

# The Record of FEDS' 2009 Annual General Shareholders' Meeting

## The Speech of Chairman Douglas Hsu

1. The number of FEDS' shareholders now amounts to 63,000, increasing by 6,000 from last year. We appreciate your support. We have made slides for this shareholders' meeting to present you the company's 2008 business results.
2. In 2008, Taiwan economic growth rate was down to only 0.12% affected by the global financial tsunami. However, FEDS still managed to achieve a stable growth of revenue for adopting an operating strategy to accommodate the rapid change of the world situation. In 2008, FEDS, on parent company alone basis, recorded a total revenue of NT\$ 21 billion, a 2.5% increase compared with NT\$ 20.5 billion in 2007. The consolidated revenue, including its subsidiaries across the Taiwan Strait, amounted to NT\$89.6 million, up 1.4% YoY. Moreover, FEDS has quite a praiseworthy performance of maintaining a gross margin of 20.2% and an operating margin of 3.4% last year, despite of the challenging operating environment.
3. Although the core operating result remained as satisfactory in 2008, the net income was lowered to NT\$ 0.3 billion, from NT\$1.6 billion in 2007. The main reasons for this difference are an extraordinary gain realized in 2007 from property disposal, and a lower investment income in 2008 as a result of conservative method chosen by subsidiaries to value equity investments.
4. At present, Taiwanese Per Capita GDP is around USD\$16,000, and Chinese Per Capita GDP is around USD\$ 4,000 to USD\$ 5,000. The Per Capita GDP of Taiwan and China should keep growing as the Taiwanese administration speeds up the execution of the economic revitalization policies, and Beijing is also implementing policies to boost China domestic demand. We therefore expect the retail sales would continue to grow across the strait because of the increase in Per Capital GDR in both markets.
5. The FEDS Retail Group, including subsidiaries in Taiwan and China, now operates 43 stores comprising of department stores, hypermarkets high-end shopping centers, and a new Pacific SOGO Tienmu Store successfully opened in May this year in Taiwan. In order to explore the Taiwan and China market, Far Eastern Retail Group is undergoing six new development plans in six cities, which are PanChiao, Taichung and Hualien in Taiwan, and Beijing, WuXi, and Chengdu in China. There will be a total of 49 stores after the new stores are inaugurated in the coming years.
6. FEDS and Pacific SOGO Department Stores rank among Taiwan's three leading local chain department stores. Far Eastern Ai Mai Co. also ranks among Taiwan's three largest hypermarkets. Calculated on the basis of stores, the top-three department stores and hypermarkets in Taiwan accounts for a joint market share of 55% and 85% respectively. This market share is sufficient to allow the company to lower its operating costs per store and achieve a better

efficiency than the average of its peers, and we believe FEDS can be the most attractive target for investors in Taiwan's retail sector.

7. Far Eastern Ai Mai Co. is doing its utmost to achieve its goal of 20 stores. In our opinion, its operational performance could be improved gradually in the future followed by increasing number of new stores.
8. Looking into 2009, we are confident the consumer spending would benefit from the alleviating cross-strait relations, the implementation of economic revitalization policies by the Taiwanese Government, and booming stock market. As a result, FEDS' performance in this year can improve.

### **The content of presentation slides**

1. Company profile and its operational performance
2. The analysis of the trend of the cross-strait retail market
3. The cross-strait operating strategies and outlook
4. To fulfill Corporate Social Responsibility

### **The content of discussion**

FEDS important resolutions of the Year 2009 shareholders' meeting:

- I. Matters to be reported
  - (1) Messages to Shareholders (Acknowledged by all attending shareholders)
  - (2) 2008 financial statements (Acknowledged by all attending shareholders)
  - (3) Supervisors' audit report on 2008 business report and financial statements (Acknowledged by all attending shareholders)
  - (4) Report on offering of corporate bond (Acknowledged by all attending shareholders)

- II. Matters to be approved

- (1) To accept the 2008 financial statements

Upon solicitation of comments by the Chairman, there was no objection voiced and the resolution was adopted unanimously by the shareholders present:

RESOLVED, that the 2008 business report and financial statements be and hereby were accepted as submitted.

- (2) To approve the proposal for the distribution of 2008 surplus earning

Objection raised by Shareholder # 0212298 Mr. Liu Tai Ann

Upon decision by the Chairman, the proposal was put through to vote.

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

The number of shares represented by the shareholders present at the time of voting was 880,795,207, and 706, 192, 866 votes were cast for the proposal, which was 80% of votes represented by the shareholders present.

### III. Discussion and Election

- (1) To approve the capitalization of 2008 stock dividends

Upon solicitation of comments by the Chairman, there was no objection voiced and the resolution was adopted unanimously by the shareholders present:

RESOLVED, that the proposal to approve the capitalization of 2008 stock dividends be and hereby were accepted as submitted.

- (2) Proposal to amend certain provisions of the Company's "Procedures for Lending Capital to Others"

Upon solicitation of comments by the Chairman, there was no objection voiced and the resolution was adopted unanimously by the shareholders present:

RESOLVED, that the proposal to approve the capitalization of 2008 stock dividends be and hereby were accepted as submitted.

- (3) Proposal to amend certain provisions of the Company's "Regulations for Making Endorsements/Guarantees"

Upon solicitation of comments by the Chairman, there was no objection voiced and the resolution was adopted unanimously by the shareholders present:

RESOLVED, that the proposal to amend certain provisions of the Company's "Regulations for Making Endorsements/Guarantees" be and hereby were accepted as submitted.

- (4) Proposal to re-elect the Company's directors/supervisors as the term of office for the existing directors/supervisors will expire on June 1, 2009

The list of the newly elected directors and supervisors with indication of votes received by each of them is as follows:

## New Elected Directors

Shareholder Number #	Company	Representative	Vote Received
000008		Douglas Tony Hsu	603,672,462
136279	Ding & Ding Management Consultants Co.	Nancy Hsu	542,067,975
000010	Far Eastern Textile Ltd.	C.S. Yeh	537,433,408
000010	Far Eastern Textile Ltd.	Alex Ro	536,991,827
000010	Far Eastern Textile Ltd.	Nicole Hsu	536,658,830
005757	Asia Cement Co.	Viginia Shao	535,988,734
005757	Asia Cement Co.	Jin Lin Liang	535,733,157

## New Elected Supervisors

Shareholder Number #	Company	Representative	Total Shares Approved
061739	YDT Technology International Co., Ltd	Charles Wang	538,259,452
010650	Yu Ming Trading Co.	Philby Chen	537,268,170

- (5) Proposal to lift the restriction on non-competition of directors as defined in Article 209 of the Company Law

Title	Name	Duties in the same Industry	Main Businesses and Products of the Investee Company
Director	Douglas Tony Hsu	<ul style="list-style-type: none"> <li>●Board of Director for Far Eastern Aimai Co., Ltd</li> <li>●Director of Ya Tung Department Store Ltd.</li> <li>●Director of Pacific Sogo Department Store Co.</li> <li>●Director of Far Eastern City Super Ltd.</li> </ul>	Conducted mainly in retail 、wholesale items for department stores ◦
Director	Representative of Ding & Ding Management Consultants Co. : Nancy Shu	<ul style="list-style-type: none"> <li>●Director for Far Eastern Aimai Co.,Ltd</li> <li>●Director of Ya Tung Department Store Ltd.</li> <li>●Director of Far Eastern City Super Ltd.</li> </ul>	Conducted mainly in retail 、wholesale items for department stores ◦
Director	Representative of Far Eastern Textile Limited: Yeh C.S.	<ul style="list-style-type: none"> <li>●Director for Far Eastern Aimai Co., Ltd.</li> <li>●Director of Ya Tung Department Store Ltd.</li> <li>●Director of Far Eastern City Super Ltd</li> <li>●Director of Chongqing FEDS Co. Ltd.</li> <li>●Vice Director of</li> <li>●TianJin FEDS Co.,Ltd.</li> </ul>	Conducted mainly in retail 、wholesale items for department stores ◦

Director	Representative of Far Eastern Textile Limited: Alex Ro	<ul style="list-style-type: none"> <li>●Director for Far Eastern Aimai Co.,Ltd.</li> <li>●Director of Shanghai Pacific Department Store Co., Ltd.</li> <li>●Director of Chengdou Chunxi Masion Pacific Department Store Co., Ltd.</li> <li>●Director of Chengdou Quanxing Masion Pacific Department Stores Co., Ltd.</li> <li>●Director of Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.</li> <li>●Director of Beijing Xidan Pacific Department Store Co., Ltd.</li> <li>●Director of Pacific Dept. Store (Dalian) Co.,Ltd.</li> <li>●Director of Liyang Department Store Co., Ltd.</li> </ul>	Conducted mainly in retail 、wholesale items for department stores ◦
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Upon solicitation of comments by the Chairman, there was no objection voiced and the resolution was adopted unanimously by the shareholders present:

RESOLVED, that the proposal to amend certain provisions of the Company's "Regulations for Making Endorsements/Guarantees" be and hereby were accepted as submitted.

IV. Extempore motion: No.