



Minutes of 2019 Annual General Shareholders' Meeting of Far Eastern Department Stores

Date: Tuesday, 25 June 2019

Time: 9:00 a.m. Taipei time

Place: Auditorium in the Taipei Hero House

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

Shareholders present:

Total shares (including e-voting) represented by shareholders present: 971,703,762 shares, which was 68.98% of total number of outstanding shares 1,408,733,585 shares.

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

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

Recorder: Mr. James Tang

The aggregate shareholding of the shareholders present constituted a quorum.

The Chairman called the meeting to order.

The speech of Chairman (omitted)

The speech of invited observers (none)

I. Matters to be Reported:

1. 2018 Business Report (please refer to P.2-P.8 of handbook for 2019 AGM)
2. Financial report of 2018 (please refer to P.9-P.31 of handbook for 2019 AGM)
3. Audit Committee's review report on 2018 business report and financial statements (please refer to P.32 of handbook for 2019 AGM)
4. Report of directors' and employees' compensation (please refer to P.33 of handbook for 2019 AGM)

RESOLVED, that the above proposals were approved for reference.

II. Matters to be Approved:

1. To accept 2018 business report and financial statements.

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

Explanatory Notes:

- (1) FEDS's 2018 business report and financial statements, including 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 Ming-Hsing Cho of Deloitte & Touche, and has been examined by and determined to be correct and accurate by Audit Committee of FEDS. We thereby submit this report.
- (2) Please approve the above-mentioned business report and financial statements.

Resolution: the result of voting is as follows:

The number of shares represented by the shareholders present at the time of voting (including e-voting) was 971,703,762.

Number of votes (including e-voting)		% of votes represented by the shareholders present
Approval	920,364,307	94.7
Disapproval	276,675	-
Invalid	0	-
Abstention votes/No votes	51,062,780	5.3

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

2. To approve the proposal for the distribution of 2018 surplus earning.

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

Explanatory Notes:

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

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

- (2) The distribution of 2018 dividends composes of 2018 surplus earning in priority, and the undistributed profit from 1998 to 2017 in case 2018 surplus earning are insufficient to cover 2018 dividends, and then the undistributed profit before 1997 in case the surplus earning from 1997 to 2017 are insufficient to cover 2018 dividends.
- (3) After being approved at the annual General Shareholders' meeting (2019), the cash dividends to holders of common share will be distributed on the record date to be determined by Chairman authorized by the Board of Directors. Cash dividends allocated to each shareholder should be calculated to round down to full NT dollar (decimal places should be ignored). The sum of the amount lower than NT\$1 paid to each shareholder should be reclassified to other income. According to Article 28-2 of the ROC Securities and Exchange Law and other relevant regulations, the total numbers of common shares outstanding may change, and the ultimate cash to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Board of Directors of FEDS be authorized to adjust the cash to be distributed to each common share based on the total amount of profits resolved to be distributed, the amount of earnings resolved to be capitalized, and the number of actual common shares outstanding on the record date for distribution.
- (4) Please approve the above-mentioned proposal for the distribution of 2018 profits.

Resolution: the result of voting is as follows:

The number of shares represented by the shareholders present at the time of voting (including e-voting) was 971,703,762.

Number of votes (including e-voting)		% of votes represented by the shareholders present
Approval	924,900,203	95.2
Disapproval	305,629	-
Invalid	0	-
Abstention votes/No votes	49,497,930	4.8

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

III. Discussion

1. Proposal To Amend The Certain Provisions Of The Company' S “Procedures For Acquisition And Disposition Of Assets”

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

Explanatory Notes:

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

Resolution: the result of voting is as follows:

The number of shares represented by the shareholders present at the time of voting (including e-voting) was 971,703,762.

Number of votes (including e-voting)		% of votes represented by the shareholders present
Approval	924,847,728	95.2
Disapproval	350,734	-
Invalid	0	-
Abstention votes/No votes	46,505,300	4.8

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

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

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

Explanatory Notes:

- (1) In order to comply with the amendments of “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” announced by official letter No. 1080304826 of the Financial Supervisory Commission (“FSC”) dated March 7, 2019, and to operate in coordination with the Company's reorganization, it is proposed to amend the

Procedures For Endorsements and Guarantees of Far Eastern Department Stores Ltd.

- (2) To amend article 8.
- (3) Please approve the proposed resolutions.

Resolution: the result of voting is as follows:

The number of shares represented by the shareholders present at the time of voting (including e-voting) was 971,703,762.

Number of votes (including e-voting)		% of votes represented by the shareholders present
Approval	924,839,181	95.2
Disapproval	353,373	-
Invalid	0	-
Abstention votes/No votes	46,511,208	4.8

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

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

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

Explanatory Notes:

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

Resolution: the result of voting is as follows:

The number of shares represented by the shareholders present at the time of voting (including e-voting) was 971,703,762.

Number of votes (including e-voting)		% of votes represented by the shareholders present
Approval	924,843,273	95.2
Disapproval	349,281	-
Invalid	0	-
Abstention votes/No votes	46,511,208	4.8

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

Shareholder # 0359696 raised questions about the operation and finance of company. The questions were answered by Company.

IV. Extemporary motion

None

V. Motion to Adjourn

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Far Eastern Department Stores, Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

Evaluation of Impairment Loss of Goodwill

As of December 31, 2018, the goodwill of the Group was NT\$3,302,782 thousand, accounted for 3% of total consolidated assets, which is material to the consolidated financial statements. Under IAS 36, management must test impairment annually.

The goodwill of the Group mainly derived from the merger and acquisition of operating segments in mainland China. When testing goodwill for impairment, management should

evaluate whether the recoverable amount is higher than the carrying amount. In determining the recoverable amount, management should estimate the future cash flows from operating segments in mainland China and determine the optimal discount rate. Significant assumptions involve both judgments made by management and material estimation uncertainty. Thus, the evaluation of impairment loss of goodwill is considered a key audit matter. For the accounting policy related to impairment loss of the goodwill, refer to Notes 4, 5 and 19 of the accompanying consolidated financial statements.

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

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

Fair Value Evaluation of Investment Properties

As of December 31, 2018, the carrying amount of investment properties was NT\$8,690,640 thousand, accounting for 8% of total consolidated assets, which is material to the consolidated financial statements. The Group's investment properties are subsequently measured using the fair value model. The fair value evaluation involved significant accounting estimation and judgment. As a result, the fair value evaluation of investment property is considered to be a key audit matter. Refer to Notes 4, 5 and 18 to the accompanying consolidated financial statements for the relevant detailed information.

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

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

Others Matter

We have also audited the parent company only financial statements of Far Eastern Department Stores, Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chuan Yeh and Ming-Hsing Cho.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not

those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS **DECEMBER 31, 2018 AND 2017** (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 14,594,847	14	\$ 16,116,484	15
Financial assets at fair value through profit or loss - current (Note 7)	437,747	-	496,455	1
Financial assets at fair value through other comprehensive income - current (Notes 8 and 36)	244,785	-	-	-
Available-for-sale financial assets - current (Notes 10 and 36)	-	-	233,523	-
Financial assets at amortized cost - current (Notes 9 and 36)	2,077,919	2	-	-
Debt investments with no active market - current (Notes 12 and 36)	-	-	1,914,388	2
Notes receivable (Note 13)	2,287	-	1,131	-
Trade receivables (Note 13)	1,582,273	2	1,113,758	1
Trade receivables from related parties (Notes 13 and 35)	155,942	-	126,364	-
Other receivables (Notes 13 and 35)	2,159,355	2	1,784,033	2
Current tax assets (Note 30)	5,655	-	3,079	-
Inventories (Note 14)	2,729,234	3	2,583,275	2
Prepayments (Notes 20 and 35)	977,014	1	870,134	1
Other current assets (Notes 21 and 35)	85,798	-	69,068	-
Total current assets	<u>25,052,856</u>	<u>24</u>	<u>25,311,692</u>	<u>24</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 36)	3,960,014	4	-	-
Available-for-sale financial assets - non-current (Notes 10 and 36)	-	-	2,944,887	3
Financial assets at amortized cost- non-current (Notes 9 and 36)	227,400	-	-	-
Financial assets measured at cost - non-current (Note 11)	-	-	608,037	-
Debt investments with no active market - non-current (Notes 12 and 36)	-	-	227,000	-
Investments accounted for using the equity method (Notes 16 and 36)	8,678,647	8	8,444,059	8
Property, plant and equipment (Notes 17, 35 and 36)	43,532,941	42	43,699,225	41
Investment properties (Notes 18 and 36)	8,690,640	8	8,738,216	8
Intangible assets (Note 19)	3,449,258	3	5,059,516	5
Deferred tax assets (Note 30)	772,100	1	719,578	1
Long-term prepayments for lease (Notes 20 and 35)	7,704,464	8	8,176,674	8
Other non-current assets (Notes 21 and 35)	1,678,021	2	1,779,567	2
Total non-current assets	<u>78,693,485</u>	<u>76</u>	<u>80,396,759</u>	<u>76</u>
TOTAL	<u>\$103,746,341</u>	<u>100</u>	<u>\$105,708,451</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 22, 35 and 36)	\$ 12,957,612	13	\$ 13,084,956	12
Short-term bills payable (Notes 22 and 36)	3,480,365	3	2,514,700	3
Contract liabilities - current (Note 28)	7,525,468	7	-	-
Notes payable	3,683	-	3,071	-
Trade payables	17,579,453	17	18,285,105	17
Trade payables to related parties (Note 35)	104,999	-	127,880	-
Other payables (Notes 24, 27 and 35)	3,687,578	4	4,250,840	4
Current tax liabilities (Note 30)	609,796	1	539,394	1
Provisions - current (Note 25)	6,592	-	6,828	-
Advance receipts (Note 35)	354,277	-	7,456,419	7
Deferred revenue - current (Note 24)	-	-	83,761	-
Current portion of bonds payable (Note 23)	-	-	998,149	1
Current portion of long-term borrowings (Notes 22 and 36)	-	-	3,500,000	3
Other current liabilities (Notes 24 and 35)	320,947	-	264,545	-
Total current liabilities	<u>46,630,770</u>	<u>45</u>	<u>51,115,648</u>	<u>48</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 22 and 36)	15,090,000	15	13,258,102	13
Provisions - non-current (Note 25)	24,909	-	26,465	-
Deferred tax liabilities (Note 30)	2,114,362	2	1,915,480	2
Net defined benefit liabilities (Note 26)	808,480	1	945,908	1
Other non-current liabilities (Notes 24 and 35)	1,387,430	1	1,588,670	1
Total non-current liabilities	<u>19,425,181</u>	<u>19</u>	<u>17,734,625</u>	<u>17</u>
Total liabilities	<u>66,055,951</u>	<u>64</u>	<u>68,850,273</u>	<u>65</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE GROUP				
Share capital				
Ordinary shares	14,169,406	14	14,169,406	13
Capital surplus	3,315,420	3	3,315,931	3
Retained earnings				
Legal reserve	3,166,880	3	3,013,281	3
Special reserve	2,656,286	2	2,643,743	3
Unappropriated earnings	2,081,772	2	2,274,946	2
Total retained earnings	7,904,938	7	7,931,970	8
Other equity	4,231,252	4	3,678,521	3
Treasury shares	(97,110)	-	(97,110)	-
Total equity attributable to owners of the Company	29,523,906	28	28,998,718	27
NON-CONTROLLING INTERESTS	8,166,484	8	7,859,460	8
Total equity	<u>37,690,390</u>	<u>36</u>	<u>36,858,178</u>	<u>35</u>
TOTAL	<u>\$103,746,341</u>	<u>100</u>	<u>\$105,708,451</u>	<u>100</u>

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 28 and 35)	\$39,242,551	100	\$41,166,982	100
OPERATING COSTS (Notes 14, 29 and 35)	<u>19,091,584</u>	<u>49</u>	<u>20,673,607</u>	<u>50</u>
GROSS PROFIT	<u>20,150,967</u>	<u>51</u>	<u>20,493,375</u>	<u>50</u>
OPERATING EXPENSES (Notes 26, 29 and 35)				
Selling and marketing expenses	923,663	2	1,036,753	3
General and administrative expenses	15,056,030	39	16,369,898	40
Expected credit loss	<u>(16,055)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>15,963,638</u>	<u>41</u>	<u>17,406,651</u>	<u>43</u>
OPERATING PROFIT	<u>4,187,329</u>	<u>10</u>	<u>3,086,724</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 29)	530,849	1	213,248	-
Other gains and losses (Notes 17, 19, 29 and 35)	(1,743,179)	(4)	(116,574)	-
Finance costs (Notes 29 and 35)	(437,280)	(1)	(445,376)	(1)
Share of profit for loss of associates accounted for using the equity method	<u>11,396</u>	<u>-</u>	<u>(39,180)</u>	<u>-</u>
Total non-operating income and expenses	<u>(1,638,214)</u>	<u>(4)</u>	<u>(387,882)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	2,549,115	6	2,698,842	6
INCOME TAX EXPENSE (Note 30)	<u>898,620</u>	<u>2</u>	<u>853,820</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,650,495</u>	<u>4</u>	<u>1,845,022</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 26, 27 and 30)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	534,199	2	-	-
Remeasurement of defined benefit plans	(50,328)	-	(78,408)	-
Share of other comprehensive income (loss) of associates accounted for using the equity method	409,335	1	(3,666)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>23,366</u>	<u>-</u>	<u>13,325</u>	<u>-</u>
	<u>916,572</u>	<u>3</u>	<u>(68,749)</u>	<u>-</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

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

	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (14,562)	-	\$ 53,290	-
Unrealized loss on available-for-sale financial assets	-	-	(140,221)	-
Share of other comprehensive income (loss) of associates accounted for using the equity method	<u>5,267</u>	<u>-</u>	<u>(3,528)</u>	<u>-</u>
	<u>(9,295)</u>	<u>-</u>	<u>(90,459)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>907,277</u>	<u>3</u>	<u>(159,208)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,557,772</u>	<u>7</u>	<u>\$ 1,685,814</u>	<u>4</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,318,150	3	\$ 1,535,986	3
Non-controlling interests	<u>332,345</u>	<u>1</u>	<u>309,036</u>	<u>1</u>
	<u>\$ 1,650,495</u>	<u>4</u>	<u>\$ 1,845,022</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,029,426	5	\$ 1,363,957	3
Non-controlling interests	<u>528,346</u>	<u>2</u>	<u>321,857</u>	<u>1</u>
	<u>\$ 2,557,772</u>	<u>7</u>	<u>\$ 1,685,814</u>	<u>4</u>
EARNINGS PER SHARE (Note 31)				
Basic	<u>\$ 0.94</u>		<u>\$ 1.09</u>	
Diluted	<u>\$ 0.93</u>		<u>\$ 1.09</u>	

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company												
	Other Equity (Note 27)												
	Share Capital (Note 27)	Capital Surplus (Note 27)	Retained Earnings (Note 27)			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain on Property Revaluation	Treasury Shares (Note 27)	Total	Non-controlling Interests (Note 27)	Total Equity
			Legal Reserve	Special Reserve	Earnings								
BALANCE AT JANUARY 1, 2017	\$14,169,406	\$ 3,319,868	\$ 2,899,856	\$ 2,529,594	\$ 2,013,557	\$ 58,273	\$ 1,566,157	\$ -	\$ 2,170,970	\$ (97,110)	\$28,630,571	\$ 7,812,231	\$36,442,802
Appropriation of 2016 earnings													
Legal reserve	-	-	113,425	-	(113,425)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	114,149	(114,149)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(991,858)	-	-	-	-	-	(991,858)	-	(991,858)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(273,138)	(273,138)
	-	-	113,425	114,149	(1,219,432)	-	-	-	-	-	(991,858)	(273,138)	(1,264,996)
Net profit for the year ended December 31, 2017	-	-	-	-	1,535,986	-	-	-	-	-	1,535,986	309,036	1,845,022
Other comprehensive (loss) income for the year ended December 31, 2017, net of income tax	-	-	-	-	(55,150)	27,775	(144,654)	-	-	-	(172,029)	12,821	(159,208)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,480,836	27,775	(144,654)	-	-	-	1,363,957	321,857	1,685,814
Adjustments resulting from investments in associates accounted for using the equity method	-	(3,937)	-	-	(15)	-	-	-	-	-	(3,952)	(1,490)	(5,442)
BALANCE AT DECEMBER 31, 2017	14,169,406	3,315,931	3,013,281	2,643,743	2,274,946	86,048	1,421,503	-	2,170,970	(97,110)	28,998,718	7,859,460	36,858,178
Effect of retrospective application and retrospective restatement	-	-	-	-	92,444	-	(1,421,503)	1,242,300	-	-	(86,759)	-	(86,759)
BALANCE AT JANUARY 1, 2018 AS RESTATEMENT	14,169,406	3,315,931	3,013,281	2,643,743	2,367,390	86,048	-	1,242,300	2,170,970	(97,110)	28,911,959	7,859,460	36,771,419
Appropriation of 2017 earnings													
Legal reserve	-	-	153,599	-	(153,599)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	12,543	(12,543)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,416,940)	-	-	-	-	-	(1,416,940)	-	(1,416,940)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(220,697)	(220,697)
	-	-	153,599	12,543	(1,583,082)	-	-	-	-	-	(1,416,940)	(220,697)	(1,637,637)
Net profit for the year ended December 31, 2018	-	-	-	-	1,318,150	-	-	-	-	-	1,318,150	332,345	1,650,495
Other comprehensive (loss) income for the year ended December 31, 2018, net of income tax	-	-	-	-	(24,850)	4,606	-	731,520	-	-	711,276	196,001	907,277
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,293,300	4,606	-	731,520	-	-	2,029,426	528,346	2,557,772
Difference between equity purchase price and carrying amount arising from actual acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments resulting from investments in associates accounted for using the equity method	-	(511)	-	-	(28)	-	-	-	-	-	(539)	(625)	(1,164)
Associates disposed the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	4,192	-	-	(4,192)	-	-	-	-	-
BALANCE AT DECEMBER 31, 2018	\$14,169,406	\$ 3,315,420	\$ 3,166,880	\$ 2,656,286	\$ 2,081,772	\$ 90,654	\$ -	\$ 1,969,628	\$ 2,170,970	\$ (97,110)	\$29,523,906	\$ 8,166,484	\$37,690,390

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

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

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

	2018	2017
Deferred revenue	\$ -	\$ 83,761
Advance receipts	120,205	71,379
Other current liabilities	56,402	(14,111)
Net defined benefit liabilities	<u>(191,239)</u>	<u>(92,161)</u>
Cash generated from operations	5,189,552	8,090,992
Dividends received	290,342	238,940
Interest paid	(436,417)	(431,023)
Interest received	115,480	67,559
Income tax returned	194	3,125
Income tax paid	<u>(672,202)</u>	<u>(799,617)</u>
Net cash generated from operating activities	<u>4,486,949</u>	<u>7,169,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at cost	(163,931)	-
Proceeds from sale of debt investments with no active market	-	(1,324,877)
Acquisition of investments accounted for using the equity method	-	(286,655)
Acquisition of available-for-sale assets	-	(92,331)
Proceeds from sale of available-for-sale financial assets	-	1,171,836
Decrease in prepaid long-term investments	49,288	84,174
Proceeds from disposal of non-current assets held for sale	-	13,500
Payments for property, plant and equipment	(2,257,557)	(1,825,793)
Proceeds from disposal of property, plant and equipment	606	1,940
Payments for intangible assets	(63,726)	(53,748)
Payments for investment properties	-	(1,481)
Decrease in other non-current assets	<u>(82,785)</u>	<u>77,909</u>
Net cash used in investing activities	<u>(2,518,105)</u>	<u>(2,235,526)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	174,720,516	137,230,416
Repayments of short-term borrowings	(174,820,679)	(133,883,006)
Proceeds from short-term bills payable	26,313,358	29,826,307
Repayments of short-term bills payable	(25,347,693)	(30,002,553)
Repayments of bond payables	(1,000,000)	-
Proceeds from long-term borrowings	75,821,898	67,111,036
Repayments of long-term borrowings	(77,490,000)	(71,280,600)
Decrease in other non-current liabilities	(26,346)	(35,184)
Dividends paid to owners of the Company	(1,414,847)	(992,035)
Dividends paid to non-controlling interests	<u>(256,698)</u>	<u>(267,424)</u>
Net cash used in financing activities	<u>(3,500,491)</u>	<u>(2,293,043)</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>10,010</u>	<u>(34,864)</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

	2018	2017
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (1,521,637)	\$ 2,606,543
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>16,116,484</u>	<u>13,509,941</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 14,594,847</u>	<u>\$ 16,116,484</u>

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Far Eastern Department Stores, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements for the year ended December 31, 2018 are stated as follows:

Evaluation of Impairment Loss of Goodwill on Investments in Subsidiaries

Carrying amounts of investments in the Company's subsidiaries include goodwill, which was acquired through indirect investment on Pacific Liu Tong Investment Co. Ltd. for operating segments in mainland China. Under IAS 36, the management of the Company must test for impairment annually. When testing goodwill for impairment, the management should evaluate whether the recoverable amount is higher than the carrying amount. In determining the recoverable amount, management should estimate the future cash flows from operating segments in mainland China and determine the optimal discount rate. Significant assumptions involve both judgments made by management and material estimation uncertainty. Thus, the evaluation of impairment loss of goodwill in subsidiaries is considered a key audit matter. For the accounting policy related to investments in subsidiaries, please refer to Notes 4(6) and 5(1) of the accompanying financial statements, in which goodwill impairment of investments in subsidiaries is included.

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

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

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

Fair Value Evaluation of Investment Properties

As of December 31, 2018, the carrying amount of investment properties was NT\$9,062,640 thousand, accounting for 15% of the total assets, which is material to the financial statements. The Company's investment properties are subsequently measured using the fair value model. In the process of fair value assessment, valuation technique and inputs require consideration of the future scheme of investment properties to estimate the discounted fair value of future cash flows. Future cash flows are extrapolated using the existing lease contracts of the Company and market rentals.

Since the cash flow forecasts are subject to economic conditions, which have a high level of measurement uncertainty, we have resultantly identified the fair value evaluation of investment properties as a key audit matter. Please refer to Notes 4(9), 5(2) and 15 to the accompanying financial statements for the relevant detailed information.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chuan Yeh and Ming-Hsing Cho.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2019

Notice to Readers

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

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

FAR EASTERN DEPARTMENT STORES, LTD.

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 6)	\$ 746,181	1	\$ 731,111	1
Financial assets at amortized cost - current (Note 8)	25,095	-	-	-
Notes receivable (Note 11)	140	-	-	-
Trade receivables (Note 11)	710,140	1	445,110	1
Trade receivables from related parties (Notes 11 and 30)	70,052	-	58,247	-
Other receivables (Notes 11 and 30)	337,628	1	86,428	-
Inventories (Note 12)	378,188	1	331,080	1
Prepayments (Note 30)	237,820	-	222,711	-
Other current assets (Note 18)	13,780	-	11,408	-
Total current assets	<u>2,519,024</u>	<u>4</u>	<u>1,886,095</u>	<u>3</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 7 and 31)	2,354,351	4	-	-
Available-for-sale financial assets - non-current (Notes 9, 30 and 31)	-	-	1,945,059	3
Financial assets measured at cost - non-current (Note 10)	-	-	103,894	-
Investments accounted for using the equity method (Notes 13, 20 and 31)	19,570,715	32	20,151,049	33
Property, plant and equipment (Notes 14, 15, 31 and 32)	25,314,067	41	25,020,048	41
Investment properties (Notes 15 and 31)	9,062,640	15	9,120,816	15
Intangible assets (Note 16)	50,207	-	50,001	-
Deferred tax assets (Note 25)	192,145	-	111,621	-
Long-term prepayments for lease (Note 17)	2,173,763	4	2,236,168	4
Other non-current assets (Notes 18 and 30)	321,053	-	266,326	1
Total non-current assets	<u>59,038,941</u>	<u>96</u>	<u>59,004,982</u>	<u>97</u>
TOTAL	<u>\$61,557,965</u>	<u>100</u>	<u>\$60,891,077</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 19 and 31)	\$ 6,710,000	11	\$ 6,300,000	10
Short-term bills payable (Note 19)	2,299,032	4	1,699,188	3
Contract liabilities - current (Note 23)	2,847,832	5	-	-
Notes payable and trade payables	4,878,840	8	5,026,846	8
Trade payables to related parties (Note 30)	76,148	-	85,055	-
Other payables (Notes 20 and 30)	1,284,856	2	1,226,591	2
Current tax liabilities (Note 25)	148,613	-	124,398	-
Deferred revenue - current (Note 20)	-	-	37,604	-
Advance receipts (Note 30)	188,206	-	2,885,830	5
Current portion of long-term borrowings (Notes 19 and 31)	-	-	3,500,000	6
Other current liabilities (Notes 20 and 30)	154,900	-	113,556	-
Total current liabilities	<u>18,588,427</u>	<u>30</u>	<u>20,999,068</u>	<u>34</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 19 and 31)	11,100,000	18	8,600,000	14
Deferred tax liabilities (Note 25)	2,064,540	4	1,884,830	3
Net defined benefit liabilities (Note 21)	89,001	-	237,508	1
Other non-current liabilities (Notes 13, 20, 27 and 30)	192,091	-	170,953	-
Total non-current liabilities	<u>13,445,632</u>	<u>22</u>	<u>10,893,291</u>	<u>18</u>
Total liabilities	<u>32,034,059</u>	<u>52</u>	<u>31,892,359</u>	<u>52</u>
EQUITY				
Share capital				
Ordinary shares	14,169,406	23	14,169,406	23
Capital surplus	3,315,420	5	3,315,931	6
Retained earnings				
Legal reserve	3,166,880	5	3,013,281	5
Special reserve	2,656,286	4	2,643,743	4
Unappropriated earnings	2,081,772	4	2,274,946	4
Total retained earnings	7,904,938	13	7,931,970	13
Other equity	4,231,252	7	3,678,521	6
Treasury shares	(97,110)	-	(97,110)	-
Total equity	<u>29,523,906</u>	<u>48</u>	<u>28,998,718</u>	<u>48</u>
TOTAL	<u>\$61,557,965</u>	<u>100</u>	<u>\$60,891,077</u>	<u>100</u>

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

FAR EASTERN DEPARTMENT STORES, LTD.

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 23 and 30)	\$10,781,588	100	\$10,581,149	100
OPERATING COSTS (Notes 12, 24 and 30)	<u>4,285,132</u>	<u>40</u>	<u>4,097,426</u>	<u>39</u>
GROSS PROFIT	<u>6,496,456</u>	<u>60</u>	<u>6,483,723</u>	<u>61</u>
OPERATING EXPENSES (Notes 24 and 30)				
Selling and marketing expenses	375,165	4	402,891	4
General and administrative expenses	4,031,963	37	4,198,675	39
Expected credit loss reversed	<u>(11)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>4,407,117</u>	<u>41</u>	<u>4,601,566</u>	<u>43</u>
OPERATING PROFIT	<u>2,089,339</u>	<u>19</u>	<u>1,882,157</u>	<u>18</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 24)	335,487	3	72,518	1
Other gains and losses (Notes 24 and 30)	(14,332)	-	170,706	1
Finance costs (Notes 24 and 30)	(169,089)	(1)	(199,285)	(2)
Share of loss of subsidiaries and associates accounted for using the equity method	<u>(607,556)</u>	<u>(6)</u>	<u>(144,445)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(455,490)</u>	<u>(4)</u>	<u>(100,506)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	1,633,849	15	1,781,651	17
INCOME TAX EXPENSE (Note 25)	<u>315,699</u>	<u>3</u>	<u>245,665</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,318,150</u>	<u>12</u>	<u>1,535,986</u>	<u>15</u>
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 21, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(5,559)	-	(22,745)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	311,658	3	-	-

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

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

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

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	Other Equity (Note 22)										
	Share Capital	Capital Surplus	Retained Earnings (Notes 21, 22 and 25)			Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain on Property Revaluation	Treasury Shares	Total Equity
	(Note 22)	(Note 22)	Legal Reserve	Special Reserve	Earnings		Financial Assets	Income		(Note 22)	
BALANCE AT JANUARY 1, 2017	\$ 14,169,406	\$ 3,319,868	\$ 2,899,856	\$ 2,529,594	\$ 2,013,557	\$ 58,273	\$ 1,566,157	\$ -	\$ 2,170,970	\$ (97,110)	\$28,630,571
Appropriation of 2016 earnings											
Legal reserve	-	-	113,425	-	(113,425)	-	-	-	-	-	-
Special reserve	-	-	-	114,149	(114,149)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(991,858)	-	-	-	-	-	(991,858)
	-	-	113,425	114,149	(1,219,432)	-	-	-	-	-	(991,858)
Net profit for the year ended December 31, 2017	-	-	-	-	1,535,986	-	-	-	-	-	1,535,986
Other comprehensive (loss) income for the year ended December 31, 2017, net of income tax	-	-	-	-	(55,150)	27,775	(144,654)	-	-	-	(172,029)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,480,836	27,775	(144,654)	-	-	-	1,363,957
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	(3,937)	-	-	(15)	-	-	-	-	-	(3,952)
BALANCE AT DECEMBER 31, 2017	14,169,406	3,315,931	3,013,281	2,643,743	2,274,946	86,048	1,421,503	-	2,170,970	(97,110)	28,998,718
Effect of retrospective application and retrospective restatement	-	-	-	-	92,444	-	(1,421,503)	1,242,300	-	-	(86,759)
BALANCE AT JANUARY 1, 2018 AS RESTATED	14,169,406	3,315,931	3,013,281	2,643,743	2,367,390	86,048	-	1,242,300	2,170,970	(97,110)	28,911,959
Appropriation of 2017 earnings											
Legal reserve	-	-	153,599	-	(153,599)	-	-	-	-	-	-
Special reserve	-	-	-	12,543	(12,543)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,416,940)	-	-	-	-	-	(1,416,940)
	-	-	153,599	12,543	(1,583,082)	-	-	-	-	-	(1,416,940)
Net profit for the year ended December 31, 2018	-	-	-	-	1,318,150	-	-	-	-	-	1,318,150
Other comprehensive (loss) income for the year ended December 31, 2018, net of income tax	-	-	-	-	(24,850)	4,606	-	731,520	-	-	711,276
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,293,300	4,606	-	731,520	-	-	2,029,426
Difference between equity purchase price and carrying amount arising from actual acquisition of subsidiary	-	(511)	-	-	(28)	-	-	-	-	-	(539)
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	-	-	-	4,192	-	-	(4,192)	-	-	-
BALANCE AT DECEMBER 31, 2018	\$ 14,169,406	\$ 3,315,420	\$ 3,166,880	\$ 2,656,286	\$ 2,081,772	\$ 90,654	\$ -	\$ 1,969,628	\$ 2,170,970	\$ (97,110)	\$29,523,906

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

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

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

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at cost	\$ (25,095)	\$ -
Proceeds from sale of available-for-sale financial assets	-	547,125
Acquisition of investments accounted for using the equity method	-	(3,843,327)
Payments for property, plant and equipment	(1,272,504)	(969,786)
Payments for investment properties	(306)	(2,193)
Increase in other non-current assets	(54,007)	(34,160)
Payments for intangible assets	(13,155)	(25,979)
Proceeds from disposal of property, plant and equipment	<u>26</u>	<u>998</u>
Net cash used in investing activities	<u>(1,365,041)</u>	<u>(4,327,322)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	93,400,000	90,450,000
Repayments of short-term borrowings	(92,990,000)	(88,050,000)
Proceeds from short-term bills payable	16,610,243	13,340,889
Repayments of short-term bills payable	(16,010,399)	(12,791,179)
Proceeds from long-term borrowings	61,000,000	55,450,000
Repayments of long-term borrowings	(62,000,000)	(57,546,916)
Increase in other non-current liabilities	8,561	11,488
Dividends paid	<u>(1,414,847)</u>	<u>(992,035)</u>
Net cash used in financing activities	<u>(1,396,442)</u>	<u>(127,753)</u>
NET INCREASE IN CASH	15,070	213,790
CASH AT THE BEGINNING OF THE YEAR	<u>731,111</u>	<u>517,321</u>
CASH AT THE END OF THE YEAR	<u><u>\$ 746,181</u></u>	<u><u>\$ 731,111</u></u>

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

(Concluded)

Amendment of the certain provisions of the Company’s “Procedures For Acquisition And Disposition Of Assets”

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

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

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

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

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

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

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

Section	Proposed Changes	Current Articles
Article 8	<p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f) and g) hereunder; however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p> <p style="padding-left: 40px;">A. would be omitted.</p> <p>B. Successful transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the practice for sale and purchase or leased of real property.</p> <p>ii) The Company providing evidence that the transaction conditions of its purchase of real property or its lease of right-of-use asset of real property from related party are comparable with those cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. "Cases within the neighboring areas" shall in principle include those in the same or adjacent street</p>	<p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f) and g) hereunder; however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p> <p style="padding-left: 40px;">A would be omitted.</p> <p>B. Successful transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the practice for sale and purchase of real property.</p> <p>C. Successful rental cases by non-related parties involving other floors of the subject matter within the past one (1) year and with non-related parties, their conditions being comparable to those of rental agreements in which there are estimates of acceptable difference between floor levels in accordance with the practice for rental of real property.</p> <p>ii) The Company providing evidence that the transaction conditions of its purchase of real property from related party are comparable with those successful cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. "Successful cases within the neighboring areas" shall in principle include those in the same or adjacent street</p>

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

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

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

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

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

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

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

Section	Proposed Changes	Current Articles
Article 14	<p>Subsidiaries of the Company shall comply with the following:</p> <ol style="list-style-type: none"> 1) The subsidiaries shall also formulate and implement their respective "Procedures for Acquisition or Disposition of Assets" in accordance with the provisions of "Regulations Governing Acquisition or Disposition of Assets by Public Companies", after the approval of their respective board of directors and Shareholders' Meeting, a copy of the said procedure shall be submitted to the accounting department of the Company and the subsidiary shall be listed and summarized by the accounting department of the Company to the Company's board of directors for approval. The aforesaid shall also apply to amendments to the said procedures. 2) The board of directors of the respective subsidiaries shall formulate the limits in respect of the said subsidiaries' acquisition of real property or right-of-use assets thereof that are not for business use or the aggregate amount of securities or individual securities it may invest. 3) The subsidiaries of the Company shall on their own evaluate whether the Procedure of acquisition or disposition of assets formulated by them conform with the provisions of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", and the relative matters in respect of the acquisition or disposition of assets conform with the Procedure of acquisition or disposition of assets formulated by them. The Auditing Office of the Company shall reexamine the self-evaluation reports of the subsidiaries. 	<p>Subsidiaries of the Company shall comply with the following:</p> <ol style="list-style-type: none"> 1) The subsidiaries shall also formulate and implement their respective "Procedures for Acquisition or Disposition of Assets" in accordance with the provisions of "Regulations Governing Acquisition or Disposition of Assets by Public Companies", after the approval of their respective board of directors and Shareholders' Meeting, a copy of the said procedure shall be submitted to the accounting department of the Company and the subsidiary shall be listed and summarized by the accounting department of the Company to the Company's board of directors for approval. The aforesaid shall also apply to amendments to the said procedures. 2) The board of directors of the respective subsidiaries shall formulate the limits in respect of the said subsidiaries' acquisition of real property that are not for business use or the aggregate amount of securities or individual securities it may invest. 3) The subsidiaries of the Company shall on their own evaluate whether the Procedure of acquisition or disposition of assets formulated by them conform with the provisions of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", and the relative matters in respect of the acquisition or disposition of assets conform with the Procedure of acquisition or disposition of assets formulated by them. The Auditing Office of the Company shall reexamine the self-evaluation reports of the subsidiaries.

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

Amendment of the certain provisions of the Company's "Procedures For Endorsements and Guarantees of Far Eastern Department Stores Ltd"

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

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

Amendment of the certain provisions of the Company's "Procedures for Lending of Capital to Others of Far Eastern Department Stores Ltd"

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

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

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