



Minutes of 2017 Annual General Shareholders' Meeting of Far Eastern Department Stores

Date: Tuesday, 20 June 2017

Time: 9:00 a.m. Taipei time

Place: Auditorium in the Taipei Hero House

No. 20, Changsha Street, Section 1, Taipei, Taiwan

Shareholders present:

Total shares (including e-voting) represented by shareholders present: 912,290,923 shares, which was 64.76% of total number of outstanding shares 1,408,733,585 shares.

Attendee Directors: Mr. Douglas T. Hsu, Mrs. Nancy Hsu, Mrs. Yvonne Li, Mrs. Philby Lee, Mrs. Jin Lin Lian, Mr. You Hsin Chien, Mr. Raymond R. M. Tai, Mr. Edward Yung Do Way

Chairman: Mr. Douglas T. Hsu, Chairman of the Board of Directors

Recorder: Mr. James Tang

The aggregate shareholding of the shareholders present constituted a quorum. The Chairman called the meeting to order.

The speech of Chairman (omitted)

The speech of invited observers (none)

I. Matters to be Reported:

1. 2016 Business Report (please refer to P.2-P.8 of handbook for 2017 AGM)
2. Financial report of 2016 (please refer to P.9-P.30 of handbook for 2017 AGM)
3. Audit Committee's review report on 2016 business report and financial statements (please refer to P.31 of handbook for 2017 AGM)
4. Report of directors' and employees' compensation (please refer to P.32 of handbook for 2017 AGM)

RESOLVED, that the above proposals were approved for reference.

II. Matters to be Approved:

1. **To accept 2016 business report and financial statements.**

The Board of Directors proposes and recommends that each shareholder votes for

the acceptance of 2016 business report and financial statements.

Explanatory Notes:

- (1) FEDS’s 2016 business report and financial statements, including balance sheet, income statement, statement of changes in shareholders’ equity, and statement of cash flows, has been audited by independent auditors, Shu-Chuan Yeh and Kuo-Tyan Hung of Deloitte & Touche, and has been examined by and determined to be correct and accurate by Audit Committee of FEDS. We thereby submit this report.
- (2) Please approve the above-mentioned business report and financial statements.

Resolution: the result of voting is as follows:

The number of shares represented by the shareholders present at the time of voting (including e-voting) was 912,290,923.

| Number of votes (including e-voting) | | % of votes represented by the shareholders present |
|--------------------------------------|-------------|--|
| Approval | 874,817,700 | 95.9 |
| Disapproval | 529,560 | 0.1 |
| Invalid | 0 | - |
| Abstention votes/No votes | 36,943,663 | 4.0 |

RESOLVED, that the above proposals be and hereby were approved as proposed.

2. To approve the proposal for the distribution of 2016 surplus earning.

The Board of Directors proposes and recommends that each shareholder votes for the distribution of 2016 surplus earning.

Explanatory Notes:

- (1) All the closing transactions as of December 31, 2016 have been completely closed, and have been audited by the accounting firm, Deloitte and Touche. We thereby submit the proposal for distribution of 2016 profits:

| | | |
|----|---|--------------------|
| 1. | Unappropriated earnings of January 1, 2016 | NT\$ 1,017,102,046 |
| 2. | The adjustments of retained earnings for by using equity method | (1,127,734) |
| 3. | Recognizing the re-measurements of defined benefit plans in retained earnings | (136,669,282) |
| 4. | Un-appropriated earnings after adjustments(1-2-3) | 879,305,030 |
| 5. | Net Income for the year ended December 31, 2016 | 1,134,251,292 |

| | | |
|-----|---|---------------|
| 6. | 10% legal reserve (=5*10%) | (113,425,129) |
| 7. | Special reserve | (114,148,607) |
| 8. | Distributable net profit(4+5-6-7) | 1,785,982,586 |
| 9. | Earnings distribution (NT\$0.7 per share) | (991,858,412) |
| 10. | Un-appropriated earnings after distribution(=8-9) | 794,124,174 |

- (2) The distribution of 2016 dividends composes of 2016 surplus earning in priority, and the undistributed profit from 1998 to 2015 in case 2016 surplus earning are insufficient to cover 2016 dividends, and then the undistributed profit before 1997 in case the surplus earning from 1998 to 2015 are insufficient to cover 2016 dividends.
- (3) After being approved at the annual General Shareholders' meeting (2017), 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 2016 profits.

Resolution: the result of voting is as follows:

The number of shares represented by the shareholders present at the time of voting (including e-voting) was 912,290,923.

| Number of votes (including e-voting) | | % of votes represented by the shareholders present |
|--------------------------------------|-------------|--|
| Approval | 878,199,892 | 96.3 |
| Disapproval | 652,806 | 0.1 |
| Invalid | 0 | - |
| Abstention votes/No votes | 33,438,225 | 3.6 |

RESOLVED, that the above proposals be and hereby were approved as proposed.

III. Matters to be Discussed

1. Proposal to amend the certain provisions of the Company’s “Procedures for Acquisition and Disposition of Assets”

The Board of Directors proposes and recommends that each shareholder votes for the amendments of certain provisions of the Company’s “Procedures for Acquisition and Disposition of Assets”.

Explanatory Notes:

- (1) The Financial Supervisory Commission R.O.C has amended the provisions of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” on February 9, 2017, issued by the Letter No. FSC 1060001296, with the amendments to the "Acquisition or Disposal of Assets Processing Procedures" Article 7, Article 8, Article 9, Article 11, Article 12, amendments in the following table.
- (2) Please approve the proposed resolutions.

Resolution: the result of voting is as follows:

The number of shares represented by the shareholders present at the time of voting (including e-voting) was 912,290,923.

| Number of votes (including e-voting) | | % of votes represented by the shareholders present |
|--------------------------------------|-------------|--|
| Approval | 878,312,580 | 96.3 |
| Disapproval | 518,854 | 0.1 |
| Invalid | 0 | - |
| Abstention votes/No votes | 33,459,489 | 3.6 |

RESOLVED, that the above proposals be and hereby were approved as proposed.

IV. Extemporary motion

None.

V. Motion to Adjourn

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Far Eastern Department Stores, Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2016 are stated as follows:

Evaluation of Impairment Loss of Goodwill

As of December 31, 2016, the goodwill of the Group was NT\$ 6,138,622 thousand, accounted for 6% of total consolidated assets, which is material to the consolidated financial statements. Under IAS 36, the Management must test the impairment annually.

The goodwill of the Group mainly derived from the merger and acquisition of operating segments in mainland China. When testing goodwill for impairment, the Management should evaluate whether the recoverable amount is higher than carrying amount. In determine recoverable amount, Management should estimate the future cash flows from operating segments in mainland China and determine the optimal discount rate. Significant assumptions involve both judgments made by Management and material estimation uncertainty. Thus, the

evaluation of impairment loss of goodwill is considered a key audit matter. For the accounting policy related to impairment loss of the goodwill, please refer to Notes 4, 5 and 18 of the consolidated financial statements.

Our key audit procedures for the aforementioned are as follows:

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

Fair Value Evaluation of Investment Properties

As of December 31, 2016, the carrying amount of investment properties was NT\$10,166,796 thousand, accounted for 10% of total consolidated assets, which is material to the consolidated financial statements. The Group's investment properties are subsequently measured using the fair value model. In the process of fair value assessment, valuation technique and inputs require consideration of the future scheme of investment properties to estimate the discounted fair value of future cash flows. Future cash flows are extrapolated using the existing lease contracts of the Group and market rentals.

Since the cash flow forecasts are subject to economic conditions, which have highly measurement uncertainty. As a result, we have identified the fair value evaluation of investment properties as a key audit matter. Please refer to Notes 4, 5 and 17 to the consolidated financial statements for the details of the information.

Our key audit procedures for the aforementioned are as follows:

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

Others Matter

We have also audited the company only financial statements of Far Eastern Department Stores, Ltd. as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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

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

whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2017

Notice to Readers

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

| ASSETS | 2016 | | 2015 | |
|---|-----------------------|------------|-----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 13,509,941 | 13 | \$ 10,026,630 | 9 |
| Financial assets at fair value through profit or loss - current | 504,315 | - | 351,111 | - |
| Available-for-sale financial assets - current | 446,079 | - | 468,682 | - |
| Debt investments with no active market - current | 587,511 | - | 876,847 | 1 |
| Notes receivable | 15,894 | - | 3,393 | - |
| Trade receivables | 767,248 | 1 | 515,195 | 1 |
| Trade receivables from related parties | 163,085 | - | 182,970 | - |
| Other receivables | 1,829,561 | 2 | 1,687,802 | 2 |
| Current tax assets | 88,192 | - | 5,782 | - |
| Inventories | 2,761,106 | 3 | 2,997,240 | 3 |
| Prepayments | 978,303 | 1 | 871,542 | 1 |
| Non-current assets held for sale | 10,515 | - | - | - |
| Other current assets | 79,317 | - | 90,102 | - |
| Total current assets | 21,741,067 | 20 | 18,077,296 | 17 |
| NON-CURRENT ASSETS | | | | |
| Available-for-sale financial assets - non-current | 3,522,515 | 3 | 3,689,341 | 3 |
| Financial assets measured at cost - non-current | 609,521 | 1 | 611,576 | - |
| Debt investments with no active market - non-current | 229,000 | - | 127,000 | - |
| Investments accounted for using the equity method | 8,438,059 | 8 | 9,163,153 | 9 |
| Property, plant and equipment | 43,626,582 | 41 | 45,612,886 | 43 |
| Investment properties | 10,166,796 | 10 | 10,036,266 | 9 |
| Intangible assets | 6,244,854 | 6 | 7,240,992 | 7 |
| Deferred tax assets | 1,023,507 | 1 | 727,394 | 1 |
| Long-term prepayments for lease | 8,615,400 | 8 | 9,177,719 | 9 |
| Other non-current assets | 1,978,309 | 2 | 1,873,863 | 2 |
| Total non-current assets | 84,454,543 | 80 | 88,260,190 | 83 |
| TOTAL | \$ 106,195,610 | 100 | \$ 106,337,486 | 100 |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings | \$ 9,886,363 | 10 | \$ 9,499,733 | 9 |
| Short-term bills payable | 2,690,946 | 3 | 2,351,020 | 2 |
| Notes payable | 37,892 | - | 52,224 | - |
| Trade payables | 16,250,674 | 15 | 16,605,966 | 16 |
| Trade payables to related parties | 113,817 | - | 119,754 | - |
| Other payables | 4,518,254 | 4 | 4,895,382 | 5 |
| Current tax liabilities | 740,459 | 1 | 182,997 | - |
| Provisions - current | 18,596 | - | 3,000 | - |
| Deferred revenue - current | 92,267 | - | 98,552 | - |
| Advance receipts | 7,594,619 | 7 | 8,063,527 | 7 |
| Current portion of long-term borrowings | 5,965,315 | 6 | 1,959,200 | 2 |
| Other current liabilities | 278,656 | - | 309,764 | - |
| Total current liabilities | 48,187,858 | 46 | 44,141,119 | 41 |
| NON-CURRENT LIABILITIES | | | | |
| Bonds payable | 996,282 | 1 | 994,419 | 1 |
| Long-term borrowings | 14,959,267 | 14 | 18,829,745 | 18 |
| Provisions - non-current | 27,995 | - | 31,058 | - |
| Deferred tax liabilities | 2,053,903 | 2 | 1,991,395 | 2 |
| Net defined benefit liabilities | 982,919 | 1 | 802,608 | 1 |
| Other non-current liabilities | 2,544,584 | 2 | 2,695,271 | 2 |
| Total non-current liabilities | 21,564,950 | 20 | 25,344,496 | 24 |
| Total liabilities | 69,752,808 | 66 | 69,485,615 | 65 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | |
| Share capital | | | | |
| Common shares | 14,169,406 | 13 | 14,169,406 | 13 |
| Capital surplus | 3,319,868 | 3 | 3,315,420 | 3 |
| Retained earnings | | | | |
| Legal reserve | 2,899,856 | 3 | 2,728,379 | 3 |
| Special reserve | 2,529,594 | 2 | 2,461,168 | 2 |
| Unappropriated earnings | 2,013,557 | 2 | 2,673,946 | 3 |
| Total retained earnings | 7,443,007 | 7 | 7,863,493 | 8 |
| Other equity | 3,795,400 | 4 | 3,995,790 | 4 |
| Treasury shares | (97,110) | - | (97,110) | - |
| Total equity attributable to owners of the Company | 28,630,571 | 27 | 29,246,999 | 28 |
| NON-CONTROLLING INTERESTS | 7,812,231 | 7 | 7,604,872 | 7 |
| Total equity | 36,442,802 | 34 | 36,851,871 | 35 |
| TOTAL | \$ 106,195,610 | 100 | \$ 106,337,486 | 100 |

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

| | For the Years Ended December 31 | | | |
|---|---------------------------------|------------|-------------------|------------|
| | 2016 | | 2015 | |
| | Amount | % | Amount | % |
| OPERATING REVENUES | \$ 43,496,489 | 100 | \$ 44,998,319 | 100 |
| OPERATING COSTS | <u>21,595,367</u> | <u>50</u> | <u>22,257,933</u> | <u>49</u> |
| GROSS PROFIT | <u>21,901,122</u> | <u>50</u> | <u>22,740,386</u> | <u>51</u> |
| OPERATING EXPENSES | | | | |
| Selling and marketing expenses | 1,176,453 | 3 | 1,197,658 | 3 |
| General and administrative expenses | <u>17,563,553</u> | <u>40</u> | <u>18,613,897</u> | <u>41</u> |
| Total operating expenses | <u>18,740,006</u> | <u>43</u> | <u>19,811,555</u> | <u>44</u> |
| OPERATING PROFIT | <u>3,161,116</u> | <u>7</u> | <u>2,928,831</u> | <u>7</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Other income | 240,977 | 1 | 378,037 | 1 |
| Other gains and losses | (843,912) | (2) | 163,685 | - |
| Finance costs | (428,315) | (1) | (461,215) | (1) |
| Share of (loss) profit of associates accounted for using the equity method | <u>(8,585)</u> | <u>-</u> | <u>405,335</u> | <u>1</u> |
| Total non-operating income and expenses | <u>(1,039,835)</u> | <u>(2)</u> | <u>485,842</u> | <u>1</u> |
| PROFIT BEFORE INCOME TAX | 2,121,281 | 5 | 3,414,673 | 8 |
| INCOME TAX EXPENSE | <u>625,723</u> | <u>1</u> | <u>1,261,372</u> | <u>3</u> |
| NET PROFIT FOR THE YEAR | <u>1,495,558</u> | <u>4</u> | <u>2,153,301</u> | <u>5</u> |
| OTHER COMPREHENSIVE (LOSS) INCOME | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | (174,835) | (1) | (422,992) | (1) |
| Share of other comprehensive loss of associates accounted for using the equity method | (3,538) | - | (3,313) | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | <u>30,137</u> | <u>-</u> | <u>72,026</u> | <u>-</u> |
| | <u>(148,236)</u> | <u>(1)</u> | <u>(354,279)</u> | <u>(1)</u> |

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

| | For the Years Ended December 31 | | | |
|---|---------------------------------|------------|---------------------|------------|
| | 2016 | | 2015 | |
| | Amount | % | Amount | % |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations | \$ 80,511 | - | \$ (24,562) | - |
| Unrealized loss on available-for-sale financial assets | (189,429) | - | (1,318,876) | (3) |
| Share of other comprehensive loss of associates accounted for using the equity method | <u>(31,856)</u> | <u>-</u> | <u>(566,750)</u> | <u>(1)</u> |
| | <u>(140,774)</u> | <u>-</u> | <u>(1,910,188)</u> | <u>(4)</u> |
| Other comprehensive (loss) income for the year, net of income tax | <u>(289,010)</u> | <u>(1)</u> | <u>(2,264,467)</u> | <u>(5)</u> |
| TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR | <u>\$ 1,206,548</u> | <u>3</u> | <u>\$ (111,166)</u> | <u>-</u> |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ 1,134,252 | 3 | \$ 1,714,770 | 4 |
| Non-controlling interests | <u>361,306</u> | <u>1</u> | <u>438,531</u> | <u>1</u> |
| | <u>\$ 1,495,558</u> | <u>4</u> | <u>\$ 2,153,301</u> | <u>5</u> |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ 797,192 | 2 | \$ (530,347) | (1) |
| Non-controlling interests | <u>409,356</u> | <u>1</u> | <u>419,181</u> | <u>1</u> |
| | <u>\$ 1,206,548</u> | <u>3</u> | <u>\$ (111,166)</u> | <u>-</u> |
| EARNINGS PER SHARE, NT\$ | | | | |
| Basic | <u>\$ 0.81</u> | | <u>\$ 1.20</u> | |
| Diluted | <u>\$ 0.80</u> | | <u>\$ 1.20</u> | |

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

| | Equity Attributable to Owners of the Company | | | | | | Other Equity | | | Non-controlling Interests | Total Equity | |
|--|--|-----------------|-------------------|-----------------|-------------------------|--|---|------------------------------|-----------------|---------------------------|--------------|---------------|
| | Share Capital | Capital Surplus | Retained Earnings | | | Exchange Differences on Translating Foreign Operations | Unrealized (Loss) Gain on Available-for-sale Financial Assets | Gain on Property Revaluation | Treasury Shares | | | Total |
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | | | | | | | |
| BALANCE AT JANUARY 1, 2015 | \$ 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 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) |
| | - | - | 152,906 | - | (1,592,102) | - | - | - | - | (1,439,196) | (587,691) | (2,026,887) |
| Net profit for the year ended December 31, 2015 | - | - | - | - | 1,714,770 | - | - | - | - | 1,714,770 | 438,531 | 2,153,301 |
| Other comprehensive (loss) income for the year ended December 31, 2015, net of income tax | - | - | - | - | (340,056) | (13,516) | (1,891,545) | - | - | (2,245,117) | (19,350) | (2,264,467) |
| Total comprehensive (loss) income for the year ended December 31, 2015 | - | - | - | - | 1,374,714 | (13,516) | (1,891,545) | - | - | (530,347) | 419,181 | (111,166) |
| Adjustments resulting from investments in associates accounted for using the equity method | - | (78) | - | - | (45,129) | - | - | - | - | (45,207) | (17,032) | (62,239) |
| Buy-back of treasury shares | - | - | - | - | - | - | - | - | (405,304) | (405,304) | - | (405,304) |
| Cancellation 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 |
| Appropriation of 2015 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | 171,477 | - | (171,477) | - | - | - | - | - | - | - |
| Special reserve | - | - | - | 68,426 | (68,426) | - | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (1,416,940) | - | - | - | - | (1,416,940) | - | (1,416,940) |
| Cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | - | (158,320) | (158,320) |
| | - | - | 171,477 | 68,426 | (1,656,843) | - | - | - | - | (1,416,940) | (158,320) | (1,575,260) |
| Net profit for the year ended December 31, 2016 | - | - | - | - | 1,134,252 | - | - | - | - | 1,134,252 | 361,306 | 1,495,558 |
| Other comprehensive (loss) income for the year ended December 31, 2016, net of income tax | - | - | - | - | (136,670) | 790 | (201,180) | - | - | (337,060) | 48,050 | (289,010) |
| Total comprehensive (loss) income for the year ended December 31, 2016 | - | - | - | - | 997,582 | 790 | (201,180) | - | - | 797,192 | 409,356 | 1,206,548 |
| Difference between equity purchase price and carrying amount arising from actual acquisition of subsidiary | - | - | - | - | (1,128) | - | - | - | - | (1,128) | 1,128 | - |
| Adjustments resulting from investments in associates accounted for using the equity method | - | 4,448 | - | - | - | - | - | - | - | 4,448 | 5,381 | 9,829 |
| Decreases in non-controlling interests | - | - | - | - | - | - | - | - | - | - | (50,186) | (50,186) |
| BALANCE AT DECEMBER 31, 2016 | \$ 14,169,406 | \$ 3,319,868 | \$ 2,899,856 | \$ 2,529,594 | \$ 2,013,557 | \$ 58,273 | \$ 1,566,157 | \$ 2,170,970 | \$ (97,110) | \$ 28,630,571 | \$ 7,812,231 | \$ 36,442,802 |

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

| | For the Years Ended December 31 | |
|--|---------------------------------|--------------|
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | \$ 2,121,281 | \$ 3,414,673 |
| Adjustments for: | | |
| Depreciation expenses | 2,929,003 | 3,061,186 |
| Amortization expenses | 40,377 | 35,644 |
| Impairment loss recognized (reversal of impairment loss) on receivables | 20,682 | (8,882) |
| Net loss (gain) on financial assets or liabilities at fair value through profit or loss | 36,290 | (16,658) |
| Finance costs | 428,315 | 461,215 |
| Interest income | (57,458) | (76,018) |
| Dividend income | (183,519) | (302,019) |
| Share of loss (profit) of associates accounted for using the equity method | 8,585 | (405,335) |
| Loss on disposal of property, plant and equipment | 40,617 | 36,518 |
| Loss on disposal of intangible assets | 306 | 820 |
| Loss on disposal of non-current assets held for sale | - | 97 |
| Impairment loss recognized on financial assets | 2,055 | 169,281 |
| Impairment loss recognized on intangible assets | 998,411 | - |
| Impairment loss recognized on property, plant and equipment | 177,228 | - |
| Unrealized gain on physical inventory and slow-moving inventories | (159,305) | (17,123) |
| Gain on changes in fair value of investment properties | (127,937) | (357,044) |
| Amortization of prepayments | 28,301 | 15,087 |
| Amortization of prepayments for lease | 327,040 | 326,656 |
| Recognition (reversal) of provisions | 11,898 | (1,627) |
| Reversal of deferred revenue | (98,552) | (65,656) |
| Unrealized purchase discounts | (106,012) | 14,033 |
| Net changes in operating assets and liabilities | | |
| Financial assets held for trading | (189,494) | (43,558) |
| Notes receivable | (12,501) | (983) |
| Trade receivables | (251,606) | 30,923 |
| Trade receivables and notes receivable from related parties | 95,407 | 8,961 |
| Other receivables | (229,922) | (174,547) |
| Inventories | 501,451 | (123,423) |
| Prepayments | (2,821) | 84,092 |
| Other current assets | 10,785 | 12,158 |
| Net defined benefit assets | - | 8,351 |
| Notes payable | (14,332) | (11,079) |
| Trade payables | (355,292) | (995,088) |
| Trade payables and notes payable to related parties | (5,937) | (33,484) |
| Other payables | (297,819) | (420,542) |
| Deferred revenue | 92,267 | 98,552 |

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

| | For the Years Ended December 31 | |
|--|---------------------------------|--------------|
| | 2016 | 2015 |
| Advance receipts | (231,858) | 544,737 |
| Other current liabilities | (31,108) | 44,607 |
| Net defined benefit liabilities | 16,041 | 62,552 |
| Cash generated from operations | \$ 5,530,867 | \$ 5,377,077 |
| Dividends received | 673,437 | 432,666 |
| Interest paid | (411,026) | (440,838) |
| Interest received | 49,417 | 71,918 |
| Income tax returned | 500 | 19,246 |
| Income tax paid | (341,734) | (883,682) |
| Net cash generated from operating activities | 5,501,461 | 4,576,387 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of debt investments with no active market | 187,336 | 325,470 |
| Acquisition of investments accounted for using the equity method | (74,000) | (106,000) |
| Decrease in prepaid long-term investments | 96,164 | 78,346 |
| Proceeds from disposal of non-current assets held for sale | - | 16 |
| Payments for property, plant and equipment | (1,685,232) | (1,970,634) |
| Proceeds from disposal of property, plant and equipment | 8,097 | 1,173 |
| Payments for intangible assets | (42,348) | (45,745) |
| Payments for investment properties | (2,593) | (11,878) |
| Decrease in other non-current assets | 28,871 | 82,382 |
| Increase in prepayments for lease | - | (15,388) |
| Net cash used in investing activities | (1,483,705) | (1,662,258) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 107,709,464 | 63,475,366 |
| Repayments of short-term borrowings | (107,049,812) | (60,614,337) |
| Proceeds from short-term bills payable | 30,934,339 | 25,892,479 |
| Repayments of short-term bills payable | (30,594,413) | (26,533,142) |
| Repayments of bonds payable | - | (1,000,000) |
| Proceeds from long-term borrowings | 45,644,837 | 47,315,604 |
| Repayments of long-term borrowings | (45,509,200) | (49,840,000) |
| Decrease in other non-current liabilities | (45,513) | (19,375) |
| Dividends paid to owners of the Company | (1,417,029) | (1,439,211) |
| Payments for buy-back of treasury shares | - | (405,304) |
| Dividends paid to non-controlling interests | (197,397) | (617,669) |
| Decrease in non-controlling interests | (50,186) | - |
| Net cash used in financing activities | (574,910) | (3,785,589) |

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

| | <u>For the Years Ended December 31</u> | |
|---|--|----------------------|
| | <u>2016</u> | <u>2015</u> |
| EFFECTS OF EXCHANGE RATE CHANGES | <u>40,465</u> | <u>(54,828)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,483,311 | (926,288) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>\$ 10,026,630</u> | <u>\$ 10,952,918</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 13,509,941</u> | <u>\$ 10,026,630</u> |

(Concluded)

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Far Eastern Department Stores, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements for the year ended December 31, 2016 are stated as follows:

Evaluation of Impairment Loss of Goodwill in Investments in Subsidiaries

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

Our key audit procedures for the aforementioned are as follows:

1. Evaluating the expertise, competency and independence of external valuation specialists mandated by

Management. Verifying the qualification of valuation specialists to ensure their objectivity and assignment are not influenced or restricted, and the methodology conducted is under regulation.

2. With support from our internal financial consultancy specialists, we evaluate the appropriateness of significant assumptions applied by Management, including cash flows forecasts, revenue growth rates and discount rates used.

Fair Value Evaluation of Investment Properties

As of December 31, 2016, the carrying amount of investment properties was NT\$9,318,997 thousand, accounted for 16% of the total assets, which is material to the financial statements. The Company's investment properties are subsequently measured using the fair value model. In the process of fair value assessment, valuation technique and inputs require consideration of the future scheme of investment properties to estimate the discounted fair value of future cash flows. Future cash flows are extrapolated using the existing lease contracts of the Company and market rentals.

Since the cash flow forecast is subject to economic conditions, which has highly measurement uncertainty. As a result, we have identified the fair value evaluation of investment properties as a key audit matter. Please refer to Notes 4, 5 and 13 to the financial statements for the details of the information.

Our key audit procedures for the aforementioned are as follows:

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

taken on the basis of these financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2017

Notice to Readers

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

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

FAR EASTERN DEPARTMENT STORES, LTD.

BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

| ASSETS | December 31, 2016 | | December 31, 2015 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash | \$ 517,321 | 1 | \$ 522,970 | 1 |
| Available-for-sale financial assets - current | 234,515 | - | 247,350 | - |
| Notes receivable | 14,890 | - | 1,037 | - |
| Trade receivables | 361,519 | 1 | 254,301 | - |
| Trade receivables from related parties | 40,196 | - | 22,857 | - |
| Other receivables | 70,854 | - | 93,185 | - |
| Current tax assets | 4,270 | - | 4,270 | - |
| Inventories | 383,267 | 1 | 390,075 | 1 |
| Prepayments | 255,681 | - | 261,345 | 1 |
| Other current assets | <u>10,000</u> | - | <u>17,609</u> | - |
| Total current assets | <u>1,892,513</u> | <u>3</u> | <u>1,814,999</u> | <u>3</u> |
| NON-CURRENT ASSETS | | | | |
| Available-for-sale financial assets - non-current | 2,090,501 | 4 | 2,185,496 | 4 |
| Financial assets measured at cost - non-current | 105,378 | - | 107,433 | - |
| Investments accounted for using the equity method | 16,760,797 | 29 | 17,866,126 | 30 |
| Property, plant and equipment | 25,385,789 | 44 | 26,098,891 | 44 |
| Investment properties | 9,318,997 | 16 | 9,144,466 | 15 |
| Intangible assets | 24,189 | - | 12,553 | - |
| Deferred tax assets | 282,237 | - | 106,958 | - |
| Long-term prepayments for lease | 2,298,572 | 4 | 2,360,977 | 4 |
| Other non-current assets | <u>202,612</u> | - | <u>211,072</u> | - |
| Total non-current assets | <u>56,469,072</u> | <u>97</u> | <u>58,093,972</u> | <u>97</u> |
| TOTAL | <u>\$ 58,361,585</u> | <u>100</u> | <u>\$ 59,908,971</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings | \$ 3,900,000 | 7 | \$ 4,900,000 | 8 |
| Short-term bills payable | 1,149,478 | 2 | 1,049,686 | 2 |
| Notes payable and trade payables | 3,223,709 | 6 | 3,355,590 | 6 |
| Trade payables to related parties | 59,434 | - | 66,998 | - |
| Other payables | 1,471,416 | 3 | 1,847,950 | 3 |
| Current tax liabilities | 232,251 | - | 65,194 | - |
| Deferred revenue - current | 37,161 | - | 38,775 | - |
| Advance receipts | 2,905,473 | 5 | 3,163,444 | 5 |
| Current portion of long-term borrowings | 4,696,916 | 8 | 300,000 | 1 |
| Other current liabilities | <u>130,490</u> | - | <u>137,093</u> | - |
| Total current liabilities | <u>17,806,328</u> | <u>31</u> | <u>14,924,730</u> | <u>25</u> |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings | 9,500,000 | 16 | 13,596,945 | 23 |
| Deferred tax liabilities | 1,937,255 | 3 | 1,840,126 | 3 |
| Net defined benefit liabilities | 314,561 | 1 | 176,764 | - |
| Other non-current liabilities | <u>172,870</u> | - | <u>123,407</u> | - |
| Total non-current liabilities | <u>11,924,686</u> | <u>20</u> | <u>15,737,242</u> | <u>26</u> |
| Total liabilities | <u>29,731,014</u> | <u>51</u> | <u>30,661,972</u> | <u>51</u> |
| EQUITY | | | | |
| Share capital | | | | |
| Common shares | <u>14,169,406</u> | <u>24</u> | <u>14,169,406</u> | <u>24</u> |
| Capital surplus | <u>3,319,868</u> | <u>6</u> | <u>3,315,420</u> | <u>5</u> |
| Retained earnings | | | | |
| Legal reserve | 2,899,856 | 5 | 2,728,379 | 5 |
| Special reserve | 2,529,594 | 4 | 2,461,168 | 4 |
| Unappropriated earnings | <u>2,013,557</u> | <u>4</u> | <u>2,673,946</u> | <u>4</u> |
| Total retained earnings | <u>7,443,007</u> | <u>13</u> | <u>7,863,493</u> | <u>13</u> |
| Other equity | <u>3,795,400</u> | <u>6</u> | <u>3,995,790</u> | <u>7</u> |
| Treasury shares | <u>(97,110)</u> | - | <u>(97,110)</u> | - |
| Total equity | <u>28,630,571</u> | <u>49</u> | <u>29,246,999</u> | <u>49</u> |
| TOTAL | <u>\$ 58,361,585</u> | <u>100</u> | <u>\$ 59,908,971</u> | <u>100</u> |

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

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | For the Years Ended December 31 | | | |
|--|---------------------------------|------------|------------------|-----------|
| | 2016 | | 2015 | |
| | Amount | % | Amount | % |
| OPERATING REVENUES | \$ 10,524,713 | 100 | \$ 10,348,566 | 100 |
| OPERATING COSTS | <u>3,843,738</u> | <u>37</u> | <u>3,710,684</u> | <u>36</u> |
| GROSS PROFIT | <u>6,680,975</u> | <u>63</u> | <u>6,637,882</u> | <u>64</u> |
| OPERATING EXPENSES | | | | |
| Selling and marketing expenses | 474,425 | 5 | 481,701 | 4 |
| General and administrative expenses | <u>4,362,248</u> | <u>41</u> | <u>4,625,049</u> | <u>45</u> |
| Total operating expenses | <u>4,836,673</u> | <u>46</u> | <u>5,106,750</u> | <u>49</u> |
| OPERATING PROFIT | <u>1,844,302</u> | <u>17</u> | <u>1,531,132</u> | <u>15</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Other income | 104,593 | 1 | 169,662 | 2 |
| Other gains and losses | 521,069 | 5 | 483,759 | 5 |
| Finance costs | (202,433) | (2) | (228,199) | (2) |
| Share of (loss) profit of subsidiaries and associates accounted for using the equity method | <u>(880,568)</u> | <u>(8)</u> | <u>142,971</u> | <u>1</u> |
| Total non-operating income and expenses | <u>(457,339)</u> | <u>(4)</u> | <u>568,193</u> | <u>6</u> |
| PROFIT BEFORE INCOME TAX | 1,386,963 | 13 | 2,099,325 | 21 |
| INCOME TAX EXPENSE (Note 24) | <u>252,711</u> | <u>2</u> | <u>384,555</u> | <u>4</u> |
| NET PROFIT FOR THE YEAR | <u>1,134,252</u> | <u>11</u> | <u>1,714,770</u> | <u>17</u> |
| OTHER COMPREHENSIVE (LOSS) INCOME | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | (124,462) | (1) | (354,195) | (3) |
| Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method | (33,366) | - | (46,074) | (1) |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | <u>21,158</u> | <u>-</u> | <u>60,213</u> | <u>1</u> |

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | For the Years Ended December 31 | | | |
|---|---------------------------------|------------|---------------------|-------------|
| | 2016 | | 2015 | |
| | Amount | % | Amount | % |
| | \$ (136,670) | (1) | \$ (340,056) | (3) |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Unrealized loss on available-for- sale financial assets | (107,830) | (1) | (812,531) | (8) |
| Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method | <u>(92,560)</u> | <u>(1)</u> | <u>(1,092,530)</u> | <u>(11)</u> |
| | <u>(200,390)</u> | <u>(2)</u> | <u>(1,905,061)</u> | <u>(19)</u> |
| Other comprehensive (loss) income for the year, net of income tax | <u>(337,060)</u> | <u>(3)</u> | <u>(2,245,117)</u> | <u>(22)</u> |
| TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR | <u>\$ 797,192</u> | <u>8</u> | <u>\$ (530,347)</u> | <u>(5)</u> |
| EARNINGS PER SHARE, NT\$ | | | | |
| Basic | <u>\$ 0.81</u> | | <u>\$ 1.20</u> | |
| Diluted | <u>\$ 0.80</u> | | <u>\$ 1.20</u> | |

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

| | Share Capital (Note 21) | Capital Surplus (Note 21) | Retained Earnings (Notes 21 and 24) | | | Other Equity (Note 21) | | | | Total Equity |
|---|----------------------------|------------------------------|-------------------------------------|-----------------|----------------------------|--|--|------------------------------------|------------------------------|---------------|
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations | Unrealized (Loss) Gain on Available-for-sale Financial Assets | Gain on Property Revaluation | Treasury Shares (Note 21) | |
| | | | | | | | | | | |
| BALANCE AT JANUARY 1, 2015 | \$ 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 2014 earnings | | | | | | | | | | |
| Legal reserve | - | - | 152,906 | - | (152,906) | - | - | - | - | - |
| Cash dividends | - | - | - | - | (1,439,196) | - | - | - | - | (1,439,196) |
| | - | - | 152,906 | - | (1,592,102) | - | - | - | - | (1,439,196) |
| Net profit for the year ended December 31, 2015 | - | - | - | - | 1,714,770 | - | - | - | - | 1,714,770 |
| Other comprehensive (loss) income for the year ended December 31, 2015, net of income tax | - | - | - | - | (340,056) | (13,516) | (1,891,545) | - | - | (2,245,117) |
| Total comprehensive (loss) income for the year ended December 31, 2015 | - | - | - | - | 1,374,714 | (13,516) | (1,891,545) | - | - | (530,347) |
| Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method | - | (78) | - | - | (45,129) | - | - | - | - | (45,207) |
| Buy-back of treasury shares | - | - | - | - | - | - | - | - | (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 |
| Appropriation of 2015 earnings | | | | | | | | | | |
| Legal reserve | - | - | 171,477 | - | (171,477) | - | - | - | - | - |
| Special reserve | - | - | - | 68,426 | (68,426) | - | - | - | - | - |
| Cash dividends | - | - | - | - | (1,416,940) | - | - | - | - | (1,416,940) |
| | - | - | 171,477 | 68,426 | (1,656,843) | - | - | - | - | (1,416,940) |
| Net profit for the year ended December 31, 2016 | - | - | - | - | 1,134,252 | - | - | - | - | 1,134,252 |
| Other comprehensive (loss) income for the year ended December 31, 2016, net of income tax | - | - | - | - | (136,670) | 790 | (201,180) | - | - | (337,060) |
| Total comprehensive (loss) income for the year ended December 31, 2016 | - | - | - | - | 997,582 | 790 | (201,180) | - | - | 797,192 |
| Difference between equity purchase price and carrying amount arising from actual acquisition of subsidiary | - | - | - | - | (1,128) | - | - | - | - | (1,128) |
| Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method | - | 4,448 | - | - | - | - | - | - | - | 4,448 |
| BALANCE AT DECEMBER 31, 2016 | \$ 14,169,406 | \$ 3,319,868 | \$ 2,899,856 | \$ 2,529,594 | \$ 2,013,557 | \$ 58,273 | \$ 1,566,157 | \$ 2,170,970 | \$ (97,110) | \$ 28,630,571 |

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

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

| | For the Years Ended December 31 | |
|--|------------------------------------|--------------|
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | \$ 1,386,963 | \$ 2,099,325 |
| Adjustments for: | | |
| Depreciation expenses | 1,284,042 | 1,287,152 |
| Amortization expenses | 9,612 | 11,107 |
| Impairment loss recognized on receivables | - | 19 |
| Amortization of prepayments | 8,143 | 8,363 |
| Finance costs | 202,433 | 228,199 |
| Reversal of deferred revenue | (38,775) | (14,892) |
| Share of loss (profit) of subsidiaries and associates accounted for using the equity method | 880,568 | (142,971) |
| Interest income | (551) | (991) |
| Dividend income | (104,042) | (168,671) |
| Loss on disposal of property, plant and equipment | 14,191 | 4,994 |
| Loss on disposal of investment properties | 247 | 145 |
| Impairment loss recognized on financial assets | 2,055 | 2,055 |
| Gain on changes in fair value of investment properties | (157,290) | (398,179) |
| Net changes in operating assets and liabilities | | |
| Notes receivable | (13,853) | (814) |
| Trade receivables | (107,218) | (9,103) |
| Trade receivables from related parties | (17,339) | (10,818) |
| Other receivables | 22,837 | (26,419) |
| Inventories | 6,808 | 23,344 |
| Prepayments | (1,764) | (12,512) |
| Other current assets | 7,609 | (2,458) |
| Net defined benefit assets | - | 8,351 |
| Notes payable and trade payables | (131,881) | 10,293 |
| Trade payables to related parties | (7,564) | 1,996 |
| Other payables | (216,876) | (95,057) |
| Deferred revenue | 37,161 | 38,775 |
| Advance receipts | (96,239) | 271,148 |
| Other current liabilities | (6,603) | 81,435 |
| Net defined benefit liabilities | 13,335 | - |
| Cash generated from operations | 2,976,009 | 3,193,816 |
| Interest paid | (239,708) | (263,830) |
| Interest received | 45 | 336 |
| Dividends received | 227,837 | 632,296 |
| Income tax returned | - | 18,988 |
| Income tax paid | (142,646) | (259,445) |
| Net cash generated from operating activities | 2,821,537 | 3,322,161 |

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

| | For the Years Ended December 31 | |
|--|------------------------------------|--------------|
| | 2016 | 2015 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of debt investments with no active market | \$ - | \$ 192,371 |
| Acquisition of investments accounted for using the equity method | - | (203,000) |
| Payments for property, plant and equipment | (805,780) | (953,756) |
| Payments for investment properties | (3,792) | (11,488) |
| Decrease in other non-current assets | 9,056 | 2,224 |
| Payments for intangible assets | (21,248) | (1,763) |
| Proceeds from disposal of property, plant and equipment | 127 | 726 |
| Net cash used in investing activities | (821,637) | (974,686) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 49,330,000 | 17,300,000 |
| Repayments of short-term borrowings | (50,330,000) | (14,200,000) |
| Proceeds from short-term bills payable | 13,714,162 | 11,097,355 |
| Repayments of short-term bills payable | (13,614,370) | (11,697,129) |
| Repayments of bonds payable | - | (1,000,000) |
| Proceeds from long-term borrowings | 32,249,971 | 38,300,910 |
| Repayments of long-term borrowings | (31,950,000) | (40,250,000) |
| Increase in other non-current liabilities | 11,717 | 15,224 |
| Dividends paid | (1,417,029) | (1,439,211) |
| Payments for buy-back of treasury shares | - | (405,304) |
| Net cash used in financing activities | (2,005,549) | (2,278,155) |
| NET (DECREASE) INCREASE IN CASH | (5,649) | 69,320 |
| CASH AT THE BEGINNING OF THE YEAR | 522,970 | 453,650 |
| CASH AT THE END OF THE YEAR | \$ 517,321 | \$ 522,970 |

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

Amendment of the certain provisions of the Company’s “Procedures for Acquisition and Disposition of Assets”

| Section | Proposed Changes | Current Articles |
|--------------|---|--|
| Article 7(2) | <p>Acquisition or disposition of real property or equipment</p> <p>(2) Valuation reports for real property or equipment.</p> <p>In the case of real property or equipment acquired or disposed by the Company other than as a result of transactions with <u>a government agency</u>, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipment and facilities for business operation purposes, where their transaction value is the amount equivalent to twenty per cent (20%) of the Company's paid-in capital or NT\$ 300 million or above, the Company shall firstly require professional appraiser prior to the date of occurrence of the event to furnish their valuation report (which report shall specify the matters set out in Appendix from the Regulations Governing the Acquisition and Disposal of Assets by Public Companies); furthermore, the following provisions shall be complied with:</p> <p>a) To d) would be omitted.</p> <p>e) Where real property or other fixed assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> | <p>Acquisition or disposition of real property or equipment</p> <p>(2) Valuation reports for real property or equipment.</p> <p>In the case of real property or equipment acquired or disposed by the Company other than as a result of transactions with <u>the government</u>, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipment and facilities for business operation purposes, where their transaction value is the amount equivalent to twenty per cent (20%) of the Company's paid-in capital or NT\$ 300 million or above, the Company shall firstly require professional appraiser prior to the date of occurrence of the event to furnish their valuation report (which report shall specify the matters set out in Appendix from the Regulations Governing the Acquisition and Disposal of Assets by Public Companies); furthermore, the following provisions shall be complied with:</p> <p>a) To d) would be omitted.</p> <p>e) Where real property or other fixed assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> |

| Section | Proposed Changes | Current Articles |
|--------------|--|--|
| Article 8(2) | <p>Related Parties Transaction (2)Evaluation and Procedures</p> <p>The Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements etc., or subscription or <u>repurchase of money market funds issued by domestic securities investment trust enterprises</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and then by the board of directors :</p> <p>a) To f) would be omitted. g) Restrictions on this transaction and other key contractual issues. When a matter is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> | <p>Related Parties Transaction (2)Evaluation and Procedures</p> <p>The Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements etc., or subscription or <u>redemption</u> of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and then by the board of directors :</p> <p>a) To f) would be omitted. g) Restrictions on this transaction and other key contractual issues. When a matter is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> |

| Section | Proposed Changes | Current Articles |
|--------------|---|---|
| Article 9(2) | <p>Acquisition of Club Membership or Intangible Assets</p> <p>(2) Expert's Valuation Report on Club Membership or Intangible Assets</p> <p>a) Expert's valuation report shall be required in the case of acquisition or disposition of intangible assets.</p> <p>b) Where the transaction amount for acquisition or disposition of club membership or intangible assets exceeds twenty per cent (20%) of the Company's paid-in capital or NT\$300 million, except in transaction with <u>a government agency</u>, accountants shall, prior to the date of occurrence of the event, be engaged to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> | <p>Acquisition of Club Membership or Intangible Assets</p> <p>(2) Expert's Valuation Report on Club Membership or Intangible Assets</p> <p>a) Expert's valuation report shall be required in the case of acquisition or disposition of intangible assets.</p> <p>b) Where the transaction amount for acquisition or disposition of club membership or intangible assets exceeds twenty per cent (20%) of the Company's paid-in capital or NT\$300 million, except in transaction with <u>government agency</u>, accountants shall, prior to the date of occurrence of the event, be engaged to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> |

| Section | Proposed Changes | Current Articles |
|---------------|---|--|
| Article 11(1) | <p>Mergers, Demergers, Acquisitions or Transfer of Shareholding</p> <p>(1) Evaluation and Process</p> <p>a) The Company shall, prior to the board of directors' meeting to approve propose mergers, demergers, acquisitions or transfer of shareholding by way of its resolution, require the Accounting Department to seek opinions from accountants, lawyers or securities underwriters in respect of the share swap ratio, acquisition price or distribution of cash to shareholders or the propriety for other assets, the said opinions to be forwarded to the board of directors for their discussion. <u>However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</u></p> | <p>Mergers, Demergers, Acquisitions or Transfer of Shareholding</p> <p>(1) Evaluation and Process</p> <p>a) The Company shall, prior to the board of directors' meeting to approve propose mergers, demergers, acquisitions or transfer of shareholding by way of its resolution, require the Accounting Department to seek opinions from accountants, lawyers or securities underwriters in respect of the share swap ratio, acquisition price or distribution of cash to shareholders or the propriety for other assets, the said opinions to be forwarded to the board of directors for their discussion.</p> <p>b) Would be omitted.</p> <p>c) Where there is insufficient quorum, votes or other legal restrictions for convening Shareholders' Meetings of any of the companies involved in the merger, demerger or acquisition, such that the Shareholders' Meeting or resolutions cannot be convened or passed or where the proposal has been voted against, the said companies shall immediately publicly disclose the occurrence, reasons, subsequent measures and projected dates for Shareholders' Meetings.</p> |

| Section | Proposed Changes | Current Articles |
|---------------|---|---|
| Article 12(1) | <p>Procedure for Public Disclosure of Information</p> <p>(1) Items to be publicly disclosed and standard for public disclosure and report</p> <p>a) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>repurchase of money market funds issued by domestic securities investment trust enterprises.</u></p> <p>b) to c) would be omitted.</p> <p><u>d)</u> The assets so acquired or disposed are equipment for business purposes and in which the counterparties are not related parties, <u>and the transaction amount reaches NT\$1 billion or more.</u></p> <p><u>e)</u> Real property obtained by way of entrusted construction on own land, engaging others to build on rented land, division of property or profits deriving from sale of property following joint-development, where the projected amount to be invested in the transaction less than NT\$ 500 million;</p> | <p>Procedure for Public Disclosure of Information</p> <p>(1) Items to be publicly disclosed and standard for public disclosure and report</p> <p>a) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption</u> of domestic money market funds.</p> <p>b) to c) would be omitted</p> <p>iii) The assets so acquired or disposed are equipment for business purposes and in which the counterparties are not related parties, and <u>that the transaction amount less than NT\$ 500 million;</u></p> <p>iv) Real property obtained by way of entrusted construction on own land, engaging others to build on rented land, division of property or profits deriving from sale of property following joint-development, where the projected amount to be invested in the transaction less than NT\$ 500 million;</p> |

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

| Section | Proposed Changes | Current Articles |
|---------------|--|--|
| Article 12(1) | h) "Within the preceding year" as used in g) refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount. | f) "Within the preceding year" as used in e) refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount. |
| Article 12(2) | (2) Time Limit for Public Announcement and Reports Public announcement and submission of report in respect of acquisition or disposition of assets by the Company under items a) to f) above, shall be undertaken within two (2) days of commencing immediately from the date of occurrence of the event. | (2) Time Limit for Public Announcement and Reports Public announcement and submission of report in respect of acquisition or disposition of assets by the Company under items a) to d) above, shall be undertaken within two (2) days of commencing immediately from the date of occurrence of the event. |

| Section | Proposed Changes | Current Articles |
|---------------|--|---|
| Article 12(3) | <p>(3) Procedure for Public Announcement</p> <p>a) to b) would be omitted</p> <p>c) <u>When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</u></p> <p>d) Where any of the following events has occurred following the Company's public announcement and reports in respect of its transactions pursuant to regulations, the Company shall within two (2) days of commencing immediately from the date of occurrence of the said events undertake public announcement and report in respect of the relevant information at the web-site appointed by FSC:</p> <p>i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p>ii) Failure of merger, demerger, acquisition or shareholding transfer to be completed at the prescribed dates.</p> <p>iii) Change to the originally publicly announced and reported information.</p> | <p>(3) Procedure for Public Announcement</p> <p>a) to b) would be omitted</p> <p>c) <u>Where there are errors and omissions for which corrections are required in the Company's public announcement and reports in conformity with regulations, the Company shall cause all of the items to be re-published;</u></p> <p>d) Where any of the following events has occurred following the Company's public announcement and reports in respect of its transactions pursuant to regulations, the Company shall within two (2) days of commencing immediately from the date of occurrence of the said events undertake public announcement and report in respect of the relevant information at the web-site appointed by FSC:</p> <p>i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p>ii) Failure of merger, demerger, acquisition or shareholding transfer to be completed at the prescribed dates.</p> <p>iii) Change to the originally publicly announced and reported information.</p> |