

Stock Code: 2903

Far Eastern Department Stores LTD.

Handbook for the 2017 Annual Meeting of Shareholders

Meeting Time: 09:00 a.m. (Tuesday), June 20, 2017

**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 2017 Annual Meeting of Shareholders

Call the Meeting to Order

Chairman Takes Chair

Chairman Remarks

Matters to be Reported

Matters to be Approved

Matters to be Discussed

Extemporaneous Motion

Adjournment

II. Matters to be Reported

1. 2016 Business Report

Explanation:

2016 business report is attached as page 2-8

Reflecting on 2016, the stagnant recovery in the advanced economies including U.S., Japan and Eurozone, coupled with slowdown of China's economic growth have resulted in a lower than expected global economic growth. According to International Monetary Fund (IMF), world GDP growth in 2016 was 3.1%, slightly down 0.1% from 3.2% of 2015, also marked the lowest since financial tsunami in 2008. Despite the global economic growth is still relatively lower than the average, the majority of economic forecast institutions holds positive views about this year's global economic performance. However, there are relative risk variables worth noting, such as new U.S. economic policies, ongoing developments of Brexit, restructuring of China economy, and geopolitical conflict, which will all affect the world economic growth.

From second half of 2016, many indicators of Taiwan's economy including retail sales, industrial production, and exports have posted positive momentum from the past consecutive negative growth. Annual economic growth stood at 1.5%, double from 0.75% of the previous year. According to forecasts made by the Directorate General of Budget, Accounting and Statistics, Executive Yuan, along with gradual recovery of world economy, Taiwan's economy is expected to improve in 2017 with higher domestic investments and private consumptions.

Despite the rising prices, salary regression as well as other issues that might affect private consumption, given the positive outlook in the recovery of the domestic economy, we remain confident for the momentum of industrial growth and expanded spending.

Taiwan's total sales of department stores sector grew 4.5% to NT\$333.1 billion in 2016, marking new record highs for 7 consecutive years. The growth in retail market can be mainly attributed to the enlarged market scale from the opening of new malls (mega-sized outlets and shopping malls.) To cope with these emerging new shopping malls, retailers have been either undergoing floor renovations, introducing new specialty and popular brand stores to enhance merchandise collection and increase revenues, or expanding the ratio of restaurants to attract customers with gourmet food so as to boost revenue growth. Also, to focus on recreation and leisure, satisfy consumers' demand for value-added services, combine shopping with recreation and leisure, so that the store foot traffic can be improved and thus delivering higher profit.

Facing dynamic retail landscape, with agile thinking, Far Eastern Department Stores (FEDS) has been able to seize market trend, and cater to customer needs. In addition to introducing renowned popular stores and

top brands to strengthen merchandise mix, we have been successful in creating different theme stores, elevating unique elements, posting growth in both in-store visits and spending. In 2016, FEDS registered consolidated sales of NT\$43.39 billion and operating profit of NT\$1.844 billion, both record highs since its establishment fifty years ago. Among which, Mega City Banqiao and Top City Taichung both delivered outstanding performance in sales and profit. Through two core actions of operating strategy and management innovation, the management team and all staffs will make further endeavors to push for continuous growth, creating higher revenues and outstanding performance.

Operations Report of 2016

FEDS recorded in 2016 consolidated sales of NT\$121.5 billion (according to IFRS, consolidated sales were NT\$43.5 billion). Consolidated net profit was NT\$1.496 billion, company alone net profit was NT\$1.134 billion, and earnings per share were NT\$0.81. According to the 17th Board Meeting of FEDS, total cash dividend payout for 2016 was NT\$0.7. Operating result of the Far Eastern Retail Group in 2016 is summarized as follows:

(1) Far Eastern Department Stores

1. Given uncertain economic outlook, customers have become more conservative and cost conscious in spending. Facing strict operating environment, FEDS managed to remain growth and register sales at NT\$43.39 billion in 2016, among which sales of Top City Taichung and Mega City Banqiao were NT\$12 billion and NT\$9 billion, respectively, both up nearly 5% year on year.
2. In line with the recent popular fast fashion trends, FEDS has introduced global fast retailing brands such as Uniqlo & GU from Japan, GAP from U. S., H&M from Sweden, Massimo Dutti from Spain, and SPAO of Eland from Korea to attract customers.
3. Top City Taichung introduced Crate & Barrel, the largest U.S. furniture and home décor brand with 513 pings (some 1,700 square meters) of sales space, the largest branch in central Taiwan. Mega City Banqiao also opened popular stores including Taiwan's second largest POLO specialty store, top-end modern designer Rolf Benz furniture, and premium collection of Bang & Olufsen high-end televisions, sound systems, and loudspeakers stores to make it as the major shopping destinations for consumers.
4. Continue to organize international trade exhibitions. FEDS sponsored in 2016 as many as 13 foreign cultural and commodities exhibitions from the U. S., Japan, Korea, and others., to not only showcase these local specialty products, but also arrange art performance programs and handicraft experience to let customers enjoy unique world perspective without travelling abroad.
5. To promote e-retailing shopping experience, Taiwan's first e-table reservation APP of department

store was launched at Mega City Banqiao to solve the problem of long wait time in restaurants. Ten thousand people have already downloaded this APP to bring convenience for customers, restaurants, and department stores. AI (“Artificial intelligence”) customer-service robot Pepper was also officially launched at FEDS to greet guests, so customers could be able to enjoy the convenience and fun of Pepper’s service.

6. Continue to digitize, introduce e-contract and e-invoicing systems, and establish cashier application system to systemize business summary, complete enterprise information portal and online approval system so as to elevate operating efficiency and manpower performance.
7. Our commitment to corporate governance and fulfilling social responsibilities has been widely recognized both abroad and at home. In 2016, FEDS was granted nine medals on the categories of “corporate governance, innovation growth, brand image, customer services, promoting international exhibitions,” among which many were long-term efforts and supports.
8. To celebrate the Company’s 50th founding anniversary, 10 stores of FEDS jointly held the lively, culturally creative and non-profit event of “Chain of Love” programs including biking relay, cultural events to rural areas, etc. to share our joy with consumers to commemorate achievements in the past half century, while allowing FEDS to synergize resources and become a city CSR platform.

(2) Pacific SOGO Department Store

1. 2016 sales were NT\$42.666 billion, down 1.4% from 2015. Operating profit was NT\$2.332 billion, down 7% year on year, and net income before tax was NT\$1.009 billion, which dropped 22.4% from 2015.
2. The 12-day anniversary sales for 2016 were NT\$9.83 billion, up 1.1% from 2015. Under the impact of a warmer winter which also incurred last year, affecting slow sales of thermal and heat up products, in particular high-price goods dropped considerably, coupled with sluggish purchase power due to the government’s “one fixed day off and one flexible rest day” policy and pension reform. Fortunately, during the second phase of anniversary sales for Tianmu and Big City Hsinchu stores, thanks to timely adjustment on merchandise mix and marketing strategy, added with joint efforts of our colleagues, we had achieved to deliver slight growth in sales year on year.
3. Fuxing Store completed partial renovation of its B1, 1F, 2F, 3F & 4F, and opened Louis Vuitton boutique store.
4. Shanghai Huaihai Store in China concluded operation on December 31, 2016 as the lease was expired.
5. Omni-channel e-commerce business:

- (1) Execute and integrate digitization, expand the application of social media, centralize budget and talent to save cost.
 - (2) Enhance the attractiveness of SOGO i-store, cost effectiveness and more comprehensive online shopping experience.
 - (3) Connect physical store with EC to develop new EC strategy.
 - (4) Set up real-time interactions on FB, sharing SOGO fashion brands.
6. While continue to engage in publishing Corporate Sustainability Report (CSR), in terms of service innovation, SOGO was awarded “Outstanding Company” from Taipei Chamber of Commerce, “2016 Technological Innovation Award for Brand Service Industry” from Institute for Information Industry, “2015 The Most Influential Brands” by *Business Weekly*, and the 2016 “Taiwan Corporate Sustainability Award” gold medal of Corporate Sustainability Report in the service sector as well as best performance in the category of service industry. In terms of corporate governance, SOGO was the recipient of “CommonWealth Corporate Citizen Award” among Top 50 Best Performing Enterprises by the *CommonWealth Magazine*, “CSR Award” by *Global Views*, “Labor Safety Award” by Labor Bureau of Taipei City Government for four consecutive years, the only department store being awarded. As a happy work field, SOGO was awarded outstanding unit for “Labor Safety” by Labor Bureau of Taipei City Government. Our CSR efforts were also recognized by the Environment Protection Administration (EPA), the Executive Yuan with the outstanding award of “2015 EPA Carbon Reduction Action”.
7. After strengthening operation management, strict discipline of operating budget, marketing expenses and various capital expenditures, total saving has reached NT\$223 million in 2016, down NT\$11 million from 2015.

(3) Far Eastern Ai-Mai

1. Kaohsiung and Tazhi Stores both incurred significant losses and were closed in 2016.
2. Continue to improve sales space, and elevate customers’ shopping experience.
3. Strengthen digital marketing strategy, and provide convenience of navigating web page for mobile devices that directly brings link to Ai-Mai online shopping page.
4. Won the 14th Global Views: Five-Star Service Awards in 2016.

During second half of 2016, the “one fixed day off and one flexible rest day” policy and pension reform resulted in unclear economic outlook. Keen competition between physical stores and virtual channels, added with the closing of Kaohsiung and Tazhi Stores in 3rd and 4th quarter, respectively, Ai-Mai registered sales of

NT\$17.213 billion in 2016, down 6% year on year. Pre-tax loss was NT\$562 million, and net loss at NT\$466 million. After closing the Tazhi and Kaohsiung Stores that suffered significant losses, Ai Mai is expected to turn positive in 2017.

3. Operations Report for 2017

Facing with intense competition and swift changes, we will prudently respond to the changing market and consumption trend, set up operating target and goal, proceed with plans, and deliver operating efficiency.

(1) Far Eastern Department Stores

1. To stay in line with market trend, set up unique features, and maintain competitive momentum, each branch store will continue to conduct merchandise mix and sector adjustment accordingly in order to deliver outstanding performance.
2. Banqiao Chungshan Store will expand its large vegetarian buffet restaurant and Taiwan's first DIY all-you-can-eat fried dishes to become the most attractive shopping destination in New Taipei City.
3. To strengthen operating efficiency, plan for more accurate and diversified marketing campaigns via Big Data analysis with the aim to deliver more targeted promotions, also being more cost effective, thus to elevate operating performance.
4. To attract more customers and stay closely with consumers' daily lives, each store will continue to organize special events catering toward local festivals and seasonal topics to enhance interactive experience, bring customers closer, elevate popularity and loyalty, and let FEDS become consumers' top choice of shopping destination.
5. Given local consumers' ongoing interest in overseas products, FEDS will continue to sponsor international exhibitions in 2017 to bring customers to enjoy the most authentic exotic flavors imported directly from abroad, as well as featured performances and interactive experiences.
6. Continue to introduce mobile payment tools including Wechat, Apple Pay, and etc. to officially launch "FE Cross-Border Mobile Application Platform", to welcome the digital revolution and initiate digital retailing.
7. Promote energy conservation management, set up yearly goal and track efficiency, renovations of existing stores will focus on the principle of green initiatives and light weight materials to achieve environment-friendly objectives.

(2) Pacific SOGO Department Store

1. Given the overall challenges in 2017, the tasks for Pacific SOGO encompass the macro-economic operating environment, coupled with weak spending despite the slight recovery, plus significant

decrease in Mainland China visitors as well as policy changes such as cost increase due to “one fixed day off and one flexible rest day” and the domino effect caused by closing of vendors, also the climate change impact, the compliance and restructuring of seasonal merchandise; consumption mindset, and how to seize the golden period to make profit.

2. Taipei Zhongxiao store will engage in celebrating 30th founding anniversary: Completing 1-2F brand positioning, consolidating 3-4F to strengthen targeted customers, positioning adjustment of 5F MD, adding lady’s sportswear on the 6F; Tianmu store will expand the collection of popular merchandize; Chungli store will impose strict expense control, fortify merchandise mix to increase exclusive brands in the greater Taoyuan area; Hsinchu store will enhance marketing via digital instruments, elevate execution and efficiency; Kaohsiung store will boost its brand power, streamline and readjust organization, and optimize manpower efficiency and group synergy.
3. The marketing and promotion of 30th founding anniversary celebration will be the main initiative to boost revenues.
4. Establish “Digital Marketing” unit which could respond swiftly and creatively that focuses on “customer experience” and adept new things.
5. Set up digital marketing plan in China to establish data-oriented analysis and focus on online communications, use database backend system to connect identity database for sending campaigns, browsing records, accumulating data, promoting alliance, broadcasting and communication, feedback and analysis.
6. Key targets for 2017 cross-Straits management: Optimize manpower, improve quality, elevate asset allotment efficiency (cost effectiveness), control cost, narrow loss in China, enforce overall cost control, monitor operating and expenditure budget, save expenses, and enhance efficiency.

(3) Far Eastern Ai-Mai

1. Continue to remodel existing stores, Hsinchu, Fuxing, Keelung, and Tainan stores will complete renovations within this year.
2. Operations Department: Optimize store space, improve customer experience, and leverage cost saving structure.
3. Merchandise Department: Strengthen merchandise mix, develop differentiated and unique products.
4. Strengthen the integration of virtual and physical channels to prepare for omni-channels.
5. Fortify development, and open new stores expediently.

In summary, though facing intense competitions in 2016, FEDS managed to maintain a certain degree of growth momentum and continued to grow revenues. In particular the new generation Mega City Banqiao and Top City Taichung Shopping Malls have reported excellent performance, both in revenues and profits, during the past 5 years and have gained leading position in their respective regional markets. We not only cherish such

result, but also proceed with more foresighted vision and innovative strategy, to create market differentiation in the areas of brand structure, promotion activities, and customer services, with the aim to increase in-store visits and heighten customer satisfaction.

Aside from maintaining steady growth of the existing stores, FEDS has been committed to developing market, opening new stores to expand market niche and business scale. The A13 project located in Hsinyi area which had already completed its design and merchandising planning, is now under construction. To further extend the successful operating model of the Company's City Shopping Malls, we are confident that FEDS A13 will impress consumers in its remarkable branding mix, restaurants, recreation, and special design. It will surely attract crowds, initiate topic of discussion, and become the new spotlight in the department stores at Hsinyi District.

In the era of IoT (Internet of Things), FEDS is fully aware that the value proposition of retail industry must focus on innovation and customers' shopping experience. In line with technological innovation, FEDS will keep strengthening management, with the application of digital technology, via location-based technology and device to enhance the stores' interactive services, increase consumers' shopping delight and satisfaction, allowing consumers to walk into retail 4.0 stores and engage the smart shopping journey.

To catch with omni-channel retailing, FEDS will continue to integrate physical channel and online shopping platform, construct omni-channel shopping model, develop exclusive APP allowing customers to enjoy real time discount and personalized services, provide convenient, interesting and unique omni-channel shopping experience, create the seamless "Borderless Stores, Physical & Virtual Full Experiences", and lead customers toward aesthetic culture based on trendy technology and smart shopping .

FEDS is celebrating its 50th founding anniversary this year. After half a century, the Company never ceases to change, innovate and restructure in line with the changing operating landscape and market trend to serve as the best example of innovation in Taiwan's department stores, and also poses as leader for corporate sustainability. Look into the future that is full of challenges, our outstanding management team with innovative thinking and agile flexibility will continue to outperform the market trend and opportunities, ensure growth and competitiveness, deliver exceptional result to share with our stockholders, and seek for sustainable excellence and leadership position in the next era.

Chairman

Douglas Tong Hsu

2. Financial report of 2016.

Explanation:

The 2016 Financial Statements are attached as page 10-30.

Consolidated balance sheets (December 31, 2016)

Consolidated statement of comprehensive income (January 1, 2016 ~ December 31, 2016)

Consolidated statements of changes in stockholders' equity (January 1, 2016 ~ December 31, 2016)

Consolidated statements of cash flow (January 1, 2016 ~ December 31, 2016)

Balance sheets (December 31, 2016)

Statement of comprehensive income (January 1, 2016 ~ December 31, 2016)

Statements of changes in stockholders' equity (January 1, 2016 ~ December 31, 2016)

Statements of cash flow (January 1, 2016 ~ December 31, 2016)

Independent auditor's report by Deloitte & Touche is attached as page 10~13 and page 21~24.

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 determining recoverable amount, Management should estimate the future cash flows from operating segments in mainland China and determine the optimal discount rate. Significant assumptions involve both judgments made by Management and material estimation uncertainty. Thus, the evaluation of impairment loss of goodwill 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											
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized (Loss) Gain on Available-for-sale Financial Assets	Gain on Property Revaluation				
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	
	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

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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	
	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)

	For the Years Ended December	
	31	
	2016	2015
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>

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 determining recoverable amount, Management should estimate the future cash flows from operating segments in mainland China and determine the optimal discount rate. Significant assumptions involve both judgments made by Management and material estimation uncertainty. Thus, the evaluation of impairment loss of goodwill in subsidiaries is considered a key audit matter. For the accounting policy related to investments in subsidiaries, please refer to Notes 4 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:

4. 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.
5. 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:

3. 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.
4. Reviewed the lease contracts to ensure the accuracy of fundamental information for cash flow forecasts.
6. 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	10,000	-	17,609	-
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	202,612	-	211,072	-
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	130,490	-	137,093	-
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	172,870	-	123,407	-
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	14,169,406	24	14,169,406	24
Capital surplus	3,319,868	6	3,315,420	5
Retained earnings				
Legal reserve	2,899,856	5	2,728,379	5
Special reserve	2,529,594	4	2,461,168	4
Unappropriated earnings	2,013,557	4	2,673,946	4
Total retained earnings	7,443,007	13	7,863,493	13
Other equity	3,795,400	6	3,995,790	7
Treasury shares	(97,110)	-	(97,110)	-
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)**

	Other Equity (Note 21)									
	Share Capital (Note 21)	Capital Surplus (Note 21)	Retained Earnings (Notes 21 and 24)			Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Gain on Property Revaluation	Treasury Shares (Note 21)	Total Equity
			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
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)
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
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	
	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	<u>2,821,537</u>	<u>3,322,161</u>

(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	
	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	<u>127</u>	<u>726</u>
Net cash used in investing activities	<u>(821,637)</u>	<u>(974,686)</u>
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	<u>-</u>	<u>(405,304)</u>
Net cash used in financing activities	<u>(2,005,549)</u>	<u>(2,278,155)</u>
NET (DECREASE) INCREASE IN CASH	(5,649)	69,320
CASH AT THE BEGINNING OF THE YEAR	<u>522,970</u>	<u>453,650</u>
CASH AT THE END OF THE YEAR	<u>\$ 517,321</u>	<u>\$ 522,970</u>

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

(Concluded)

3. Audit Committee's review report on 2016 business report and financial statements.

SUPERVISORS' REPORT

To the 2016 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 2016 and found them in order.

The Convener of Audit Committee: Edward Yung Do Way

May 10th, 2017

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 there to a report of such distribution shall be submitted to the shareholders' meeting.

- (2) The net income before distributing the compensation of directors and employees is NT\$ 1,469,239,429. The Company proposes that the ratio and amount of distribution for the compensation of employees are 3.2% and NT\$ 47,015,662, and the ratio and amount of distribution for the compensation of directors are 2.4% and NT\$ 35,261,746. The proposal of compensation of directors and employees may be paid in cash,

- (3) The proposal of compensation had approved by the shareholders' meeting.

- (4) Please approve the proposed resolutions.

Resolution:

III. Matters to be Approved

1. To accept 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 (please refer to P.2-P.30), 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:

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

IV. 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".

Please vote

Board of Directors proposes:

Explanatory Notes:

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, 2016, 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.

Resolution:

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., <u>or subscription or 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 <u>subscription or 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>d) 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>e) 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)	<u>h)</u> "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.	<u>f)</u> "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 <u>f)</u> 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 <u>d)</u> 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>

V. Extemporaneous Motion

VI. Rules and Regulations

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

Chapter 1 General Provisions

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

Article 2 The Company's businesses are as follows :

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

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

- Article 3 The Corporation may provide guarantee in accordance to the regulations set out in the “Procedure for Endorsements and Guarantees”
- Article 4 Where the Company invests in other companies and becomes a shareholder with limited liability, its total investment may exceed 40% of its paid-up capital as stipulated under Article 13 of the Company Law, subject to approval of the Board of Directors.
- Article 5 The Company is incorporated in New Taipei City, the Republic of China; the Board of Directors may by resolution approve the establishment of domestic and international branches where it deems necessary.
- Article 6 The Company’s Organization Chart should be adopted separately.

Chapter 2 Share Capital

- Article 7 The Company's total capital shall be Seventeen Billion and Five hundred Million New Taiwan Dollar (NT\$17,500,000,000) divided into 1,750,000,000 shares of NT\$10 each. The Board of Directors is authorized to issue the un-issued shares in separate trenches. Out of the above total capital amount, One Hundred Million New Taiwan Dollar (NT\$100,000,000) shall be divided into 10,000,000 shares of NT\$10 each, to be issued as warrants for employees to subscribe.
- Article 8 Shares issued by the Company are not required to be evidenced by share certificates, provided that they shall be recorded at the Securities Central Depository Enterprises.
- The Company can issue special shares.
- In the event of the Company merging with another company, matters relating to the merger need not be approved by way of a resolution of the special shareholders meeting.
- Article 9 Matters relating to the Company's shares shall be dealt with according to the provisions of "Regulations Governing Handling of Stock Affairs by Public Companies" and the relevant laws and regulations.
- Article 10 Registration of share transfer shall be closed within 60 days prior to General Shareholders’ Meeting, or with 30 days prior to Extraordinary Shareholders’ Meeting or within 5 days prior to the record date on which Company distributes the dividends or bonuses.

Chapter 3 Shareholders’ Meeting

- Article 11 The Shareholders' Meetings shall be General or Extraordinary Shareholders' Meetings. :
1. General Shareholders' Meeting shall be held once a year within 6 months of the end of the Company's financial year.
 2. A Special Shareholders' meeting shall be convened in accordance with laws and regulations.
- Article 12 Notices of General Shareholders' Meeting shall be in writing and delivered to the shareholders along with a public notice 30 days before the General Shareholders' Meeting and 15 days before the Extraordinary Shareholders' Meeting. The said notices shall specify the date, place and reasons for calling the shareholders' meeting.
- Article 13 Unless otherwise stipulated by the Company Law, a quorum shall be present at the shareholders' meeting if shareholders representing more than half of the shares issued by the Company are in attendance and resolutions at the said assembly shall be passed if approved by a majority of the shareholders in attendance.
- Article 14 Shareholders may by way of power of attorney appoint proxies to attend the said shareholders' meeting. Except for trust enterprises or share registration agencies approved by the securities management authorities, when one shareholder is entrusted by two or more shareholders, the voting right represented by the said shareholder shall not exceed 3% of the voting rights of total shares issued. Where it has so exceeded, the voting right in excess shall not be included.
- Unless otherwise stipulated by the Company Law, attendance of shareholder's proxies shall be in accordance with the provisions of "Regulation Governing the Use of Proxies For Attendance of Shareholders' Meeting of Public Companies".
- Article 15 Unless otherwise stipulated by the Company Law and the Articles of Incorporation, shareholders' meeting shall be conducted in accordance with the Company's regulations for shareholders' meeting.
- Article 16 Minutes and resolutions of shareholders' meeting shall be recorded and signed by or affixed with the seal of the chairman of the meeting. The said minutes and resolutions shall specify the date and place of the shareholders' meeting, number of shares represented by the shareholders (or proxies) present at the meeting; number of voting rights represented; name of the chairman of the shareholders' meeting; resolutions and the manner in which they are passed. The said minutes and resolutions shall be kept, together with the register of shareholders' attendance and the proxies' powers of attorney, in compliance with the law.

Chapter 4 Directors, Supervisors and Managers

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

Supervisor Ownership Ratios at Public Companies".

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

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

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

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

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

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

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

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

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

Article 21 (Deleted.)

Article 22 (Deleted.)

- 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 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.

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

The distribution of dividends shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Dividends shall be paid aimed at maintaining the stability of dividend distributions. When distributing dividends, the cash dividends shall not be less than 10% of bonus to the shareholders distributed in the same year.

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

Chapter 6 Supplementary Provisions

Article 30 These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings. First amendment on December 20, 1967;
Second amendment on October 2, 1968;
Third amendment on July 29, 1969;
Fourth amendment on August 26, 1969;
Fifth amendment on February 19, 1970;
Sixth amendment on June 26, 1970;
Seventh amendment on August 21, 1972;
Eighth amendment on March 30, 1973;
Ninth amendment on May 2, 1974;
Tenth amendment on May 30, 1975;
Eleventh amendment on April 19, 1976;
Twelfth amendment on March 25, 1977;
Thirteenth amendment on March 6, 1978;
Fourteenth amendment on April 6, 1979;
Fifteenth amendment on April 18, 1980;
Sixteenth amendment on April 9, 1981;
Seventeenth amendment on April 15, 1982;
Eighteenth amendment on November 29, 1982;
Nineteenth amendment on May 12, 1983;
Twentieth amendment on May 12, 1984;
Twenty-first amendment on May 6, 1985;
Twenty-second amendment on May 7, 1986;
Twenty-third amendment on April 30, 1987;
Twenty-fourth amendment on April 28, 1988;
Twenty-fifth amendment on April 29, 1989;
Twenty-sixth amendment on April 30, 1990;
Twenty-seventh amendment on May 2, 1991;
Twenty-eighth amendment on April 24, 1992;
Twenty-ninth amendment on April 30, 1993;
Thirtieth amendment on April 7, 1994;
Thirty-first amendment on April 15, 1995;
Thirty-second amendment on May 10, 1996;

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

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 extemporary 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 22th, 2017)

Title	Name	Representative	Shareholdings	Ratio of Shareholding %
Chairman	Douglas Tong Hsu	-	1,779,835	0.13
Directors	Ding Ding Management Consultant Corp.	Nancy Hsu	73,009	0.01
	Far Eastern New Century Corporation	Nicole Hsu	241,769,702	17.06
		Yvonne Li		
	Yue Li Investment Corporation	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: 1,416,940,589shares.

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	2017 (Estimate)
Paid-in Capital (beginning of the year)		14,169,405,890
Stock & Cash Dividend Distribution	Cash Dividend (NT\$/per share)	0.70
	Stock Dividend from Retained Earnings	0.00
	Stock Dividend from Capital Surplus	0.00
Variance in Business Performance	Operating Income	not applicable (note)
	% Change in Operating Income	
	Net Income	
	% Change in Net Income	
	Earnings Per Share	
	% Change in EPS	
	Average Return on Investment (%) (Reciprocal of Average P/E Ratio)	
Pro Forma EPS & P/E Ratio	If Retained Earnings Pro Forma Earnings Per Share Distributed in Cash Dividend	Pro Forma Earnings Per Share
		Pro Forma Average Yearly Return on Investment
	If Capital Surplus not Distributed in Stock Dividend	Pro Forma Earnings Per Share
		Pro Forma Average Yearly Return on Investment
	If Retained Earnings & Capital Surplus Distributed in Cash Dividend rather than Stock Dividend	Pro Forma Earnings Per Share
		Pro Forma Average Yearly Return on Investment

Note: * As we do not disclose our financial forecast information of 2017, in compliance with relevant Government regulations, there is no need to provide this information.