10402413890 on June 11, 2015, and Letter No. MEA-Shang-10402427800 on Oct. 15, 2015), it is proposed that the amended, added or deleted provisions of the Company's "Articles of Incorporation" are shown in the attached comparison table.

(2) Please approve the proposed resolutions.

Resolution:

Section	Proposed Changes	Current Articles	Reasons
Article 21	(Deleted)	<u>The compensation of Directors shall be decided by the Shareholders' Meeting.</u>	To be deleted in order to co-operate the amendment of Article 27.
Article 27	<u>If the Company profits for the year, the Company shall allocate from 2% to 3.5% of it for the employees' compensation, and the maximum of 2.5% of it for Directors' compensation. However, the company's accumulated losses shall reserve the amount of covering in advance.</u> <u>A company may, by a resolution adopted by a</u>	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 <u>distributed at the ratio as set forth in these Articles of Incorporation</u> aimed at maintaining the stability of dividend distributions.	1. Current Article 27 has been removed to second paragraph of Article 28, and has been amended. 2. To add the first paragraph of Article 27, and distribute the Directors' and employee's compensation by the ratio of profit. 3. To add the

Section	Proposed Changes	Current Articles	Reasons
	<p><u>majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash, and the ratio, amount method and shares of actual distribution; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.</u></p>	<p>When distributing dividends, the cash dividends shall not be less than 10% of the <u>aggregate sum of dividends and bonus distributed</u> in the same year.</p>	<p>second paragraph of Article 27, and the relative affairs about the actual distribution of directors' and employees' compensation shall be adopted by majority vote at a meeting of Board of Directors, and be submitted to the shareholders' meeting.</p>
Article 28	<p>Apart from paying all its income taxes in the case where there are profits at the end of the year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of which shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders <u>the bonus which is the remainder based on shareholdings</u> after deducting special reserve as required by law together with undistributed</p>	<p>Apart from paying all its income taxes in the case where there are profits at the end of the year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of which shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders the remainder after deducting special reserve as required by law together with undistributed profits from previous years <u>in the following manner :</u></p> <p>a) <u>60% as share interest, to be distributed based on shareholdings. However in the case of increase in the</u></p>	<p>1.Pursuant to amended Article 235 of Company Act, surplus earning distribution can not include employees' bonus and directors' compensation. In addition, in order to simplify and combine the dividend and shareholders' bonus, the relative rules of surplus earning distribution in the first paragraph of Article 28 have been amended and the second paragraph of</p>

Section	Proposed Changes	Current Articles	Reasons
	<p>profits from previous years.</p> <p>The distribution of dividends shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Dividends shall be <u>paid</u> aimed at maintaining the stability of dividend distributions. When distributing dividends, the cash dividends shall not be less than 10% of bonus <u>to the shareholders</u> distributed in the same year.</p>	<p><u>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;</u></p> <p>b) <u>33% as shareholders' bonuses to be distributed based on shareholdings.</u> 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) <u>4% as employees' bonuses</u></p> <p>d) <u>3% as compensation for Directors, the manner in which it is to be distributed shall be decided by the Board of Directors.</u></p> <p><u>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.</u></p>	<p>Article 28 has been deleted.</p> <p>2. Current Article 27 has been removed to second paragraph of Article 28, and has been amended.</p>

Section	Proposed Changes	Current Articles	Reasons
Article 30	<p>These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p><u>Forty-sixth amendment of June 17, 2016</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-fifth amendment of June 22, 2015</u></p>	<p>To add the date of amending the certain provisions of the Company's "Articles of Incorporation".</p>

III. Matters to be Reported

1. 2015 Messages to shareholders.

Explanation:

The 2015 Messages to Shareholders is attached as page 8-14.

Preface

Reflecting on 2015, the stagnant recovery in the advanced economies, lack of growth momentum in the emerging markets, and slowdown of China's economy have resulted in a lower than expected global growth. With slow globalization that impacted on the domestic economy, both Taiwan's export volume and production index declined. Fortunately the sluggish economy did not worsen the local employment. Given the lower unemployment, increasing average actual salary, relatively stable commodity prices, and the Government's "Reviving Consumption Measures" to effectively stimulate private spending, private consumption grew over 2% year-on-year, amounting to annual sales of NT\$318.9 billion for Taiwan's department stores, up 4.2% than a year ago, demonstrating the strong vitality of the retail market.

From operation perspective, dining is undoubtedly the most active sector for the department store market. Far Eastern Department Stores (FEDS) has seized this trend and continued to introduce new brands to elevate sales. Aside from offering varieties of gourmet foods to attract customers, FEDS is also keen on the "experience economy" to sponsor various novel and interesting events in order to provide cheerful and sensible activities for consumers to immerse in this unique in-store experience, thus to draw them from online to offline. Definitely, the competition remained fierce, new outlet malls and shopping centers continued to pop up. Malls that can provide "one-stop shopping" are most welcomed by customers. Therefore, FEDS City mega stores, "the department store oriented shopping malls", have received warm welcome since their opening by having more than 10 million visits annually and are considered the utmost landmark for innovation in operations. In response to development of digital technology, FEDS also aims to enhance its high-tech capability via data analysis and the application of mobile commerce to provide customers with personalized targeted marketing and services, lead them to experience fashion technology and smart shopping.

Given the above, pursuant to the "consumer-oriented" mindset, though facing constantly changing environment and market preferences, FEDS is always committed to innovative transformation to maintain high growth and competitiveness. With the joint efforts of all our colleagues, in 2015 FEDS registered record highs in both anniversary sales and annual sales. Annual sales were NT\$43.35 billion, up 2.4% year on year, among which Mega City Banqiao and Top City Taichung, the two City mega stores attributed significantly due to their new ample sales space, comprehensive brands display, and

extraordinary architectural design. These stores have delivered excellent performance that set a precedent of Taiwan's department store to turn profit within the first year of opening, and to reach NT\$10 billion sales within three years of operation, to secure the Company's leading position in the retail business.

Looking into 2016, though with many uncertainties, thanks to Government's expansion of public expenditures and investment incentives policy, domestic demand will be expected to vitalize. Therefore, we hold optimistic view of continuous recovery of private consumption, and will strive to boost revenues, reach news highs, and deliver outstanding performance.

Operations Report for 2015

FEDS recorded in 2015 consolidated sales of NT\$125.7 billion (according to IFRS, consolidated revenues were NT\$45 billion). Consolidated net profit was NT\$2.15 billion, company alone net profit was NT\$1.71 billion, and earnings per share were NT\$1.20. According to the 17th Board Meeting of FEDS, total cash dividend payout for 2015 was NT\$1.0. Operating result of the Far Eastern Retail Group in 2015 is summarized as follows:

(1) Far Eastern Department Stores Ltd.

1. FEDS registered sales of NT\$43.35 billion in 2015, grew 2.4% year on year; operating income was NT\$1.53 billion, and pre-tax income was NT\$2.09 billion.
2. Maintain brand freshness, further upgrade ability to attract customers and brand image, Top City Taichung and Mega City Banqiao continue to renovate and undergo merchandise adjustment, bring in world-renowned luxury watch brands, fast fashion brands from Europe, U.S. and Japan, and popular theme restaurants, to provide more comprehensive merchandise mix and shopping options to customers so as to ensure unique and special attraction.
3. Aside from large-scale floor renovations, each branch also introduced the most popular brands in accordance with local characters and market preferences. FEDS Banqiao Store opened Syabu-yo, its first overseas branch from Japan. Hsinchu Store launched Taiwan's first Snoopy theme restaurant, Hualien Store inaugurated east Taiwan's first MUJI lifestyle store, which have all been well received by local consumers.
4. Taiwan consumers have always been interested in international trade fairs. To satisfy customer needs, FEDS sponsored more than 10 Korean, U.S.A., Japanese and other exotic cultural and commodities exhibitions in 2015. In addition to selling foreign products, art performance programs and handicraft experience were also arranged to

let customers enjoy unique worldly flavor without going abroad.

5. Each branch store also sponsored nearly 250 events with various themes of art, cultural, CSR and local community campaign to promote the local economy and tourism, which has become a joint platform to demonstrate caring for the society, help the underprivileged and fulfill social responsibilities.
6. Develop smart shopping experience via mobile technology. Set up WiFi, iBeacon within the stores, distribute promotional alerts, restaurant waiting notice, in store location direction via APP, Line etc. on mobile handsets to offer consumers the fun experiences of convenience and smart shopping in fashion.
7. Continue to digitize, complete procurement approval process, petty cash management, counter contract management, and cashier account payment systems so as to renew, optimize and elevate the efficiency and manpower performance of various operations.
8. Establish the Budget Management Committee to impose strict cost control, engage in job rotation to improve specialized skills and integration of work with the aim to strengthen efficiency of organization through proactive management, build up excellent working team, and heighten the Company's operating performance and profitability.

(2) Pacific SOGO Department Store

1. 2015 sales were NT\$43.82 billion, down 0.3% from 2014. Operating income was NT\$2.51 billion, and net income before tax was NT\$1.3 billion.
2. The anniversary sales for 2015 were NT\$9.72 billion, about the same as that of 2014. Under the impact of El Nino leading to a warmer winter, affecting sales of thermal and heat up products, in particular premium goods dropped considerably (temperature this year at 25~31°C, last year at 19~25°C), coupled with economic slowdown and sluggish momentum; however, with joint efforts of our colleagues, correct marketing strategy, we managed to deliver the same sales level from the previous year.
3. Tun Hua New Hall has completed its shop recruiting and interior renovation with the new design of glittered jewelry box in eastern Taipei, added with international luxury boutiques, local and foreign designer brands, jewelries, theme restaurants, and exotic gourmet food. Kaohsiung Store also underwent partial renovation and counter replacement. Revenues of these two stores have improved significantly.
4. 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. Wuxi Store was also then closed due to competitions from e-commerce and general economic slowdown in China.
5. To achieve digitization, introduce LINE and combine SOGO APP with e-commerce

platform to expand business, initiate new business model, and diversify the operations.

6. Digitization construction: Set up paperless teleconference room, mobile payment including voucher, e-coupon, Alipay, premium voucher, establish cloud and WiFi environment, online and offline (O2O) business model, offline service with online purchase, synchronized online and offline sales, through the physical stores to provide customers consistent interactive shopping experience.
7. Aside from adopting International Financial Reporting Standards (IFRS), also promoting 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. Strengthen operation management, strictly control operating budget, marketing expenses and various capital expenditure, conduct cost saving and stress tests so as to ensure that the Company profit is not seriously affected.

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

1. 2015 sales were NT\$15.86 billion, down 3.2% year on year, and net loss was NT\$8.1 million.
2. The 20th A-mart branch Banqiao Nanya Store was officially opened in April 2015, while Panhsin Hyper Store concluded operation in October 2015.
3. Adjust merchandise mix – By expediting the imports of Japanese and Korea food products, Korean cosmetics, plus Japanese and Korean groceries, gross profit margin in 2015 increased 0.9% than that of 2014.
4. Expedite the expansion of e-commerce:
 - (1) Expand cooperation channel (Yahoo stored to be opened in September).
 - (2) Use shopping list to promote periodic purchase (online in December).

Operations Report for 2016

Facing with intense competition and quick changes, we will prudently respond to the changing consumer needs, set up targeted guidelines for merchandise, service and operation, and execute accordingly to deliver superior operating efficiency.

(1) Far Eastern Department Stores Ltd.

1. Maintain competitive momentum, each branch store will cultivate featured topics in local market preference and lifestyle, conduct merchandise mix and adjust categories, enhance the ability to attract customers and merchandise power so as to deliver more outstanding performance.

2. Top City Taichung will further strengthen its merchandise mix, plans to introduce famous housewares brand from the United States in 2016, and the cultural-creative-oriented Elite Bookstore is also expected to operate in this Store. Mega City Banqiao will increase numbers of counters to elevate revenues and merchandise density, and Tim Ho Wan, the Dim-Sum Specialists, is expected to open there during mid of 2016.
3. Each medium and small-sized store will continue to focus on younger style, expand outdoor appliances, light meals and cosmetics. Women's apparel shall remove the underperforming brands in favor of the strong ones, and increase affordable lady fashion and imported young girl fashion.
4. Continue to organize international exhibitions, enhance interactions, and hold special events in echo with indigenous culture and festivals, hopefully to attract more customers with these interactive experiences.
5. Improve customer stickiness, and make them more willing to shop at FEDS. Plan for more flexible and diversified promotions via analysis and implementation of Big Data, meanwhile provide consumers with more innovative caring services with the help of digital technology so as to effectively elevate operating performance.
6. With mobile payment solutions and issuance of e-vouchers to increase convenience and connect with consumers of the mobile generation.
7. Form the expense control task force to ensure the necessity and rationality of expenses, establish digitized inventory and gift management operation, elevate resource allotment, control analysis, and reorganize the approval, procurement and auditing process to strengthen the efficiency of centralized handling of procurement and accounting.

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

1. In early 2016, with the slowdown of global economy, weak demand and plunge of oil price, export in January this year continued to show recession for 12 consecutive months, the worst since the financial crisis, which is not likely to report growth in 1Q. Directorate-General of Budget, Accounting and Statistics, Executive Yuan announced on February 17, 2016 Taiwan's 2016 economic growth forecast to be 1.47%, a substantial drop of 0.85% than the original 2.32% published in November 2015, the second lowest ever since financial tsunami. However, with the opening of new retailers such as Breeze A3 Sung Kao Store, Linko Mitsui Outlet Park, Taoyuan Gloria Outlet, and Taichung Lipao Park Outlet Mall to be opened this summer, competition will become increasingly intense, merchandise selection will be very similar, thus marketing and management costs will invariably increase.

2. Taipei Zhongxiao Store will enhance fashion favors of lady's wear and reinforce organic food lifestyle; Tun Hwa New Store already completed in April 2016 its curtain wall and interior renovation; Fuxing Store will undergo partial renovation of its boutique floors to upgrade international brands; and Hsinchu Store will cut down cost and enrich the offerings of fashion brands.
3. Marketing strategy based on integrating HAPPY GO, SOGO APP, SOGO online shop, SOGO FB, SOGO LINE, WiFi omni-channel database, Big Data integration, application and distribution.
4. Establish SOGO's omni-channel e-commerce system, develop synchronized online/offline merchandise and online exclusive merchandise, plan and execute O2O interactive mechanism.
5. Stores in China have been affected by intense competition due to e-commerce and over-expansion of department stores. Enhance the adjustment of sales space, merchandise and promotion in terms of operations and cross integrate IoT. Management side to fortify cost and target control, and to integrate cash, business, and data flows through digital technology.
6. Digitization plan to expedite the establishment of joint mobile payment platform, promote e-voucher and accounting management, set up self-service information kiosk system, and to utilize eTag APP system for parking fee payment.
7. Key targets for 2016: Rollout overall cost control, monitor operating and expenditure budget, save expenses, and elevate efficiency.

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

1. Quick transformation, flexible cross-border operation, focusing on both virtual and physical channels, and digital integration.
2. More speedy adjustment of merchandise mix, create differentiation, and elevate gross profit.
3. Optimize store atmosphere, provide customers with more diversified and better shopping experience.
4. Deepen e-commerce engagement: New choice for home purchasing
 - (1) Develop cargo delivery at convenience stores.
 - (2) Gradually promote online & offline pricing consistency.
 - (3) Continue to use frequent shopping list to optimize shopping process.
 - (4) Implement Joint Promotion to extend the inter-exchange of online (47,000/month) and offline (1.422 million/month) customers.

In summary, though domestic economic growth did not perform well in 2015, FEDS managed to maintain growth momentum. After surpassing NT\$40 billion of sales in 2015, operating sales continued to increase to achieve the next NT\$10 billion mark. We are confident that with the dedication of loyal consumers, efforts of colleagues, and full support of our shareholders, FEDS will continue to adopt nimble strategy and innovative thinking to create a business model in line with the current trend to register stellar growth and reach new highs.

It is worth noted 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 fully equipped with the comprehensive knowhow to develop world-class mega malls. Pursuant to the consumer-oriented founding motto, the outstanding management team of FEDS will continue to open new stores in Taiwan, and develop the China market, offer best customer services, and create the retail group that offers the highest customer satisfaction, growth, competitiveness, and profitability.

Last but not least, facing with the arrival of Industry 4.0, the IoT (Internet of Things), Big Data, and AI (Artificial Intelligence) have not only fundamentally changed people's lives, but also initiated drastic changes in the retail industry. The future of retail industry's value curve must focus on innovation and customers' shopping experience, the application of various high-tech devices to strengthen convenience and interaction, and increase added value of retail services to further enhance niche market and competitive edge. Facing with the era of omni-channel retailing, we are well prepared to seize the most up-to-date market trend and opportunities to ensure that the Far Eastern Retail Group continues to innovate and seek for sustainable excellence and leadership.

Sincerely yours,

Douglas Tong Hsu
Chairman

2. Financial report of 2015.

Explanation:

The 2015 Financial Statements are attached as page 16-30.

1. Consolidated balance sheets (December 31, 2015)
2. Consolidated statement of comprehensive income (January 1, 2015 ~ December 31, 2015)
3. Consolidated statements of changes in stockholders' equity (January 1, 2015 ~ December 31, 2015)
4. Consolidated statements of cash flow (January 1, 2015 ~ December 31, 2015)
5. Balance sheets (December 31, 2015)
6. Statement of comprehensive income (January 1, 2015 ~ December 31, 2015)
7. Statements of changes in stockholders' equity (January 1, 2015 ~ December 31, 2015)
8. Statements of cash flow (January 1, 2015 ~ December 31, 2015)
9. Independent auditor's report by Deloitte & Touche is attached as page 16 and page 24.

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, 2015, December 31, 2014 and January 1, 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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, 2015, December 31, 2014 and January 1, 2014, and their consolidated financial performance and their cash flows for the years ended December 31, 2015 and 2014, 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 applies the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) starting in 2015. Thus, this accounting policy was retrospectively applied to prior Standards, Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC), and the items of the prior consolidated financial statements 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, 2015 and 2014, on which we have issued a modified unqualified report.

March 24, 2016

Notice to Readers

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2015		December 31, 2014 (Retrospectively Applied)		January 1, 2014 (Retrospectively Applied)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents	\$ 10,026,630	9	\$ 10,952,918	10	\$ 13,221,405	12
Financial assets at fair value through profit or loss - current	351,111	-	290,895	-	239,974	-
Available-for-sale financial assets - current	468,682	-	487,231	-	552,555	-
Debt investments with no active market - current	876,847	1	1,204,317	1	437,497	-
Notes receivable	3,393	-	2,410	-	28,119	-
Trade receivables	515,195	1	527,659	1	766,445	1
Trade receivables from related parties	182,970	-	191,931	-	57,302	-
Other receivables	1,687,802	2	1,508,732	1	1,779,487	2
Current tax assets	5,782	-	200,615	-	418,064	-
Inventories	2,997,240	3	2,870,727	3	2,976,244	3
Prepayments	871,542	1	975,457	1	1,090,656	1
Non-current assets held for sale	-	-	115	-	377	-
Other current assets	90,102	-	102,260	-	83,987	-
Total current assets	<u>18,077,296</u>	<u>17</u>	<u>19,315,267</u>	<u>17</u>	<u>21,652,112</u>	<u>19</u>
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current	3,689,341	3	4,989,668	4	4,986,339	4
Financial assets measured at cost - non-current	611,576	-	783,652	1	776,374	1
Debt investments with no active market - non-current	127,000	-	125,000	-	521,897	1
Investments accounted for using the equity method	9,163,153	9	9,546,534	9	9,050,368	8
Property, plant and equipment	45,612,886	43	47,426,385	43	52,166,888	46
Investment properties	10,036,266	9	9,667,344	9	3,070,495	3
Intangible assets	7,240,992	7	7,226,592	6	7,715,184	7
Deferred tax assets	727,394	1	926,612	1	940,225	1
Net defined benefit assets	-	-	185,782	-	222,615	-
Long-term prepayments for lease	9,177,719	9	9,472,460	8	9,464,677	8
Other non-current assets	1,873,863	2	1,954,939	2	1,920,123	2
Total non-current assets	<u>88,260,190</u>	<u>83</u>	<u>92,304,968</u>	<u>83</u>	<u>90,835,185</u>	<u>81</u>
TOTAL	<u>\$106,337,486</u>	<u>100</u>	<u>\$111,620,235</u>	<u>100</u>	<u>\$112,487,297</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings	\$ 9,499,733	9	\$ 6,674,285	6	\$ 7,462,340	7
Short-term bills payable	2,351,020	2	2,991,683	3	3,047,306	3
Notes payable	52,224	-	63,303	-	159,194	-
Trade payables	16,605,966	16	17,601,054	16	17,693,401	16
Trade payables and notes payable to related parties	119,754	-	153,238	-	151,909	-
Other payables	4,895,382	5	5,495,103	5	5,252,331	5
Current tax liabilities	182,997	-	512,116	-	401,874	-
Provisions - current	3,000	-	4,135	-	4,135	-
Deferred revenue - current	98,552	-	65,656	-	101,136	-
Advance receipts	8,063,527	7	7,829,288	7	7,720,500	7
Current portion of bonds payable	-	-	1,000,000	1	2,493,512	2
Current portion of long-term borrowings	1,959,200	2	1,764,429	2	1,445,159	1
Other current liabilities	309,764	-	265,157	-	252,891	-
Total current liabilities	<u>44,141,119</u>	<u>41</u>	<u>44,419,447</u>	<u>40</u>	<u>46,185,688</u>	<u>41</u>
NON-CURRENT LIABILITIES						
Bonds payable	994,419	1	992,560	1	1,990,702	2
Long-term borrowings	18,829,745	18	21,548,341	19	21,841,434	19
Provisions - non-current	31,058	-	31,222	-	30,483	-
Deferred tax liabilities	1,991,395	2	1,729,061	2	1,608,841	1
Net defined benefit liabilities	802,608	1	563,292	-	535,105	1
Other non-current liabilities	2,695,271	2	2,878,845	3	2,841,682	3
Total non-current liabilities	<u>25,344,496</u>	<u>24</u>	<u>27,743,321</u>	<u>25</u>	<u>28,848,247</u>	<u>26</u>
Total liabilities	<u>69,485,615</u>	<u>65</u>	<u>72,162,768</u>	<u>65</u>	<u>75,033,935</u>	<u>67</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Common shares	14,169,406	13	14,391,956	13	14,109,761	13
Capital surplus	3,315,420	3	3,498,252	3	3,498,174	3
Retained earnings						
Legal reserve	2,728,379	3	2,575,473	2	2,358,917	2
Special reserve	2,461,168	2	2,461,168	2	1,931,285	2
Unappropriated earnings	2,673,946	3	2,936,463	3	4,107,920	3
Total retained earnings	<u>7,863,493</u>	<u>8</u>	<u>7,973,104</u>	<u>7</u>	<u>8,398,122</u>	<u>7</u>
Other equity	3,995,790	4	5,900,851	5	3,659,643	3
Treasury shares	(97,110)	-	(97,110)	-	(97,110)	-
Total equity attributable to owners of the Company	29,246,999	28	31,667,053	28	29,568,590	26
NON-CONTROLLING INTERESTS						
	7,604,872	7	7,790,414	7	7,884,772	7
Total equity	<u>36,851,871</u>	<u>35</u>	<u>39,457,467</u>	<u>35</u>	<u>37,453,362</u>	<u>33</u>
TOTAL	<u>\$106,337,486</u>	<u>100</u>	<u>\$111,620,235</u>	<u>100</u>	<u>\$112,487,297</u>	<u>100</u>

(With Deloitte & Touche audit report dated March 24, 2016)

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			
	2015		2014	
	(Retrospectively Applied)			
	Amount	%	Amount	%
OPERATING REVENUES	\$44,998,319	100	\$45,928,793	100
OPERATING COSTS	<u>22,257,933</u>	<u>49</u>	<u>22,719,427</u>	<u>50</u>
GROSS PROFIT	<u>22,740,386</u>	<u>51</u>	<u>23,209,366</u>	<u>50</u>
OPERATING EXPENSES				
Selling and marketing expenses	1,197,658	3	1,218,973	3
General and administrative expenses	<u>18,613,897</u>	<u>41</u>	<u>18,667,206</u>	<u>40</u>
Total operating expenses	<u>19,811,555</u>	<u>44</u>	<u>19,886,179</u>	<u>43</u>
OPERATING PROFIT	<u>2,928,831</u>	<u>7</u>	<u>3,323,187</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	378,037	1	369,884	1
Other gains and losses	163,685	-	(276,669)	(1)
Finance costs	(461,215)	(1)	(465,191)	(1)
Share of profit of associates accounted for using the equity method	<u>405,335</u>	<u>1</u>	<u>133,207</u>	<u>-</u>
Total non-operating income and expenses	<u>485,842</u>	<u>1</u>	<u>(238,769)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	3,414,673	8	3,084,418	6
INCOME TAX EXPENSE	<u>1,261,372</u>	<u>3</u>	<u>925,000</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,153,301</u>	<u>5</u>	<u>2,159,418</u>	<u>4</u>
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(422,992)	(1)	(62,170)	-
Gains on property revaluation	-	-	2,328,026	5
Share of the other comprehensive loss of associates accounted for using the equity method	(3,313)	-	(2,893)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>72,026</u>	<u>-</u>	<u>(146,321)</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			
	2015		2014 (Retrospectively Applied)	
	Amount	%	Amount	%
	<u>(354,279)</u>	<u>(1)</u>	<u>2,116,642</u>	<u>5</u>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(24,562)	-	48,411	-
Unrealized loss on available-for-sale financial assets	(1,318,876)	(3)	(61,995)	-
Share of the other comprehensive (loss) income of associates accounted for using the equity method	<u>(566,750)</u>	<u>(1)</u>	<u>92,499</u>	<u>-</u>
	<u>(1,910,188)</u>	<u>(4)</u>	<u>78,915</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(2,264,467)</u>	<u>(5)</u>	<u>2,195,557</u>	<u>5</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (111,166)</u>	<u>-</u>	<u>\$ 4,354,975</u>	<u>9</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	\$ 1,714,770	4	\$ 1,524,441	3
Non-controlling interests	<u>438,531</u>	<u>1</u>	<u>634,977</u>	<u>2</u>
	<u>\$ 2,153,301</u>	<u>5</u>	<u>\$ 2,159,418</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	\$ (530,347)	(1)	\$ 3,721,008	8
Non-controlling interests	<u>419,181</u>	<u>1</u>	<u>633,967</u>	<u>1</u>
	<u>\$ (111,166)</u>	<u>-</u>	<u>\$ 4,354,975</u>	<u>9</u>
EARNINGS PER SHARE				
Basic	<u>\$1.20</u>		<u>\$1.07</u>	
Diluted	<u>\$1.20</u>		<u>\$1.07</u>	

(With Deloitte & Touche audit report dated March 24, 2016)

(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											
	Retained Earnings					Exchange Differences on Translating Foreign Operations	Other Equity			Non-controlling Interests	Total Equity	
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized (Loss) Gain on Available-for-sale Financial Assets	Unrealized Revaluation Surplus	Treasury Shares			Total
BALANCE AT JANUARY 1, 2014	\$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
Effect of retrospective application and retrospective restatement	-	-	-	-	12,704	-	-	-	-	12,704	-	12,704
BALANCE AT JANUARY 1, 2014, RETROSPECTIVE APPLICATION	14,109,761	3,498,174	2,358,917	1,931,285	4,107,920	10,256	3,649,387	-	(97,110)	29,568,590	7,884,772	37,453,362
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	-	-	-	-	1,524,441	-	-	-	-	1,524,441	634,977	2,159,418
Other comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	(44,641)	60,743	9,495	2,170,970	-	2,196,567	(1,010)	2,195,557
BALANCE AT DECEMBER 31, 2014, RETROSPECTIVE APPLICATION	14,391,956	3,498,252	2,575,473	2,461,168	2,936,463	70,999	3,658,882	2,170,970	(97,110)	31,667,053	7,790,414	39,457,467
Appropriation of the 2014 earnings												
Legal reserve	-	-	152,906	-	(152,906)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,439,196)	-	-	-	-	(1,439,196)	-	(1,439,196)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(587,691)	(587,691)
Adjustments resulting from investments in associates accounted for using the equity method	-	(78)	-	-	(45,129)	-	-	-	-	(45,207)	(17,032)	(62,239)
Net profit for the year ended December 31, 2015	-	-	-	-	1,714,770	-	-	-	-	1,714,770	438,531	2,153,301
Other comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	(340,056)	(13,516)	(1,891,545)	-	-	(2,245,117)	(19,350)	(2,264,467)
Buy-back of treasury shares	-	-	-	-	-	-	-	-	(405,304)	(405,304)	-	(405,304)
Cancelation of treasury shares	(222,550)	(182,754)	-	-	-	-	-	-	405,304	-	-	-
BALANCE AT DECEMBER 31, 2015	\$14,169,406	\$ 3,315,420	\$ 2,728,379	\$ 2,461,168	\$ 2,673,946	\$ 57,483	\$ 1,767,337	\$ 2,170,970	\$ (97,110)	\$29,246,999	\$ 7,604,872	\$36,851,871

(With Deloitte & Touche audit report dated March 24, 2016)

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

	For the Years Ended	
	December 31	
	2015	2014 (Retrospectively Applied)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 3,414,673	\$ 3,084,418
Adjustments for:		
Depreciation expenses	3,061,186	2,951,638
Amortization expenses	35,644	28,907
Reversal of impairment loss on receivables	(8,882)	(3,321)
Net gain on financial assets or liabilities at fair value through profit or loss	(16,658)	(46,651)
Finance costs	461,215	465,191
Interest income	(76,018)	(101,762)
Dividend income	(302,019)	(268,122)
Share of profit of associates accounted for using the equity methods	(405,335)	(133,207)
Loss on disposal of property, plant and equipment	36,518	18,330
Loss on disposal of intangible assets	820	-
Loss (gain) on disposal of non-current assets held for sale	97	(316)
Impairment loss recognized on financial assets	169,281	2,055
Unrealized loss on physical inventory and slow-moving inventories	(17,123)	13,041
Impairment loss recognized on intangible assets	-	495,605
Impairment loss recognized on property, plant and equipment	-	4,637
(Gain) loss on change in fair value of investment properties	(357,044)	21,931
Amortization of prepayments	15,087	14,145
Amortization of prepayments for lease	326,656	321,773
Reversal of provisions	(1,627)	-
Reversal of deferred revenue	(65,656)	(101,136)
Unrealized purchase discounts	14,033	(11,617)
Net changes in operating assets and liabilities		
Financial assets held for trading	(43,558)	(4,270)
Notes receivable	(983)	25,709
Trade receivables	30,923	276,947
Trade receivables and notes receivable from related parties	8,961	(134,629)
Other receivables	(174,547)	35,073
Inventories	(123,423)	104,093
Prepayments	84,092	115,264
Other current assets	12,158	(18,273)
Net defined benefit assets	8,351	7,975
Notes payable	(11,079)	(95,891)
Trade payables	(995,088)	(92,347)
Trade payables and notes payable to related parties	(33,484)	1,329
Other payables	(420,542)	(448,737)
Deferred revenue	98,552	65,656
Advance receipts	544,737	383,519

(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	
	2015	2014 (Retrospecti vely Applied)
Other current liabilities	44,607	12,266
Net defined benefit liabilities	<u>62,552</u>	<u>29,166</u>
Cash generated from operations	5,377,077	7,018,389
Interest paid	(440,838)	(481,901)
Interest received	71,918	116,462
Income tax returned	19,246	210,212
Income tax paid	<u>(883,682)</u>	<u>(819,264)</u>
Net cash generated from operating activities	<u>4,143,721</u>	<u>6,043,898</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in debt investments with no active market	325,470	(369,923)
Purchase of investments accounted for using the equity method	(106,000)	(360,000)
Decrease in prepaid long-term investments	78,346	78,456
Proceeds from disposal of non-current assets held for sale	16	582
Payments for property, plant and equipment	(1,970,634)	(1,984,796)
Proceeds from disposal of property, plant and equipment	1,173	24,190
Decrease in other receivables	-	212,388
Payments for intangible assets	(45,745)	(34,958)
Payments for investment properties	(11,878)	-
Decrease (increase) in other non-current assets	82,382	(52,667)
Increase in prepayments for lease	(15,388)	(372,940)
Dividends received	<u>432,666</u>	<u>406,809</u>
Net cash used in investing activities	<u>(1,229,592)</u>	<u>(2,452,859)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	63,475,366	68,280,489
Repayments of short-term borrowings	(60,614,337)	(69,231,410)
Proceeds from short-term bills payable	25,892,479	23,851,586
Repayments of short-term bills payable	(26,533,142)	(23,907,209)
Repayments of bonds payable	(1,000,000)	(2,500,000)
Proceeds from long-term borrowings	47,315,604	48,618,177
Repayments of long-term borrowings	(49,840,000)	(48,592,000)
(Decrease) increase in other non-current liabilities	(19,375)	26,571
Dividends paid to owners of the Company	(1,439,211)	(1,622,612)
Payments for buy-back of treasury shares	(405,304)	-
Dividends paid to non-controlling interests	<u>(617,669)</u>	<u>(720,319)</u>
Net cash used in financing activities	<u>(3,785,589)</u>	<u>(5,796,727)</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	
	2015	2014 (Retrospecti vely Applied)
EFFECTS OF EXCHANGE RATE CHANGES	<u>(54,828)</u>	<u>(62,799)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(926,288)	(2,268,487)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>10,952,918</u>	<u>13,221,405</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$10,026,630</u>	<u>\$10,952,918</u>

(With Deloitte & Touche audit report dated March 24, 2016)

(Concluded)

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, 2015, December 31, 2014 and January 1, 2014 and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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, 2015, December 31, 2014 and January 1, 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014, 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 applies the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) starting in 2015. Thus, this accounting policy was retrospectively applied to prior Standards, Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC), and the items of the prior financial statements have been restated.

March 24, 2016

Notice to Readers

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

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

FAR EASTERN DEPARTMENT STORES, LTD.

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2015		December 31, 2014 (Retrospectively Applied)		January 1, 2014 (Retrospectively Applied)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash	\$ 522,970	1	\$ 453,650	1	\$ 516,953	1
Available-for-sale financial assets - current	247,350	-	251,769	1	285,698	1
Debt investments with no active market - current	-	-	192,371	-	191,594	-
Notes receivable	1,037	-	223	-	26,350	-
Trade receivables	254,301	-	245,217	-	242,626	-
Trade receivables from related parties	22,857	-	12,039	-	15,676	-
Other receivables	93,185	-	66,111	-	329,741	1
Current tax assets	4,270	-	20,163	-	20,163	-
Inventories	390,075	1	413,419	1	384,916	1
Prepayments	261,345	1	249,054	-	247,658	-
Other current assets	17,609	-	15,151	-	21,801	-
Total current assets	<u>1,814,999</u>	<u>3</u>	<u>1,919,167</u>	<u>3</u>	<u>2,283,176</u>	<u>4</u>
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current	2,185,496	4	2,993,608	5	2,968,556	5
Financial assets measured at cost - non-current	107,433	-	109,488	-	111,543	-
Investments accounted for using the equity method	17,866,126	30	19,188,257	31	19,555,805	32
Property, plant and equipment	26,098,891	44	27,090,806	43	31,227,060	51
Investment properties	9,144,466	15	8,734,944	14	1,771,695	3
Intangible assets	12,553	-	21,897	-	5,494	-
Deferred income tax assets	106,958	-	69,505	-	52,901	-
Net defined benefit assets	-	-	185,782	-	222,615	1
Long-term prepayments for lease	2,360,977	4	2,423,382	4	2,485,787	4
Other non-current assets	211,072	-	207,026	-	218,746	-
Total non-current assets	<u>58,093,972</u>	<u>97</u>	<u>61,024,695</u>	<u>97</u>	<u>58,620,202</u>	<u>96</u>
TOTAL	<u>\$59,908,971</u>	<u>100</u>	<u>\$62,943,862</u>	<u>100</u>	<u>\$60,903,378</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings	\$ 4,900,000	8	\$ 1,800,000	3	\$ 2,650,000	4
Short-term bills payable	1,049,686	2	1,649,460	3	1,598,491	3
Trade payables	3,355,590	6	3,345,297	5	3,328,710	5
Trade payables to related parties	66,998	-	65,002	-	65,113	-
Other payables	1,847,950	3	2,487,711	4	1,765,311	3
Current tax liabilities	65,194	-	166,765	-	40,192	-
Deferred revenue - current	38,775	-	14,892	-	6,257	-
Advance receipts	3,163,444	5	3,106,025	5	3,088,826	5
Current portion of bonds payable	-	-	1,000,000	2	2,493,512	4
Current portion of long-term borrowings	300,000	1	999,429	1	997,159	2
Other current liabilities	137,093	-	55,658	-	77,358	-
Total current liabilities	<u>14,924,730</u>	<u>25</u>	<u>14,690,239</u>	<u>23</u>	<u>16,110,929</u>	<u>26</u>
NON-CURRENT LIABILITIES						
Bonds payable	-	-	-	-	1,000,000	2
Long-term borrowings	13,596,945	23	14,846,606	24	12,749,762	21
Deferred tax liabilities	1,840,126	3	1,633,110	3	1,388,989	2
Net defined benefit liabilities	176,764	-	-	-	-	-
Other non-current liabilities	123,407	-	106,854	-	85,108	-
Total non-current liabilities	<u>15,737,242</u>	<u>26</u>	<u>16,586,570</u>	<u>27</u>	<u>15,223,859</u>	<u>25</u>
Total liabilities	<u>30,661,972</u>	<u>51</u>	<u>31,276,809</u>	<u>50</u>	<u>31,334,788</u>	<u>51</u>
EQUITY						
Share capital						
Common shares	14,169,406	24	14,391,956	23	14,109,761	23
Capital surplus	3,315,420	5	3,498,252	5	3,498,174	6
Retained earnings						
Legal reserve	2,728,379	5	2,575,473	4	2,358,917	4
Special reserve	2,461,168	4	2,461,168	4	1,931,285	3
Unappropriated earnings	2,673,946	4	2,936,463	5	4,107,920	7
Total retained earnings	<u>7,863,493</u>	<u>13</u>	<u>7,973,104</u>	<u>13</u>	<u>8,398,122</u>	<u>14</u>
Other equity	3,995,790	7	5,900,851	9	3,659,643	6
Treasury shares	(97,110)	-	(97,110)	-	(97,110)	-
Total equity	<u>29,246,999</u>	<u>49</u>	<u>31,667,053</u>	<u>50</u>	<u>29,568,590</u>	<u>49</u>
TOTAL	<u>\$59,908,971</u>	<u>100</u>	<u>\$62,943,862</u>	<u>100</u>	<u>\$60,903,378</u>	<u>100</u>

(With Deloitte & Touche audit report dated March 24, 2016)

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			
	2015		2014 (Retrospectively Applied)	
	Amount	%	Amount	%
OPERATING REVENUES	\$10,348,566	100	\$10,193,869	100
OPERATING COSTS	<u>3,710,684</u>	<u>36</u>	<u>3,559,957</u>	<u>35</u>
GROSS PROFIT	<u>6,637,882</u>	<u>64</u>	<u>6,633,912</u>	<u>65</u>
OPERATING EXPENSES				
Selling and marketing expenses	481,701	4	470,142	4
General and administrative expenses	<u>4,625,049</u>	<u>45</u>	<u>4,578,721</u>	<u>45</u>
Total operating expenses	<u>5,106,750</u>	<u>49</u>	<u>5,048,863</u>	<u>49</u>
OPERATING PROFIT	<u>1,531,132</u>	<u>15</u>	<u>1,585,049</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	169,662	2	143,061	1
Other gains and losses	483,759	5	61,343	1
Finance costs	(228,199)	(2)	(214,344)	(2)
Share of profit of subsidiaries and associates accounted for using the equity methods	<u>142,971</u>	<u>1</u>	<u>213,916</u>	<u>2</u>
Total non-operating income and expenses	<u>568,193</u>	<u>6</u>	<u>203,976</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	2,099,325	21	1,789,025	18
INCOME TAX EXPENSE	<u>384,555</u>	<u>4</u>	<u>264,584</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>1,714,770</u>	<u>17</u>	<u>1,524,441</u>	<u>15</u>
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(354,195)	(3)	(28,858)	-
Gains on property revaluation	-	-	2,328,026	23
Share of other comprehensive loss of subsidiaries and associates accounted for using the equity methods	(46,074)	(1)	(21,133)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>60,213</u>	<u>1</u>	<u>(151,706)</u>	<u>(2)</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			
	2015		2014 (Retrospectively Applied)	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Unrealized loss on available-for-sale financial assets	(812,531)	(8)	(8,877)	-
Share of other comprehensive (loss) income of subsidiaries and associates accounted for using the equity methods	(1,092,530)	(11)	79,115	-
	<u>(1,905,061)</u>	<u>(19)</u>	<u>70,238</u>	<u>-</u>
Other comprehensive (loss) income for the year	<u>(2,245,117)</u>	<u>(22)</u>	<u>2,196,567</u>	<u>21</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (530,347)</u>	<u>(5)</u>	<u>\$ 3,721,008</u>	<u>36</u>
EARNINGS PER SHARE				
Basic	<u>\$ 1.20</u>		<u>\$ 1.07</u>	
Diluted	<u>\$ 1.20</u>		<u>\$ 1.07</u>	

(With Deloitte & Touche audit report dated March 24, 2016)

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

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

	Retained Earnings					Other Equity				Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated	Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Gain on Property Revaluation	Treasury Shares	
					Earnings					
BALANCE AT JANUARY 1, 2014	\$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
Effect of retrospective application and retrospective restatement	-	-	-	-	12,704	-	-	-	-	12,704
BALANCE AT JANUARY 1, 2014 RETROSPECTIVE APPLICATION	14,109,761	3,498,174	2,358,917	1,931,285	4,107,920	10,256	3,649,387	-	(97,110)	29,568,590
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	-	-	-	-	1,524,441	-	-	-	-	1,524,441
Other comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	(44,641)	60,743	9,495	2,170,970	-	2,196,567
BALANCE AT DECEMBER 31, 2014 RETROSPECTIVE APPLICATION	14,391,956	3,498,252	2,575,473	2,461,168	2,936,463	70,999	3,658,882	2,170,970	(97,110)	31,667,053
Appropriation of the 2014 earnings										
Legal reserve	-	-	152,906	-	(152,906)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,439,196)	-	-	-	-	(1,439,196)
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	(78)	-	-	(45,129)	-	-	-	-	(45,207)
Net profit for the year ended December 31, 2015	-	-	-	-	1,714,770	-	-	-	-	1,714,770
Other comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	(340,056)	(13,516)	(1,891,545)	-	-	(2,245,117)
Buy-back of treasury shares	-	-	-	-	-	-	-	-	(405,304)	(405,304)
Cancelation of treasury shares	(222,550)	(182,754)	-	-	-	-	-	-	405,304	-
BALANCE AT DECEMBER 31, 2015	<u>\$14,169,406</u>	<u>\$ 3,315,420</u>	<u>\$ 2,728,379</u>	<u>\$ 2,461,168</u>	<u>\$ 2,673,946</u>	<u>\$ 57,483</u>	<u>\$ 1,767,337</u>	<u>\$ 2,170,970</u>	<u>\$ (97,110)</u>	<u>\$29,246,999</u>

(With Deloitte & Touche audit report dated March 24, 2016)

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

	For the Years Ended December 31	
	2015	2014 (Retrospectively Applied)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 2,099,325	\$ 1,789,025
Adjustments for:		
Depreciation expenses	1,287,152	1,252,030
Amortization expenses	11,107	5,377
Impairment loss recognized on receivables	19	-
Amortization of prepayments	8,363	8,786
Finance costs	228,199	214,344
Reversal of deferred revenue	(14,892)	(6,257)
Share of profit of subsidiaries and associates accounted for using the equity methods	(142,971)	(213,916)
Interest income	(991)	(2,966)
Dividend income	(168,671)	(140,095)
Loss on disposal of property, plant and equipment	4,994	2,662
Loss on disposal of investment properties	145	42
Impairment loss recognized on financial assets	2,055	2,055
Gain on change in fair value of investment properties	(398,179)	(4,469)
Net changes in operating assets and liabilities		
Notes receivable	(814)	26,127
Trade receivables	(9,103)	(2,591)
Trade receivables from related parties	(10,818)	3,637
Other receivables	(26,419)	19,084
Inventories	23,344	(28,503)
Prepayments	(12,512)	(1,580)
Other current assets	(2,458)	6,650
Net defined benefit assets	8,351	7,975
Notes payable and trade payables	10,293	16,587
Trade payables to related parties	1,996	(111)
Other payables	(95,057)	(43,450)
Deferred revenue	38,775	14,892
Advance receipts	271,148	196,800
Other current liabilities	81,435	(21,700)
Cash generated from operations	3,193,816	3,100,435
Interest paid	(263,830)	(268,123)
Interest received	336	995
Dividends received	632,296	1,226,802
Income tax returned	18,988	-
Income tax paid	(259,445)	(62,200)
Net cash generated from operating activities	<u>3,322,161</u>	<u>3,997,909</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

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

	For the Years Ended December 31	
	2015	2014 (Retrospectively Applied)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (Increase) of debt investments with no active market	192,371	(777)
Purchase of investments accounted for using the equity method	(203,000)	(180,000)
Payments for property, plant and equipment	(953,756)	(1,044,231)
Payments for investment properties	(11,488)	(42)
Decrease in other non-current assets	2,224	6,692
Payments for intangible assets	(1,763)	(21,780)
Proceeds from disposal of property, plant and equipment	<u>726</u>	<u>375</u>
Net cash used in investing activities	<u>(974,686)</u>	<u>(1,239,763)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	17,300,000	24,100,000
Repayments of short-term borrowings	(14,200,000)	(24,950,000)
Proceeds from short-term bills payable	11,097,355	11,671,438
Repayments of short-term bills payable	(11,697,129)	(11,620,469)
Repayments of bonds payable	(1,000,000)	(2,500,000)
Proceeds from long-term borrowings	38,300,910	39,499,114
Repayments of long-term borrowings	(40,250,000)	(37,400,000)
Increase in other non-current liabilities	15,224	1,080
Dividends paid	(1,439,211)	(1,622,612)
Payments for buy-back of treasury shares	<u>(405,304)</u>	<u>-</u>
Net cash used in financing activities	<u>(2,278,155)</u>	<u>(2,821,449)</u>
NET INCREASE (DECREASE) IN CASH	69,320	(63,303)
CASH AT BEGINNING OF THE YEAR	<u>453,650</u>	<u>516,953</u>
CASH AT END OF THE YEAR	<u>\$ 522,970</u>	<u>\$ 453,650</u>

(With Deloitte & Touche audit report dated March 24, 2016)

(Concluded)

3. Audit Committee's review report on 2015 business report and financial statements.

SUPERVISORS' REPORT

To the 2015 General Shareholders' Meeting of Far Eastern Department Stores, Ltd, In accordance with Article 14-4 of Securities and Exchange Act and Article 219 of the Company Law, we have examined the Business Report, the Resolution for Distribution of Surplus Earning, and Financial Statements which had been certified by Deloitte & Touche, submitted by the Board of Directors for the year ending 2015 and found them in order.

Chairperson of Committee: Edward Yung Do Way

May 11th, 2016

4. Report of directors' and employees' compensation

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

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

- (2) The net income before distributing the compensation of directors and employees is NT\$ 2,223,860,810. The Company proposes that the ratio and amount of distribution for the compensation of employees are 3.2% and NT\$ 71,163,546, and the ratio and amount of distribution for the compensation of directors are 2.4% and NT\$ 53,372,659. The proposal of compensation of directors and employees may be paid in cash, and shall be adopted by a majority vote at a meeting of Board of Directors and be submitted to the shareholders' meeting.

- (3) The amendment of the certain provisions of the Company's "Articles of Incorporation" shall require a prior approval of the shareholders' meeting. The actual amount of distribution shall take effect after the previous amendment about the directors' and employees' compensation in the Company's "Articles of Incorporation" has been approved by the shareholders meeting.

- (4) Please approve the proposed resolutions.

Resolution:

5. Report of Company's share buyback

- (1) Pursuant to the Article 28-2 of Securities and Exchange Act, the Company bought back the shares of the Company between Sep. 9, 2015 and Nov. 6, 2015. Its execution is shown as follow,

The date of the resolution of the board of directors	Sep. 8, 2015
Purpose of the share buy-back	To maintain Company credibility and shareholders rights.
Initial Estimation of Share Buy-back Status	
Buy-back period	Sep. 9, 2015 to Nov. 6, 2015
Estimated number of buy-back shares	25,000,000 shares
Estimated buy-back price interval	Buy-back stock price is between NT\$12 to NT\$24.
Actual Share Buy-back Status	
Buy-back period	Sep. 9, 2015 to Nov. 6, 2015
Number of buy-back shares	22,255,000 shares
Total amount for buy-back shares	NT\$ 405,304,916
Average price per buy-back share	NT\$ 18.21
Status of matters conducted	Buy-back shares have been canceling.

(2) Please approve the proposed resolutions.

Resolution:

6. Report of the amendment of certain provisions of the Company's "Code of Ethics" and "Best Practice Principles of Ethical Corporate Management"

(一) In compliance with the amendments of relative laws, it is proposed that the amendment of certain provisions of the Company's "Code of Ethics" and "Best Practice Principles of Ethical Corporate Management" by deleting or amending the relative rules of Supervisors are shown in the attached comparison table.

(二) Please approve the proposed resolutions.

Resolution:

To amend certain provisions of the Company’s “Code of Ethics ”.

Section	Proposed Changes	Current Articles
<p>Article 1</p>	<p>(Purpose of establishment)</p> <p>The purpose of the Code of Ethics (hereinafter referred to as the “Guidelines”) is to provide Directors, managers, and all other employees of Far Eastern Department Stores Ltd. (hereinafter referred to as the “Company”) with guidelines to comply with the ethical standards of the Company, and make such standards better understood by the affiliated persons of the Company.</p>	<p>(Purpose of establishment)</p> <p>The purpose of the Code of Ethics (hereinafter referred to as the “Guidelines”) is to provide Directors, <u>Supervisors</u>, managers, and all other employees of Far Eastern Department Stores Ltd. (hereinafter referred to as the “Company”) with guidelines to comply with the ethical standards of the Company, and make such standards better understood by the affiliated persons of the Company.</p>
<p>Article 2</p>	<p>(Application scope)</p> <p>The Guidelines enacted is applied to Directors, managers, and all other employees (hereinafter collectively referred to as “All Employees”) of the Company.</p>	<p>(Application scope)</p> <p>The Guidelines enacted is applied to Directors, <u>Supervisors</u>, managers, and all other employees (hereinafter collectively referred to as “All Employees”) of the Company.</p>
<p>Article 4</p>	<p>(Prevention of conflicts of interests)</p> <p>All Employees shall act in an objective and efficient manner when exercising duties on behave of the Company, preventing oneself, a spouse, <u>parents, children, or relatives within the second degree of kinship</u> from obtaining inappropriate benefit as a result of one’s position and authority in the Company.</p> <p>Should the Company provide loans, endorsements and guarantees to the companies owned or associated with persons mentioned in the preceding paragraph, or sell/purchase material assets, sell/purchase goods and services to/from companies owned or associated with persons mentioned in the preceding paragraph, the individuals involved shall proactively report to the Company and explain if conflicts of interests occur, and shall act abiding by the Guidelines and other rules of the</p>	<p>(Prevention of conflicts of interests)</p> <p>All Employees shall act in an objective and efficient manner when exercising duties on behave of the Company, preventing oneself, a spouse, <u>direct family members, or extended family relatives</u> from obtaining inappropriate benefit as a result of one’s position and authority in the Company.</p> <p>Should the Company provide loans, endorsements and guarantees to the companies owned or associated with persons mentioned in the preceding paragraph, or sell/purchase material assets, sell/purchase goods and services to/from companies owned or associated with persons mentioned in the preceding paragraph, the individuals involved shall proactively report to the Company and explain if conflicts of interests occur, and shall act abiding by the Guidelines and other rules of the</p>

Section	Proposed Changes	Current Articles
	Company, in order to prevent conflicts of interests.	Company, in order to prevent conflicts of interests.
Article 10	<p>(To blow the whistle)</p> <p>The Company shall organize and enhance program to promote and reinforce the Guidelines <u>regularly</u>.</p> <p>All Employees who discover any violation or appearance of violation of the Guidelines, laws, and regulations shall proactively report to Managers, Head of Internal Audit Department, or other properly authorized management, meanwhile provide sufficient information or evidences to make subsequent investigation and rectification possible.</p> <p>All information and evidences being reported shall be kept confidential, and investigated by an independent third entity, in order to protect the whistle-blower.</p>	<p>(To blow the whistle)</p> <p>The Company shall organize and enhance <u>internal educational</u> program to promote and reinforce the Guidelines <u>to All Employees</u>.</p> <p>All Employees who discover any violation or appearance of violation of the Guidelines, laws, and regulations shall proactively report to <u>Supervisors</u>, Managers, Head of Internal Audit Department, or other properly authorized management, meanwhile provide sufficient information or evidences to make subsequent investigation and rectification possible.</p> <p>All information and evidences being reported shall be kept confidential, and investigated by an independent third entity, in order to protect the whistle-blower.</p>
Article 11	<p>(Discipline and remedy)</p> <p>All Employees violating the Guidelines shall be disciplined by the Company pursuant to relevant laws, regulations, or internal rules of the Company.</p> <p>Any of All Employees obtains, or intends to obtain, improper benefit for oneself and others at the cost of the Company by using one's position or authority shall be dismissed, and shall unconditionally indemnify the Company for all losses occurred.</p> <p><u>The <i>whistle-blowing and disciplinary method of violating ethical conduct and ethical management</i> is established in the Company.</u> Any of All Employees being accused to violate the Guidelines may appeal for remedy.</p>	<p>(Discipline and remedy)</p> <p>All Employees violating the Guidelines shall be disciplined by the Company pursuant to relevant laws, regulations, or internal rules of the Company.</p> <p>Any of All Employees obtains, or intends to obtain, improper benefit for oneself and others at the cost of the Company by using one's position or authority shall be dismissed, and shall unconditionally indemnify the Company for all losses occurred.</p> <p><u>An appeal system is established in the Company.</u> Any of All Employees being accused to violate the Guidelines may appeal for remedy <u>via the system</u>.</p>

Section	Proposed Changes	Current Articles
<p>Article 13</p>	<p>(Implementation) After receiving the approval from the Board of Directors, the Guidelines will be implemented, and the contents will be reported to the Annual General Shareholders' Meeting. The amendments of the Guidelines follow the same procedure.</p>	<p>(Implementation) After receiving the approval from the Board of Directors, the Guidelines will be implemented, <u>and a copy of the Guideline will be submitted to each Supervisor</u> and the contents will be reported to the Annual General Shareholders' Meeting. The amendments of the Guidelines follow the same procedure.</p>

To amend certain provisions of the Company’s “Best Practice Principles of Professional Corporate Management ”.

Section	Proposed Changes	Current Articles
<p>Article 1</p>	<p>(Purpose of establishment, entities and scope of implementation)</p> <p>The purpose of the Best Practice Principles of Professional Corporate Management (hereinafter referred to as the “Principles”) is to cultivate an enterprise culture for Far Eastern Department Stores Ltd. (hereinafter referred to as the “Company”) to sustain the development of the Company and ensure all businesses conducted with sincerity and integrity.</p> <p>The Principles shall be abided by Directors, managers, employees, <u>mandataries</u> and other entities with actual ability to control the Company (hereinafter referred to as the “Actual Controllers”). The aforementioned individuals and entities hereinafter are referred collectively to as the “Company Professionals”.</p> <p>The Principles shall be applied to subsidiaries, charity foundations which have accumulatively received, directly or indirectly from the Company, 50% of their total funds or more, and institutions, juridical entities, enterprises, and organizations that the Company may control effectively.</p>	<p>(Purpose of establishment, entities and scope of implementation)</p> <p>The purpose of the Best Practice Principles of Professional Corporate Management (hereinafter referred to as the “Principles”) is to cultivate an enterprise culture for Far Eastern Department Stores Ltd. (hereinafter referred to as the “Company”) to sustain the development of the Company and ensure all businesses conducted with sincerity and integrity.</p> <p>The Principles shall be abided by Directors, <u>Supervisors</u>, managers, <u>other</u> employees, and other entities with actual ability to control the Company (hereinafter referred to as the “Actual Controllers”). The aforementioned individuals and entities hereinafter are referred collectively to as the “Company Professionals”.</p> <p>The Principles shall be applied to subsidiaries, charity foundations which have accumulatively received, directly or indirectly from the Company, 50% of their total funds or more, and institutions, juridical entities, enterprises, and organizations that the Company may control effectively.</p>
<p>Article 7</p>	<p>(Commitment and execution)</p> <p>The policy of ethical corporate management with sincerity and integrity shall be disclosed explicitly in the website and annual reports of the Company. Board of Directors and the management shall have strong and rigorous commitment to the execution of such policy, and enforce the policy to the internal management and external commercial activities.</p>	<p>(Commitment and execution)</p> <p>The policy of ethical corporate management with sincerity and integrity shall be disclosed explicitly in the website and annual reports of the Company. Board of Directors and the management shall have strong and rigorous commitment to the execution of such policy, and enforce the policy to the internal management and external commercial activities.</p>

Section	Proposed Changes	Current Articles
<p>Article 8 (added)</p>	<p><u>(Prohibition against infringing intellectual property rights)</u></p> <p><u>Company Professionals and Actual Controllers shall comply with applicable laws and regulations, the Company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights, such as management secrets, trademarks, patents, or publications, without the prior consent of the intellectual property rights holder.</u></p>	
<p>Article 9</p>	<p>(Ethical commercial activities)</p> <p>The Company shall act with integrity and fairness when engaging in a commercial activity with counterparty <u>in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.</u></p> <p>Prior to engaging in a commercial transaction, the Company shall take into consideration the legitimacy and legality of the counterparty such as agents, vendors, customers, and other entities, and their Misconduct record, if any. The Company shall avoid engaging in business with counterparty with any record of Misconducts.</p> <p>When entering into material contracts with counterparties, the Company shall include provisions in such contracts demanding the compliance of ethical corporate management policy. And such contracts shall also include clauses to terminate or cancel the contracts at any time by the Company, if</p>	<p>(Ethical commercial activities)</p> <p>The Company shall act with integrity and fairness when engaging in a commercial activity with counterparty.</p> <p>Prior to engaging in a commercial transaction, the Company shall take into consideration the legitimacy and legality of the counterparty such as agents, vendors, customers, and other entities, and their Misconduct record, if any. The Company shall avoid engaging in business with counterparty with any record of Misconducts.</p> <p>When entering into material contracts with counterparties, the Company shall include provisions in such contracts demanding the compliance of ethical corporate management policy. And such contracts shall also include clauses to terminate or cancel the contracts at any time by the Company, if</p>

Section	Proposed Changes	Current Articles
	Misconducts are performed, or suspected of being performed, by the counterparties.	Misconducts are performed, or suspected of being performed, by the counterparties.
Article 13	<p>(Prohibition against improper gifts, hospitality, or other improper benefits)</p> <p><u>Directors, managers and employees of the Company shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.</u></p>	<p>(Prohibition against improper gifts, hospitality, or other improper Benefits)</p> <p><u>Company Professionals are prohibited from, directly or indirectly, requesting from those who have been conducting commercial transactions with the Company and those who seeks for opportunities to conducting transactions with the Company any gifts, preferential treatments, or other improper Benefits, including abnormal and super luxury banquet or other hospitality in any other means which are irrelevant to business activities and common social practices.</u></p> <p><u>Company Professionals are prohibited from receiving gifts or kickbacks from any vendor and agent. A gift perceived as necessary in accordance with local practices and common good manner and the value of such gift is less than NT\$2,000 shall be excluded. Souvenirs and promotion products with a printed logo by the relevant counterparties shall also be excluded. Cash and other sorts of gifts shall be rejected in a delicate and polite way, after explaining the compliance rules of the Company. When delicate rejection fails, the gift received shall be turn into Human Resources Department to make proper arrangement.</u></p> <p><u>Unless reporting to the authorized manager of the business group by writing, Company Professionals shall not accept prizes and gifts from their business related counterparties when the Company holds festivals and celebrating activities.</u></p>

Section	Proposed Changes	Current Articles
		<p><u>During the business trip, Company Professionals are prohibited from accepting hospitality in any sort during the trip from vendors, agents, and clients without the permission of the Company.</u></p> <p><u>During the business trip, the travelling Company Professionals are prohibited from accepting feast or hospitality which may be perceived as improper or may make the _____ involved _____ Company Professionals breach their duties. During the business trip, the travelling Company Professionals are expected to realize their behavior represents the image of the Company; therefore, shall act in a particularly prudent manner at all times. Wrongdoings and whatever can indemnify the reputation of the Company will result in rigorous discipline of the involved Company Professionals.</u></p> <p><u>Company Professionals shall not borrow money from, enter payable lease or non-payable lease arrangements, _____ or arrange borrowing/lending in any kind and any name with vendors, agents, and clients.</u></p>
<p>Article 14 (added)</p>	<p>(Confidentiality agreement)</p> <p><u>Company Professionals shall comply with the Securities and Exchange Act, may not use undisclosed information to engage insider trading or disclose the information to others to engage insider trading.</u></p> <p><u>Any institution or personnel take part in the Company's merger, segmentation, share purchasing or transferring, _____ important memorandum, strategic alliance, cooperation plan or important contract, shall sign a confidentiality agreement with the Company.</u></p>	

Section	Proposed Changes	Current Articles
	<p><u>promise not to disclose the Company's business secrets or other important information, and may not use the information without the prior consent of the Company.</u></p>	
<p>Article <u>15</u></p>	<p>(Organization and responsibility) <u>Company Professionals</u> shall exercise the due care of good administrators to urge the Company to prevent Misconducts, review the results of the preventive procedures at any time, and continually make adjustments so as to ensure thorough implementation of the ethical corporate management policies.</p> <p>To fulfill the best practices of the ethical corporate management, Human Resources Department of the Company is dedicated to be in charge of establishing and enforcing the ethical corporate management policies and prevention procedures, and shall report to the Board of Directors <u>if there is any material misconduct.</u></p>	<p>(Organization and responsibility) <u>The Board of Directors of the Company</u> shall exercise the due care of good administrators to urge the Company to prevent Misconducts, review the results of the preventive procedures at any time, and continually make adjustments so as to ensure thorough implementation of the ethical corporate management policies.</p> <p>To fulfill the best practices of the ethical corporate management, Human Resources Department of the Company is dedicated to be in charge of establishing and enforcing the ethical corporate management policies and prevention procedures, and shall report to the Board of Directors <u>on a regular basis.</u></p>
<p>Article <u>16</u></p>	<p>(Compliance with laws and regulations) Company Professionals shall comply with laws, regulations, and the prevention procedures of the Company when conducting business.</p> <p>Company Professionals shall abide by all articles, rules, bylaws, operation procedures of the Company, and follow the orders from authorized superior management.</p>	<p>(Compliance with laws and regulations) Company Professionals shall comply with laws, regulations, and the prevention procedures of the Company when conducting business.</p> <p>Company Professionals shall abide by all articles, rules, bylaws, operation procedures of the Company, and follow the orders from authorized superior management.</p>

Section	Proposed Changes	Current Articles
<p>Article <u>17</u></p>	<p>(Prevention of conflicts of interests)</p> <p>The Company shall promulgate policies for preventing conflicts of interests and offer appropriate means for Company Professionals to proactively explain if their interests would potentially conflict with those of the Company.</p> <p>Directors of the Company shall exercise a high degree of self-discipline. A director may present his/her opinion and answer relevant questions but is prohibited from participating in discussion of or voting on any proposal where the director or the juristic person that the director represents is an interested party, and such participation is likely to prejudice the interests of the Company; neither shall a director vote on such proposal as a proxy of another director in such circumstances. The directors shall practice self-discipline and must not support one another in improper manner.</p> <p>Company Professionals shall not take advantage of their positions in the Company to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>	<p>(Prevention of conflicts of interests)</p> <p>The Company shall promulgate policies for preventing conflicts of interests and offer appropriate means for Company Professionals to proactively explain if their interests would potentially conflict with those of the Company.</p> <p>Directors of the Company shall exercise a high degree of self-discipline. A director may present his/her opinion and answer relevant questions but is prohibited from participating in discussion of or voting on any proposal where the director or the juristic person that the director represents is an interested party, and such participation is likely to prejudice the interests of the Company; neither shall a director vote on such proposal as a proxy of another director in such circumstances. The directors shall practice self-discipline and must not support one another in improper manner.</p> <p>Company Professionals shall not take advantage of their positions in the Company to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>
<p>Article <u>18</u></p>	<p>(Accounting and internal control)</p> <p>For business activities which may be more likely than normal to be involved in Misconducts, the Company shall establish an effective accounting system and an internal control system, not have off-the-book accounts or keep secret accounts, and shall review the systems regularly so as to ensure that the design and enforcement of the systems are showing results.</p> <p>Internal auditors of the Company</p>	<p>(Accounting and internal control)</p> <p>For business activities which may be more likely than normal to be involved in Misconducts, the Company shall establish an effective accounting system and an internal control system, not have off-the-book accounts or keep secret accounts, and shall review the systems regularly so as to ensure that the design and enforcement of the systems are showing results.</p> <p>Internal auditors of the Company</p>

Section	Proposed Changes	Current Articles
	shall non-periodically and unwarningly examine the results of compliance with the foregoing, and prepare audit reports submitted to the Board of Directors.	shall non-periodically and unwarningly examine the results of compliance with the foregoing, and prepare audit reports submitted to the Board of Directors.
Article 19	<p>(Educational training and performance evaluating system)</p> <p>The Company shall <u>periodically organize</u> training programs for Company Professionals, so that they shall be able to make the commitment, policy, prevention procedures of the Company to implement the Principles, and consequences of violating the Principles be informed and fully understood by their transaction counterparties.</p> <p>The management of the Company shall at all times evaluate the educational proficiencies, behaviors, capabilities, compliance with the Principles, and working performance of subordinates, and the evaluation records shall be incorporated into the annual personal performance appraisal system.</p>	<p>(Educational training and performance evaluating system)</p> <p>The Company shall <u>offer and enhance internal Company Professionals</u> training programs to promote and <u>reinforce the Principles</u>, and shall be able to make the commitment, policy, prevention procedures of the Company to implement the Principles, and consequences of violating the Principles be informed and fully understood by their transaction counterparties.</p> <p>The management of the Company shall at all times evaluate the educational proficiencies, behaviors, capabilities, compliance with the Principles, and working performance of subordinates, and the evaluation records shall be incorporated into the annual personal performance appraisal system.</p>
Article 20	<p>(Blow-the-whistle and discipline)</p> <p>For any violation of the Principles being found, Company Professionals shall proactively report to <u>the Audit Committee</u>, the Management, Head of Internal Audit, Human Resources Department, and other appropriate authorized managers. The Company shall strictly preserve the identity of the whistle-blower and the content of the report.</p> <p>Any of the Company Professionals obtains, or intends to obtain, improper benefits for oneself or others at the cost of the Company by using one's position and authority shall be dismissed, and unconditionally indemnify the</p>	<p>(Blow-the-whistle and discipline)</p> <p>For any violation of the Principles being found, Company Professionals shall proactively report to <u>Supervisors</u>, the Management, Head of Internal Audit, Human Resources Department, and other appropriate authorized managers. The Company shall strictly preserve the identity of the whistle-blower and the content of the report.</p> <p>Any of the Company Professionals obtains, or intends to obtain, improper benefits for oneself or others at the cost of the Company by using one's position and authority shall be dismissed, and unconditionally indemnify the</p>

Section	Proposed Changes	Current Articles
	<p>Company for all losses, if occurred.</p> <p>Any of the Company Professionals found to be in violation of the Principles shall be disciplined in accordance with the reward and disciplinary rules of the Company. Those who as a result of violation are dismissed by the Company will no longer be employed again by the Company or its affiliates.</p> <p><u>The whistle-blowing and disciplinary method of violating ethical conduct and ethical management is established in the Company.</u> Any of Company Professionals being accused to violate the Principles may appeal for remedy.</p>	<p>Company for all losses, if occurred.</p> <p>Any of the Company Professionals found to be in violation of the Principles shall be disciplined in accordance with the reward and disciplinary rules of the Company. Those who as a result of violation are dismissed by the Company will no longer be employed again by the Company or its affiliates.</p> <p><u>An appeal system is established in the Company.</u> Any of Company Professionals being accused to violate the Principles may appeal for remedy <u>via the system.</u></p>
Article 23	<p>(Implementation)</p> <p>After receiving the approval from the Board of Directors, the Principles will be implemented and the contents will be reported to the Annual General Shareholders' Meeting. The amendments of the Guidelines follow the same procedure.</p>	<p>(Implementation)</p> <p>After receiving the approval from the Board of Directors, the Principles will be implemented, <u>and a copy of the Principles will be submitted to each Supervisor</u> and the contents will be reported to the Annual General Shareholders' Meeting. The amendments of the Guidelines follow the same procedure.</p>

IV. Matters to be Approved

1. To accept the 2015 financial statements.

The Board of Directors proposes and recommends that each shareholder votes FOR the acceptance of 2015 business report and financial statements.

Explanatory Notes:

- (1) FEDS's 2015 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.16-P.30), and has been examined by and determined to be correct and accurate by Supervisors of FEDS. We thereby submit this report.
- (2) The 2015 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.

Resolution:

2. To approve the proposal for the distribution of 2015 surplus earning.

The Board of Directors proposes and recommends that each shareholder votes FOR the distribution of 2015 surplus earning.

Explanatory Notes:

- (1) All the closing transactions as of December 31, 2015 have been completely closed, and have been audited by the accounting firm, Deloitte and Touche. We thereby submit the proposal for distribution of 2015 profits:

1. Unappropriated earnings of January 1, 2015	NT\$	1,333,107,643
2. Effect of retrospective application		<u>11,253,828</u>
3. Unappropriated earnings after adjustments of January 1, 2015 (=1+2)		1,344,361,471
4. The adjustments of retained earnings for by using equity method	(45,129,905)
5. Recognizing the re-measurements of defined benefit plans in retained earnings	(<u>340,055,508</u>)
6. Un-appropriated earnings after adjustments (=3-4-5)		959,176,058
7. Net Income for the year ended December 31, 2015		1,714,769,683
8. 10% legal reserve (=7*10%)	(171,476,968)
9 Special reserve	(<u>68,426,138</u>)
10.Distributable net profit (=6+7-8-9)		2,434,042,635
11.Earnings distribution (NT\$1.0 per share)		<u>(1,416,940,589)</u>
12.Un-appropriated earnings after distribution(=10-11)		<u><u>1,017,102,046</u></u>

- (2) The distribution of 2015 dividends composes of 2015 surplus earning in priority, and the undistributed profit from 1998 to 2014 in case 2015 surplus earning are insufficient to cover 2015 dividends, and then the undistributed profit before 1998 in case the surplus earning from 1998 to 2014 are insufficient to cover 2015 dividends.
- (3) After being approved at the annual General Shareholders' meeting (2016), the cash dividends to holders of common share will be distributed on the record date to be determined by Chairman authorized by the Board of Directors. Cash dividends allocated to each shareholder should be calculated to round down to full NT dollar (decimal places should be ignored). The sum of the amount lower than NT\$1 paid to each shareholder should be reclassified to other income. According to Article 28-2 of the ROC Securities and Exchange Law and other relevant regulations, the total numbers of common shares outstanding may change, and the ultimate cash to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Board of Directors of FEDS be authorized to adjust the cash to be distributed to each common share based on the total amount of profits resolved to be distributed, the amount of earnings resolved to be capitalized, and the number of actual common shares outstanding on the record date for distribution.
- (4) Please approve the above-mentioned proposal for the distribution of 2015 profits.

Resolution:

V. Extemporany Motion

VI. Rules and Regulations

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

Chapter 1 General Provisions

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

Article 2 The Company's businesses are as follows :

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

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

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

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

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

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

Chapter 2 Share Capital

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

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

The Company can issue special shares.

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

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

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

Chapter 3 Shareholders' Meeting

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

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

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

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

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

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

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

Chapter 4 Directors, Supervisors and Managers

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

Supervisor Ownership Ratios at Public Companies".

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

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

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

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

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

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

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

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

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

Article 21 (Deleted.)

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

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

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

Chapter 5 Accounting

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

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

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

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

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

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

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

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

Chapter 6 Supplementary Provisions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VII. Appendices

1. Shareholding of Directors.

Book closure date (April 19th, 2016)

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

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

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

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

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

Unit: NT \$

Item	Year	2016 (Estimate)	
Paid-in Capital (beginning of the year)		14,169,405,890	
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		
	Average Return on Investment (%) (Reciprocal of Average P/E Ratio)		
Pro Forma EPS & P/E Ratio	If Retained Earnings Pro Forma Earnings Per Share Distributed in Cash Dividend	Pro Forma Earnings Per Share	not applicable (note)
		Pro Forma Average Yearly Return on Investment	
	If Capital Surplus not Distributed in Stock Dividend	Pro Forma Earnings Per Share	
		Pro Forma Average Yearly Return on Investment	
	If Retained Earnings & Capital Surplus Distributed in Cash Dividend rather than Stock Dividend	Pro Forma Earnings Per Share	
		Pro Forma Average Yearly Return on Investment	

Note: * As we do not disclose our financial forecast information of 2016, in compliance with relevant Government regulations, there is no need to provide this information.