



Notice of Annual General Shareholders' Meeting of Far Eastern Department Stores LTD.

Date: 9 June 2010

Time: 9:00 a.m. Taipei time

Place: Auditorium in the Taipei Hero House
No. 20, Changsha Street, Section 1, Taipei, Taiwan

Matters to be reported:

1. Messages to shareholders
2. Financial report of 2009
3. Supervisors' audit report on 2009 business report and financial statements.(attachment: independent auditors' report by Deloitte & Touche)

Matters to be approved:

1. To accept 2009 financial statements
2. To approve the proposal for the distribution of 2009 surplus earning

Discussion

1. Proposal to amend certain provisions of the Company's "Articles of Incorporation".
2. To approve the capitalization of 2009 stock dividends
3. Proposal to amend certain provisions of the Company's "Regulations for Making Endorsements/Guarantees" and Company's "Regulations for Granting Loan to Others".

Extemporary motion



Matters to be reported:

1. Messages to shareholders

Messages to shareholders

Preface

Looking back to the year of 2009, the global financial tsunami seemed to have come to an end. Under its aftermath, the domestic economy is gradually picking up after hitting rock bottom in the first quarter. Nevertheless, the result of issuing the Consumption Voucher in the first quarter, a substitution effect rather than a multipliable effect, failed to stimulate the annual consumer spending rate as anticipated. This situation proved that the retailing market was still in a slump. The major causes for repressed consumer spending were as a result of high unemployment rate and a diminution in average wages. However, from the third quarter onward, the upturn of the global economy animated to push forward the economic indicators related to production and export, which in turn contributed significantly to domestic consumer spending. Aided by the intense Anniversary Sales in the fourth quarter, most department stores flaunted satisfactory performance and growth.

While looking ahead to the year of 2010, most research organizations predicted a better economic growth. The Consumer Confidence Index of January 2010 announced by the National Central University marks the highest over the past 21 months. Nevertheless, it is generally recognized that the consumption momentum might be affected by the high unemployment rate and the negative growth rate of real wages. The department store is the first to perceive the economic situation and is ready to embrace a brilliant future with a cautious but optimistic attitude.

From the perspective of the department store, many new competitors entered the market in 2009, including Far Eastern Hualien Store, SOGO Tienmu Store, BELLAVITA Shopping Mall, and Q Square. During the same period, there were some smaller-scaled shops seceded from the market because of the slump. Therefore, in the future, this market will be dominated by the conglomerates. Each of them shall further emphasize their own market positioning as well as the strategy of differentiation in new stores planning and merchandise mix in order to create greater value-added service and abundant products, gratify the needs of consumers and accomplish the anticipated sales target under severe economic conditions.

It's worth mentioning that, due to the sound cross-strait relations, stable economic growth and intense sales promotions of the department stores, the long oppressed purchasing power was stirred up in the fourth quarter of 2009. Especially under the efforts from our colleagues, the 2009 Anniversary Sales of Far Eastern Department Stores (FEDS) reached NT\$ 6 billion at a growth rate of 23%, which is the highest in 40 years. Furthermore, Far Eastern Retail Group has broken its record for the sum of store openings in one year by opening three department stores and one hypermarket store in the Greater China area in 2009.

Operations Report for 2009

During the year 2009, total FEDS revenues was recorded at NT\$ 22.203 billion, up 5.6% year-on-year. When combined with the subsidiaries, consolidated revenues of the cross-strait Far Eastern Retail Group amounted to NT\$ 98.805 billion, up 10.6% compared with that of the previous year. Net income after tax was NT\$ 1.933 billion and earnings per share was NT\$ 1.62. Total dividend payout for 2009 was NT\$ 1 per share, which included NT\$ 0.75 in cash and NT\$ 0.25 in stock dividends from capital surplus.

The 2009 performance of Far Eastern Retail Group is summarized as follows :

(1) Far Eastern Department Stores Ltd.

1. Hualien Store was opened on 28 October, being the first branch that combined FEDS with Far Eastern A-mart. It was eminently favored by local consumers and its performance was beyond expectation.
2. For the first time, FEDS unified 4 branches (Panchiao, Hualien, Hsinchu, and Baoching), running “Jinmen the First Exhibition “in relays from 23 August (the Memorial Day of 823 Battle) to 25 October (the Memorial Day of Kuningtou Battle).
3. Organized Italian Week – “Journey to Italy” -- on 24 September to introduce Italian food to Taiwanese.
4. Sponsored Cirque du Soleil to perform “Alegria” in Taiwan so that Taiwanese could enjoy this magnificent show.
5. In accordance with the philosophy of “taking from the society and giving back to the society”, FEDS cooperated with Far Eastern Y. Z. Hsu Science and Technology Memorial Foundation to raise funds of NT\$ 1,863,652 for the Typhoon Morokot, Flood of 8 August to rebuild schools in the disaster area.
6. Pushed ahead with ISO certification to standardize the operational process at each store. Baoching, Tainan and Kaohsiung Stores successfully obtained certification on 22 October to ensure upgrades of the service quality and improvements in operational processes.
7. Upgraded the internet system to strengthen information security and increase the transmitting speed.

(2) Pacific SOGO Co., Ltd.

1. 2009 revenues were NT\$ 35.377 billion, up 8.4% year-on-year. Net income after tax was NT\$ 1,559 million, up 33.7% from that of 2008.
2. Under the impact of the global financial tsunami in 2009, the Company nonetheless opened the Tienmu Store without fearing the recession. Together with the fact that Pacific SOGO

Department Stores kept on strengthening its product mix at the Fuxing Store, the revenues grew extensively at a rate of 14% which hit an all-time high for our business operation.

3. With the policy of minimizing manpower in 2009, Pacific SOGO Department Stores transferred staff from current stores to work at the Tienmu Store so that it could be inaugurated smoothly on 22 May. The Store has fitted into the spirit of SOGO NEW LIFE (Tienmu region) by providing quality services and an eco-friendly shopping environment which has been marvelously embraced by local consumers.
4. After implementing the ERP online system, the Company has successfully increased the efficiency of the finance and accounting system, core system, and store system.

(3) Far Eastern A-mart Co., Ltd.

1. 2009 revenues were NT\$ 17.579 billion, up 6.2% from that of 2008. The operating losses were NT\$ 274 million and the net losses were NT\$ 269 million, a decrease of NT\$ 200 million compared with that of the previous year.
2. The 16th Far Eastern A-mart store was opened on 28 October in Hualien. This was the first A-mart hypermarket store combined with FEDS, and was also the first one founded in eastern Taiwan.
3. The Company has once again won the Annual Environmental Green Marketing Award, which makes Far Eastern A-mart not only the first eco company in Taiwan recognized by the Environmental Protection Administration, Executive Yuan but also a model of hypermarkets that has won the Environmental Green Marketing Award for three years in a row.
4. As Taiwan's most localized hypermarket stores, Far Eastern A-mart launched the campaign "Deliver right from the field" to go along with the promotion of "Taiwan Festival", which both prevented farmers from being exploited by middlemen and also benefited consumers with the freshest and cheapest produce.
5. Kaohsiung Store completed its operation adjustment in December 2009. In regard to the sales target for 2010, we project the hyper sales will be raised from NT\$ 450 million to NT\$ 600 million and the shopping mall sales per month will be increased from NT\$ 300,000 to NT\$ 1,200,000.

Prospects for 2010

(1) Far Eastern Department Stores Ltd.

1. In order to serve customer' needs, FEDS will enhance the quality of products and introduce more quality merchandise and renovate stores in Panchiao, Taoyuan, Hsinchu, Tainan and Kaohsiung to sustain the growth momentum and expand the market shares.
2. "Dutch Commodities Exhibition" is to be held on 10 June. Since theme-specific product

exhibitions are remarkably appreciated by customers, FEDS will work further with Jimen and Lien-Chiang County Government on Jimen & Matzu Commodities Exhibition as well as with the Council of Hakka Affairs on Hakka Commodities Exhibition this year.

3. The International Flora Expo will be held in Taipei from November 2010. In the “Ark of Eco Life” built by Far Eastern Group, FEDS will advertise this event and sell relevant goods so as to create the effect of advertisement on the occasion.
4. The Company will carry on giving impetus to ISO certification. In addition to stores that have been accredited in Baoching, Tainan and Kaohsiung, it is working on getting the certification for Panchiao and Hsinchu Stores this year in hopes of stretching this quality control system to all stores and standardizing the operational procedures so that consumer satisfaction can be upgraded through unified and topmost service.
5. To update the credit card equipment to heighten the speed and security of transactions.
6. To cope with the expansion of new stores in Panchiao and Taichung, we will train core cadres and managerial staff in hopes of building up an efficient team that can raise the competitiveness and top performance.

(2) Pacific SOGO Co., Ltd.

1. Looking at the next 60 years of Far Eastern Group, Pacific SOGO Department Stores will strive hard and stride forward toward the target that it is able to provide the best service, create the most profits, and offer employees the best welfare.
2. Keeping on promoting the project of SOGO NEW LIFE, planning “The Freshest” action to provide the latest brand, the best service and activities.
3. Fulfilling the plan of recruiting, training, nurturing, and keeping the best staff as well as completing the e-system of the human resource management.
4. Pushing forward the profit mechanism, changing from revenue-oriented to profit-oriented so that the goal of unifying satisfaction of “commodities + lifestyle + spirit” can be achieved.
5. To comply with the International Financial Reporting Standards (IFRS), Pacific SOGO Department Stores is strengthening on-the-job training programs for the accounting and financial professionals.
6. Continuing the expansion in China. The new concept of eco life practiced at Tienmu Store is to be applied to Wuxi FEDS Store which is to be opened in May 2010.

(3) Far Eastern A-mart Co., Ltd.

1. In order to carry out the target of cost reduction, Far Eastern A-mart will continue to adjust the organizational structure, ameliorate manpower management, negotiate for a decrease in rent and prompt the energy saving policy.

2. Regarding the operating strategies, the Company will emphasize adjusting the product display and mix, increasing the variety of the beauty and health products, and improving spatial planning and display of the domestic appliances in hopes of satisfying the consumer needs of one-stop shopping pleasure.
3. Far Eastern A-mart's 17th store, also the first one in Keelung, was opened in January 2010. With the dense population base in this region and many new construction sites, its performance was beyond expectation.
4. The Company will continue to speed up expansion to reach its target of 20 stores, which accounts for 15% market shares.
5. Adjusting the mix of merchandise sales to increase the overall gross margin rate.
6. Enhancing concessionaires' rate through the adjustment of their structure and the negotiation of their contracts.

Due to the tireless efforts and solid foundation, FEDS is the most historical department store in Taiwan. The Far Eastern Retail Group operates with 47 stores across both sides of the Taiwan Straits comprising department stores, hypermarkets, and shopping centers. It is not only Taiwan's only listed chain department stores company, but also the largest retail group in the Greater China area. Reflecting back we are not satisfied with our past achievements. Looking into the future, we are confident to stage a better performance. We are committed to expanding new stores and further cultivating the Greater China market.

In summary, 2009 was an astounding year for local retailers as well as FEDS in terms of revenues and profit gain in the face of the most challenging economic situation. However, we managed to outperform our competitors which could be attributed to the joint efforts of our colleagues. For this achievement, we would also like to thank the generous support and recognition of our shareholders and consumers. Here, I particularly congratulate and thank all of you for this outstanding achievement.

Pursuant to the founding spirit of "consumer-oriented", we believe that our wonderful management team should continue to enhance customer satisfaction and create higher growth value for our shareholders. I wish all of you good health and good luck.

Sincerely yours,

Chairman
Douglas Tony Hsu

2. Financial report of 2009
FAR EASTERN DEPARTMENT STORES, LTD.

BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2009		2008		LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 278,918	1	\$ 288,988	1	Short-term debts	\$ 2,650,000	6	\$ 2,950,000	7
Available-for-sale financial assets - current	228,938	1	131,662	-	Short-term notes and bills payable	1,448,934	3	1,794,234	4
Receivables:					Accounts payable	2,238,613	5	1,826,379	4
Notes	13,320	-	14,062	-	related parties - payables	54,555	-	53,851	-
Accounts, net of allowance for doubtful accounts of \$4,133 thousand in 2009 and \$8,799 thousand in 2008	180,841	-	168,760	1	related parties - others	95,609	-	115,119	-
Related parties - notes and receivables	36,616	-	30,142	-	Accrued expenses	704,181	2	531,884	1
Related parties - others	303,436	1	500,571	1	Balance payable - property	259,058	1	100,978	-
Others	114,730	-	89,254	-	Other payables	94,953	-	102,468	-
Inventories	216,316	1	296,229	1	Advance receipts	1,430,724	3	1,427,945	4
Prepayments	27,694	-	22,704	-	Current portion of bonds issued	500,000	1	-	-
Deferred tax assets - current	31,322	-	34,292	-	Current portion of long-term borrowings	-	-	698,875	2
Noncurrent assets classified as held for sale	89,461	-	-	-	Other current liabilities	583,984	1	591,865	2
Other current assets	138,003	-	64,473	-					
Total current assets	1,659,595	4	1,641,137	4	Total current liabilities	10,060,611	22	10,193,598	24
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Investments accounted for by the equity method	18,395,707	40	15,964,679	38	Bonds issued	1,200,000	2	1,700,000	4
Available-for-sale financial assets - noncurrent	2,576,840	5	1,859,887	5	Long-term borrowings	10,078,147	22	8,663,377	21
Financial assets carried at cost	116,728	-	160,035	-					
Total long-term investments	21,089,275	45	17,984,601	43	Total long-term liabilities	11,278,147	24	10,363,377	25
PROPERTY					RESERVES				
Cost					Reserve for land revaluation increment tax	575,490	1	575,490	2
Land	4,118,124	9	4,072,720	10	OTHER LIABILITIES				
Buildings and equipment	6,972,872	15	6,122,584	15	Deposits received	38,872	-	39,373	-
Furniture and equipment	3,400,286	7	3,137,123	7	Deferred tax liabilities - noncurrent	105,921	1	12,546	-
Total cost	14,491,282	31	13,332,427	32	Deferred credits - gains on related-party transactions	11,366	-	11,366	-
Revaluation increment	1,212,414	3	1,193,498	2	Miscellaneous	7,743	-	-	-
Cost and appreciation	15,703,696	34	14,525,925	34					
Less: Accumulated depreciation	4,732,105	10	4,277,773	10	Total other liabilities	163,902	1	63,285	-
	10,971,591	24	10,248,152	24	Total liabilities	22,078,150	48	21,195,750	51
Construction in progress and prepayments for equipment	5,946,369	13	6,093,083	15	STOCKHOLDERS' EQUITY				
Leasehold rights, net	4,457,349	9	4,117,668	10	Capital stock NT\$10.00 par value				
Properties leased to others, net	1,487,794	3	1,012,661	2	Authorized - 1,350,000 thousand shares				
Net property	22,863,103	49	21,471,564	51	Issued and outstanding - 1,212,326 thousand shares in 2009 and 1,177,015 thousand shares in 2008	12,123,259	26	11,770,154	28
OTHER ASSETS					Capital surplus:				
Idle assets, net	381,610	1	384,462	1	Additional paid-in capital - share issuance in excess of par	2,175,718	4	2,175,718	5
Refundable deposits	159,028	-	158,828	-	Treasury stock transactions	964,467	2	835,591	2
Prepaid pension costs	194,847	1	194,156	1	Long-term investments	384,643	1	372,157	1
Miscellaneous	7,493	-	7,031	-	Total capital surplus	3,524,828	7	3,383,466	8
Total other assets	742,978	2	744,477	2	Retained earnings:				
					Legal reserve	1,525,328	4	1,496,641	4
					Special reserve	1,000,564	2	1,484,033	3
					Unappropriated earnings	1,968,212	4	286,864	1
					Total retained earnings	4,494,104	10	3,267,538	8
					Other equity adjustments				
					Cumulative translation adjustments	139,364	-	317,743	1
					Net loss not recognized as pension costs	(10,386)	-	(6,584)	-
					Unrealized valuation gains (losses) on financial instruments	3,192,918	7	1,125,491	2
					Unrealized asset revaluation increment	883,944	2	883,944	2
					Treasury stock - 13,392 thousand shares in 2009 and 17,473 thousand shares in 2008	(71,230)	-	(95,723)	-
					Total other equity adjustments	4,134,610	9	2,224,871	5
					Total stockholders' equity	24,276,801	52	20,646,029	49
TOTAL	\$ 46,354,951	100	\$ 41,841,779	100	TOTAL	\$ 46,354,951	100	\$ 41,841,779	100

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

(With Deloitte & Touche audit report dated March 5, 2010)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
REVENUES				
Sales	\$ 21,988,908	99	\$ 20,809,508	99
Other operating revenues	<u>214,290</u>	<u>1</u>	<u>223,914</u>	<u>1</u>
Total revenues	<u>22,203,198</u>	<u>100</u>	<u>21,033,422</u>	<u>100</u>
COSTS				
Cost of goods sold	17,735,782	80	16,746,762	80
Other operating costs	<u>50,119</u>	<u>-</u>	<u>47,496</u>	<u>-</u>
Total costs	<u>17,785,901</u>	<u>80</u>	<u>16,794,258</u>	<u>80</u>
GROSS PROFIT	<u>4,417,297</u>	<u>20</u>	<u>4,239,164</u>	<u>20</u>
OPERATING EXPENSES				
Selling	876,528	4	822,954	4
General and administrative	<u>2,850,456</u>	<u>13</u>	<u>2,711,469</u>	<u>13</u>
Total operating expenses	<u>3,726,984</u>	<u>17</u>	<u>3,534,423</u>	<u>17</u>
OPERATING INCOME	<u>690,313</u>	<u>3</u>	<u>704,741</u>	<u>3</u>
NONOPERATING INCOME AND GAINS				
Equity in earnings of equity-method investees, net	1,316,910	6	-	-
Dividend income	108,663	-	149,611	1
Interest income	2,010	-	4,649	-
Gain on disposal of investments, net	-	-	156,388	1
Other income	<u>116,077</u>	<u>1</u>	<u>115,612</u>	<u>-</u>
Total nonoperating income and gains	<u>1,543,660</u>	<u>7</u>	<u>426,260</u>	<u>2</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	61,612	-	190,572	1
Impairment loss on Financial assets carried at cost	39,927	-	-	-
Loss on disposal of property and idle assets	3,201	-	13,985	-
Equity in losses of equity-method investees, net	-	-	611,509	3
Other expenses	<u>98,987</u>	<u>1</u>	<u>94,869</u>	<u>-</u>
Total nonoperating expenses and losses	<u>203,727</u>	<u>1</u>	<u>910,935</u>	<u>4</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	2,030,246	9	220,066	1
INCOME TAX EXPENSE(BENEFIT)	<u>97,470</u>	<u>-</u>	<u>(66,798)</u>	<u>-</u>
NET INCOME	<u>\$ 1,932,776</u>	<u>9</u>	<u>\$ 286,864</u>	<u>1</u>
	2009		2008	
	Before		Before	
	Tax		Tax	
		After Tax		After Tax
EARNINGS PER SHARE				
Basic	<u>\$ 1.70</u>	<u>\$ 1.62</u>	<u>\$ 0.18</u>	<u>\$ 0.24</u>
Diluted	<u>\$ 1.70</u>	<u>\$ 1.61</u>	<u>\$ 0.18</u>	<u>\$ 0.24</u>

Pro forma information on the assumption that the Company's shares traded or held by subsidiaries are treated as investments instead of treasury stocks :

	2009		2008	
	Before		Before	
	Tax	After Tax	Tax	After Tax
EARNINGS PER SHARE				
Basic	<u>\$ 1.78</u>	<u>\$ 1.70</u>	<u>\$ 0.61</u>	<u>\$ 0.67</u>
Diluted	<u>\$ 1.78</u>	<u>\$ 1.70</u>	<u>\$ 0.61</u>	<u>\$ 0.67</u>

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

(With Deloitte & Touche audit report dated March 5, 2010)

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Surplus				Retained Earnings			Other Equity Adjustments					Total Stockholders' Equity
	Capital Stock Issued and Outstanding	Additional Paid-in Capital - Share Issuance in Excess of Par	Treasury Stock Transactions	Long-term Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net Loss not Recognized as Pension Cost	Unrealized Valuation Gains (Losses) on Financial Instruments	Unrealized for Asset Revaluation Increment	Treasury Stock	
BALANCE, JANUARY 1, 2008	\$ 11,209,670	\$ 2,175,718	\$ 312,682	\$ 323,895	\$ 1,335,926	\$ 2,156,588	\$ 1,607,152	\$ (16,162)	\$ (12,351)	\$ 4,465,999	\$ 883,944	\$ (165,492)	\$ 24,277,569
Appropriation of prior year's earnings:													
Legal reserve	-	-	-	-	160,715	-	(160,715)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(672,555)	672,555	-	-	-	-	-	-
Stock dividends -5 %	560,484	-	-	-	-	-	(560,484)	-	-	-	-	-	-
Cash dividends - NT\$1.3 per share	-	-	-	-	-	-	(1,457,257)	-	-	-	-	-	(1,457,257)
Employee bonuses	-	-	-	-	-	-	(57,858)	-	-	-	-	-	(57,858)
Remuneration to directors and supervisors	-	-	-	-	-	-	(43,393)	-	-	-	-	-	(43,393)
Adjustment due to subsidiaries' disposal of parent's stocks	-	-	522,909	-	-	-	-	-	-	-	-	69,769	592,678
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	4,648	-	-	-	-	4,648
Adjustment arising from changes in percentage of ownership in investees	-	-	-	(27,047)	-	-	-	-	-	-	-	-	(27,047)
Adjustment reported by equity-method investees	-	-	-	75,309	-	-	-	329,257	5,767	(1,972,773)	-	-	(1,562,440)
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(1,367,735)	-	-	(1,367,735)
Net income in 2008	-	-	-	-	-	-	286,864	-	-	-	-	-	286,864
BALANCE, DECEMBER 31, 2008	11,770,154	2,175,718	835,591	372,157	1,496,641	1,484,033	286,864	317,743	(6,584)	1,125,491	883,944	(95,723)	20,646,029
Appropriation of prior year's earnings:													
Legal reserve	-	-	-	-	28,687	-	(28,687)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(483,469)	483,469	-	-	-	-	-	-
Stock dividends -3 %	353,105	-	-	-	-	-	(353,105)	-	-	-	-	-	-
Cash dividends - NT\$0.3 per share	-	-	-	-	-	-	(353,105)	-	-	-	-	-	(353,105)
Adjustment due to subsidiaries' disposal of parent's stocks	-	-	128,876	-	-	-	-	-	-	-	-	24,493	153,369
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(9,262)	-	-	-	-	(9,262)
Adjustment reported by equity-method investees	-	-	-	12,486	-	-	-	(169,117)	(3,802)	1,253,198	-	-	1,092,765
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	814,229	-	-	814,229
Net income in 2009	-	-	-	-	-	-	1,932,776	-	-	-	-	-	1,932,776
BALANCE, DECEMBER 31, 2009	\$ 12,123,259	\$ 2,175,718	\$ 964,467	\$ 384,643	\$ 1,525,328	\$ 1,000,564	\$ 1,968,212	\$ 139,364	\$ (10,386)	\$ 3,192,918	\$ 883,944	\$ (71,230)	\$ 24,276,801

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

(With Deloitte & Touche audit report dated March 5, 2010)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,932,776	\$ 286,864
Depreciation	396,144	409,153
Amortization of deferred charges	6,940	7,280
Amortization of leasehold rights included in of rental expense	74,822	74,822
Gain on disposal of investments, net	-	(156,388)
Cash dividends from equity-method investees	1,027,241	827,538
Equity in (earnings) losses of equity-method investees, net	(1,316,910)	611,509
Impairment loss on Financial assets carried at cost	39,927	-
Loss on disposal of property and idle assets, net	3,201	13,985
Other expenses	-	198
Deferred income taxes	96,345	(66,900)
Increase in prepaid pension cost	(691)	(50,842)
Net changes in operating assets and liabilities		
Notes receivable	742	1,796
Accounts receivable	(12,081)	69,171
Accounts receivable - related parties	(27,683)	30,191
Other receivables	(25,476)	(7,548)
Inventories	79,913	(34,178)
Prepayments	(4,990)	5,168
Other current assets	(73,530)	11,236
Accounts payable	412,234	(258,174)
Accounts payable - related parties	(20,767)	58,480
Accrued expenses	172,297	(13,994)
Other payables	(2,087)	3,773
Advance receipts	68,085	153,534
Other current liabilities	(7,881)	(45,338)
Net cash provided by operating activities	<u>2,818,571</u>	<u>1,931,336</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of the disposal of available-for-sale financial assets	-	240,236
Acquisition of investments accounted for by the equity method	(678,400)	(1,140,000)
Proceeds of the disposal of property	346	704
Proceeds of the disposal of idle assets	291	-
Real estate received in advance	36,000	-
Acquisition of property	(1,894,217)	(1,319,665)
(Increase) decrease in refundable deposits	(200)	1,113
Increase in other assets	(4,022)	(2,228)
Net cash used in investing activities	<u>(2,540,202)</u>	<u>(2,219,840)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term debts	(300,000)	900,000
(Decrease) increase in short-term notes and bills payable	(345,300)	1,095,030

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	<u>2009</u>	<u>2008</u>
Repayments of bonds issued	-	(1,200,000)
Issuance of bonds	-	1,200,000
Increase (decrease) in long-term borrowings	715,895	(116,064)
Decrease in deposits received	(501)	(3,286)
Decrease in other liabilities	-	(563)
Cash dividends, bonuses paid to employees and remuneration paid to supervisors and directors	<u>(358,533)</u>	<u>(1,530,573)</u>
Net cash (used in) provided by financing activities	<u>(288,439)</u>	<u>344,544</u>
NET (DECREASE) INCREASE IN CASH	(10,070)	56,040
CASH , BEGINNING OF YEAR	<u>288,988</u>	<u>232,948</u>
CASH , END OF YEAR	<u>\$ 278,918</u>	<u>\$ 288,988</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 192,730	\$ 315,255
Less: Capitalized interest	<u>165,808</u>	<u>147,918</u>
Interest paid, excluding capitalized interest	<u>\$ 26,922</u>	<u>\$ 167,337</u>
Income tax paid	<u>\$ 2</u>	<u>\$ 1,389</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends receivable from equity-method investees (classified as accounts receivable - related parties)	<u>\$ 246,517</u>	<u>\$ 464,861</u>
Adjustment to advance receipts and depreciation	<u>\$ 101,306</u>	<u>\$ 116,667</u>
Properties leased to others reclassified to noncurrent assets classified as held for sale	<u>\$ 89,461</u>	<u>\$ -</u>
Current portion of bonds issued	<u>\$ 500,000</u>	<u>\$ -</u>
Current portion of long-term borrowings	<u>\$ -</u>	<u>\$ 698,875</u>
Classification of credit balance in long-term investment to other liability	<u>\$ 7,743</u>	<u>\$ -</u>
CASH PAID FOR ACQUISITION OF PROPERTY		
Acquisition of property	\$ 1,641,695	\$ 860,440
Acquisition of leasehold rights	414,503	192,685
Decrease in construction in progress	(1,940)	(9,083)
Increase in balance payable - property	(158,080)	(22,965)
Increase in balance payable - property - related parties	(1,961)	-
Decrease in franchise liabilities	<u>-</u>	<u>298,588</u>
	<u>\$ 1,894,217</u>	<u>\$ 1,319,665</u>

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

(With Deloitte & Touche audit report dated March 5, 2010)

(Concluded)

3. Supervisors' audit report on 2009 business report and financial statements. (Attachment: independent auditors' report by Deloitte & Touche).

SUPERVISORS' REPORT

To the 2010 General Shareholders' Meeting of Far Eastern Department Stores, Ltd,

In accordance with Article 219 of the Company Law, we have examined the Business Report, the Resolution for Distribution of Surplus Earning, and Financial Statements which had been certified by Deloitte & Touche, submitted by the Board of Directors for the year ending 2009 and found them in order.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Far Eastern Department Stores, Ltd. as of December 31, 2009 and 2008 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

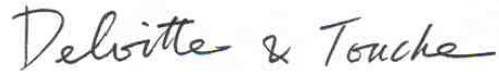
We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Far Eastern Department Stores, Ltd. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, effective January 1, 2009, Far Eastern Department Stores, Ltd. adopted the newly revised Statements of Financial Accounting Standards No. 10, "Inventories." In addition, effective January 1, 2008, Far Eastern Department Stores, Ltd. adopted Interpretation 2007-052 issued by the Accounting Research and Development Foundation, which requires companies to recognize bonuses paid to employees and remuneration paid to directors and supervisors as compensation expenses. These bonuses and remuneration were previously recorded as appropriations from earnings.

As stated in Note 29 to the financial statements, the Ministry of Economic Affairs revoked the capital registration of a direct subsidiary of the Company, Pacific Liu Tong Investment Co., Ltd. Far Eastern Department Stores, Ltd. filed a suit with the Taipei District Court to ensure the validity of Far Eastern Department Stores, Ltd.'s ownership of Pacific Liu Tong Investment Co., Ltd. The settlement of this case will depend on the court's final judgment.

We have also audited the consolidated financial statements of Far Eastern Department Stores, Ltd. and subsidiaries as of and for the years ended December 31, 2009 and have expressed a modified unqualified opinion thereon in our report dated March 5, 2010.

The logo for Deloitte & Touche, featuring the company name in a cursive, handwritten-style font.

March 5, 2010

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.

For the convenience of readers, the 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 auditors' report and financial statements shall prevail.

Matters to be approved:

1. To accept the 2009 financial statements.

The Board of Directors proposes and recommends that each shareholder votes FOR the acceptance of 2009 business report and financial statements.

Explanatory Notes:

- i. FEDS's 2009 financial report, including balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, has been audited by independent auditors, Mr. Yu Hong-Bin and Mr. Shih Ching-Pin of Deloitte & Touche (please refer to P.14-P.15), and has been examined by and determined to be correct and accurate by Supervisors of FEDS. We thereby submit this report.
- ii. The 2009 business report, independent auditors' audit report, and the above-mentioned financial statements are attached within "Matters to be reported".
- iii. Please approve the above-mentioned business report and financial statements.

2. To approve the proposal for the distribution of 2009 surplus earning.

The Board of Directors proposes and recommends that each shareholder votes FOR the distribution of 2009 surplus earning.

Explanatory Notes:

- i. All the closing transactions as of December 31, 2009 have been completely closed, and have been audited by the accounting firm, Deloitte and Touche. We thereby submit the proposal for distribution of 2009 profits:

1. Net Income of 2009	N.T\$ 1,932,776,042
2. 10% legal reserve (1*10%)	(193,277,604)
3. Undistributed profits of previous years	35,437,023
4. Earnings available for distribution (4=1-2+3)	1,774,935,461

- ii. The earnings available for distribution are allocated as the following:

1. Dividend (60%)	N.T\$ 782,145,690
2. Cash bonus to shareholders (33%)	430,180,130
3. Total Distribution	1,212,325,820

Note: To distributed employee bonus of NT 52,143,046 and compensation of directors and supervisors of NT

39,107,284.

iii. Undistributed earnings after distribution	N.T\$ 562,609,641
iv. Source of 2009 dividend :	
1. Dividend of this year	N.T\$ 782,145,690
2. Cash bonus to shareholders of this year	430,180,130
3. Total amount	1,212,325,820
v. The major items of the Distribution of 2009 Dividend :	
1. Cash dividends to holders of common share	
(NT\$ 0.75 per share)	N.T\$ 909,244,360
2. Stock dividends to holders of common share	
(NT\$ 0.25 per share at par value)	303,081,460
3. Total amount of 1.00 per share	1,212,325,820

vi. After being approved at the annual General Shareholders' meeting (2010), the cash dividends to holders of common share will be distributed on the record date to be determined by the Board of Directors. Should FEDS subsequently repurchase its common shares or issue new common shares 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 and stock 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 and stock 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.

vii. Please approve the above-mentioned proposal for the distribution of 2009 profits.

Discussion:

1. Proposal to amend certain provisions of the Company's "Articles of Incorporation".

Please vote.

Board of Directors proposes:

Explanatory Notes:

- i. We propose to amend Article 20, Article 27, Article 30 of the Company's "Articles of Incorporation". The amended provisions are shown in the attached comparison table.
- ii. Please approve the proposed resolutions.

Section	Current Articles	Proposed Changes	Reasons
Article 20	<p>Meetings of the Board of Directors, which shall be held quarterly, shall be convened by the Chairman. Unless otherwise stipulated by the Company Law, a quorum shall be present at the Board of Directors if it is attended by more than half of the Directors, and a resolution passed if approved by a majority of the Directors in attendance. The Chairman may where <u>necessary</u> convene meetings of the Board at any time.</p> <p>When a Director is unable to personally attend the meeting of the Board of Directors, he may entrust another Director to represent him in accordance with law.</p>	<p>Meetings of the Board of Directors, which shall be held quarterly, shall be convened by the Chairman. Unless otherwise stipulated by the Company Law, a quorum shall be present at the Board of Directors if it is attended by more than half of the Directors, and a resolution passed if approved by a majority of the Directors in attendance. The Chairman may, <u>in case of emergency</u>, convene meetings of the Board at any time.</p> <p>When a Director is unable to personally attend the meeting of the Board of Directors, he may entrust another Director to represent him in accordance with law.</p>	Modified according to Company Act Article 204.
Article 27	<p>The distribution of dividends shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Dividends shall be distributed at the ratio as set forth in these Articles of Incorporation aimed at maintaining the stability of dividend distributions. When distributing dividends, <u>in principal that</u> the cash dividends shall not be less than 10% of the aggregate sum of dividends and bonus distributed in the same year.</p>	<p>The distribution of dividends shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Dividends shall be distributed at the ratio as set forth in these Articles of Incorporation aimed at maintaining the stability of dividend distributions. When distributing dividends, the cash dividends shall not be less than 10% of the aggregate sum of dividends and bonus distributed in the same year.</p>	To further clarify the article. deleting some words of the dividend policy according to approval Letter issued on 2009.6.29 (FSC # 0980032145)
Article 30	<p>These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p>First amendment on December 20, 1967; Second amendment on October 2, 1968; Third amendment on July 29, 1969; Fourth amendment on August 26, 1969; Fifth amendment on February 19, 1970; Sixth amendment on June 26, 1970; Seventh amendment on August 21, 1972; Eighth amendment on March 30, 1973; Ninth amendment on May 2, 1974; Tenth amendment on May 30, 1975; Eleventh amendment on April 19, 1976; Twelfth amendment on March 25, 1977;</p>	<p>These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p>First amendment on December 20, 1967; Second amendment on October 2, 1968; Third amendment on July 29, 1969; Fourth amendment on August 26, 1969; Fifth amendment on February 19, 1970; Sixth amendment on June 26, 1970; Seventh amendment on August 21, 1972; Eighth amendment on March 30, 1973; Ninth amendment on May 2, 1974; Tenth amendment on May 30, 1975; Eleventh amendment on April 19, 1976; Twelfth amendment on March 25, 1977;</p>	Modified provision pursuant to the amended article

<p>Thirteenth amendment on March 6, 1978; Fourteenth amendment on April 6, 1979; Fifteenth amendment on April 18, 1980; Sixteenth amendment on April 9, 1981; Seventeenth amendment on April 15, 1982; Eighteenth amendment on November 29, 1982; Nineteenth amendment on May 12, 1983; Twentieth amendment on May 12, 1984; Twenty-first amendment on May 6, 1985; Twenty-second amendment on May 7, 1986; Twenty-third amendment on April 30, 1987; Twenty-fourth amendment on April 28, 1988; Twenty-fifth amendment on April 29, 1989; Twenty-sixth amendment on April 30, 1990; Twenty-seventh amendment on May 2, 1991; Twenty-eighth amendment on April 24, 1992; Twenty-ninth amendment on April 30, 1993; Thirtieth amendment on April 7, 1994; Thirty-first amendment on April 15, 1995; Thirty-second amendment on May 10, 1996; Thirty-third amendment on May 9, 1997; Thirty-fourth amendment on May 18, 1998; Thirty-fifth amendment on May 12, 1999; Thirty-sixth amendment on May 10, 2000; Thirty-seventh amendment on May 9, 2001; Thirty-eighth amendment on May 31, 2002; Thirty-ninth amendment on June 10, 2003; Fortieth amendment on June 2, 2006;</p>	<p>Thirteenth amendment on March 6, 1978; Fourteenth amendment on April 6, 1979; Fifteenth amendment on April 18, 1980; Sixteenth amendment on April 9, 1981; Seventeenth amendment on April 15, 1982; Eighteenth amendment on November 29, 1982; Nineteenth amendment on May 12, 1983; Twentieth amendment on May 12, 1984; Twenty-first amendment on May 6, 1985; Twenty-second amendment on May 7, 1986; Twenty-third amendment on April 30, 1987; Twenty-fourth amendment on April 28, 1988; Twenty-fifth amendment on April 29, 1989; Twenty-sixth amendment on April 30, 1990; Twenty-seventh amendment on May 2, 1991; Twenty-eighth amendment on April 24, 1992; Twenty-ninth amendment on April 30, 1993; Thirtieth amendment on April 7, 1994; Thirty-first amendment on April 15, 1995; Thirty-second amendment on May 10, 1996; Thirty-third amendment on May 9, 1997; Thirty-fourth amendment on May 18, 1998; Thirty-fifth amendment on May 12, 1999; Thirty-sixth amendment on May 10, 2000; Thirty-seventh amendment on May 9, 2001; Thirty-eighth amendment on May 31, 2002; Thirty-ninth amendment on June 10, 2003; Fortieth amendment on June 2, 2006; <u>Forty-first amendment of June 9, 2010</u></p>
---	---

2. To approve the capitalization of 2009 stock dividends.

The Board of Directors proposes and recommends that each shareholder votes FOR the capital increase of 2009 stock dividends.

Please vote.

Board of Directors proposes

Explanatory Notes:

- i. For the purpose of improving the financial structure, it is proposed that FEDS's paid-in capital be increased by capitalizing the stock dividends to the holders of common share of NT\$303,081,460. A total number of 30,308,146 common shares, at par value of NT\$ 10 each share, shall be issued for such capital increase.
- ii. After being approved at the Annual General Shareholders' Meeting and accepted by the

regulatory authority in charge, the new shares will be distributed on a record date to be determined by the Board of Directors. Each common share holder will be entitled to receive a stock dividend of 25 common shares for each 1,000 common shares held by such shareholders. If the stock dividends include any fractional shares which are less than one full share, in accordance with Article 240 of the Company Law, the distribution will be made in the form of cash rounded to the nearest dollar amount calculated at par value. Such fractional shares will be purchased by Far Eastern Recreation Center Employee's Welfare Committee of FEDS. The new issued common shares should have the right to enjoy dividends of 2010 and the same rights & obligation as the previous issued common shares.

- iii. Should FEDS subsequently repurchase its common shares or issue new common shares 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 stock 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 and stock 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.
- iv. Up to the year ended of February of 2010, the paid-in Capital is NT\$12,123,258,140 , a total number of 1,212,325,814 common shares, at par value of NT\$10 each share. After the proposed capital increase has been issued, the paid-in capital is NT\$12,426,339,600, at par value of NT\$10 each share, comes to total 1,242,633,960 common shares.
- v. Please approve the proposal for the capitalization of 2009 stock dividends.

3.Proposal to amend certain provisions of the Company's "Regulations for Making Endorsements/Guarantees" and Company's "Regulations for Granting Loan to others".

Please vote.

Board of Directors proposes:

Explanatory Notes:

- i. We propose to amend Article 2, Article 3 and Article 4 of the Company's "Regulations for Granting Loan to Others" pursuant to the official letter of Financial Supervisory Commission, Executive Yuan under Ching-Kuan-Cheng-6-Tze No. 0990011375 dated March 19, 2010. The amended provisions are shown in the attached comparison table.
- ii. Pursuant to Article 12, paragraph 3 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies ("Regulations"), the Company added Article 3 paragraph 2 "Regulations for Making Endorsements/Guarantees": The aggregate amount of endorsements and guarantees provided by the Company and its subsidiaries is restricted to no more than 150% of the net worth of the Company....

- 1 Pursuant to the Article 12 paragraph 3 of Regulations, the aggregate amount of endorsements/guarantees issued by the Company and its subsidiaries has reached 50% or more of the net worth of the Company, the Company should explain its necessity and rationale.
 - 2 To obtain better credit line and commercial term for lower cost and the increase of group synergy, there is essential need of making endorsements/guarantees between the Company and its subsidiaries. Therefore, it is necessary and rational that the aggregate balance of endorsements/guarantees issued by the Company and its subsidiaries has reached 150% of the net worth of the Company as shown in its latest financial statement.
- iii. Please approve the proposed resolutions.

Section	Current Articles	Proposed Changes	Reasons
Article 2	<p>The Company may make endorsements/guarantees for the following companies:</p> <p>1) companies with whom the Company has business relationships;</p> <p>2) a company in which the Company directly and indirectly holds more than 50 percent of the voting shares ; and</p> <p>3) a company that directly and indirectly holds more than 50 percent of the voting shares in the Company.</p> <p><u>Subsidiaries, whose voting shares are 100% owned, directly or indirectly, by the Company, may make endorsements/guarantees for each other.</u></p> <p>The above restrictions in the preceding two paragraphs shall not apply to the circumstances where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry, or for the</p>	<p>The Company may make endorsements/guarantees for the following companies:</p> <p>1) companies with whom the Company has business relationships;</p> <p>2) a company in which the Company directly and indirectly holds more than 50 percent of the voting shares ; and</p> <p>3) a company that directly and indirectly holds more than 50 percent of the voting shares in the Company.</p> <p><u>Companies in which the public company holds, directly or indirectly, 90% of the voting shares may make endorsements/guarantees for each other and the amount of an endorsement/guarantee shall not exceed 10% of the company's net worth. However Subsidiaries, whose voting shares are 100% owned, directly or indirectly, by the Company shall not apply to the circumstances.</u></p> <p>The above restrictions in the preceding two paragraphs shall not apply to the circumstances where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry, or for the</p>	<p>To consider the practical operational needs and pursuant to Article 5 ,paragraph 2 of the Regulations Governing Loaning of Funds and making of Endorsement s/ Guarantees by Public Companies ("Regulations "), wording of paragraph 2 modified.</p>

	<p>co-producers of the same project, for the purpose of construction project, or where all shareholders make endorsements/guarantees for their jointly invested companies in proportion to their shareholding percentages.</p> <p>Invested companies said in the preceding paragraph are those invested directly by the Company, or by the subsidiaries of which the Company owns 100% voting shares.</p> <p>Subsidiaries and holding company as referred to in these Procedures shall be those as determined under the Statements of Financial Accounting Standards Nos. 5 and 7 announced by the Accounting Research and Development Foundation of the Republic of China.</p>	<p>co-producers of the same project, for the purpose of construction project, or where all shareholders make endorsements/guarantees for their jointly invested companies in proportion to their shareholding percentages.</p> <p>Invested companies said in the preceding paragraph are those invested directly by the Company, or by the subsidiaries of which the Company owns 100% voting shares.</p> <p>Subsidiaries and holding company as referred to in these Procedures shall be those as determined under the Statements of Financial Accounting Standards Nos. 5 and 7 announced by the Accounting Research and Development Foundation of the Republic of China.</p>	
Article 3	<p>The aggregate amount of endorsements and guarantees issued by the Company shall be no more than the Company's net worth at the time the endorsements and guarantees are issued. The total amount of the Company's endorsements and guarantees provided for any individual company shall be limited to 60% of the prior Company's endorsements and guarantees' full amount.</p>	<p>The aggregate amount of endorsements and guarantees issued by the Company shall be no more than the Company's net worth at the time the endorsements and guarantees are issued. The total amount of the Company's endorsements and guarantees provided for any individual company shall be limited to 60% of the prior Company's endorsements and guarantees' full amount.</p> <p><u>The aggregate amount of endorsements and guarantees issued by the Company and its subsidiaries shall not exceed 150% of the net worth of the Company.</u></p> <p><u>The balance of endorsements/guarantees provided by the Company for an individual company shall not exceed 60% of the net worth of the Company. As the aggregate amount of endorsements and guarantees to others provided by the Company and its subsidiaries exceed more than 50% of the net worth of the company, the Company should state it's necessity and reasonableness in the shareholder's meeting.</u></p>	<p>Pursuant to Article 12, paragraph 3 of the Regulations, additional term added.</p>
Article 4	<p>Prior to the provision of endorsements or guarantees, the Company's finance department shall carefully evaluate its</p>	<p>Prior to the provision of endorsements or guarantees, the Company's finance department shall carefully evaluate its</p>	<p>1) Pursuant to Article 17,</p>

	<p>compliance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies ("Regulations"), these Procedures, including the following items and prepare and submit to the Board of Directors the evaluation report for approval; provided that, due to the time-constraints, the Board of Directors may authorize the Chairman to approve such provision subject to ratification by the Board of Directors in the upcoming meeting:</p> <ol style="list-style-type: none"> 1) necessity and rationale of the endorsements/guarantees; 2) credit standing and risk evaluation of the party to be secured under such endorsements/guarantees; 3) impact on the Company's operation, financial condition and shareholders' interests; and 4) whether collaterals are required and appraised values of such collaterals. <p>Where the Company provides endorsement and guarantees as a result of business transactions, it should separately assess whether the amount of endorsement and guarantee is comparable to the value involved in such business transactions. The value involved in the business transactions refers to the value represented by orders placed, sales or transactions contemplated by the parties during the year immediately prior to such provision of endorsements/guarantees.</p> <p>Where the Company proposes to provide an endorsement and/or guarantees as a result of business transactions which is in</p>	<p>compliance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies ("Regulations"), these Procedures, including the following items and prepare and submit to the Board of Directors the evaluation report for approval; provided that, due to the time-constraints, the Board of Directors may authorize the Chairman to approve such provision subject to ratification by the Board of Directors in the upcoming meeting:</p> <ol style="list-style-type: none"> 1) necessity and rationale of the endorsements/guarantees; 2) credit standing and risk evaluation of the party to be secured under such endorsements/guarantees; 3) impact on the Company's operation, financial condition and shareholders' interests; and 4) whether collaterals are required and appraised values of such collaterals. <p><u>A company that directly and/or indirectly holds more than 90 % of the voting shares in the Company shall follow accordingly to Article 2, paragraph 2 to allow the Board of Directors to make any endorsements/guarantees to other parties. This, however, does not apply to any company that directly and/or indirectly holds 100% of the voting shares in this company.</u></p> <p>Where the Company provides endorsement and guarantees as a result of business transactions, it should separately assess whether the amount of endorsement and guarantee is comparable to the value involved in such business transactions. The value involved in the business transactions refers to the value represented by orders placed, sales or transactions contemplated by the parties during the year immediately prior to such provision of endorsements/guarantees.</p> <p>Where the Company proposes to provide an endorsement and/or guarantees as a result of business transactions which is in</p>	<p>paragraph 2 of the Regulations, paragraph 2 added.</p> <p>2) The original paragraphs "2,3,4 and 5", have been reassigned as paragraphs "3,4,5, and 6".</p> <p>3) Pursuant to Article 12, paragraph 11 of the Regulations, paragraph 7 added.</p>
--	--	--	---

	<p>conformity with the conditions set out herein but exceed the limit as stipulated above as a result of business needs, it shall require the approval of the Board of Directors and the joint guarantee by more than half of the Directors in respect of the possible loss incurred by the excessive guarantee, as well as amendment to these Procedures subject to ratification by the Shareholders' Meeting. In the event that the Shareholders' Meeting raises objection, the Company shall formulate a proposal to cancel the excess within stipulated time limit.</p> <p>In the event that the Company has independent directors, the Board of Directors shall take into account the opinions of the independent directors and furthermore record in the minutes of such meetings the independent directors' consenting or dissenting opinions and the reasons in holding a meeting discussing the conditions above-mentioned, this Procedures or providing endorsements and/or guarantees.</p> <p>Where the parties secured by such endorsements/guarantees fail to comply with these Procedures or the amounts have exceeded the limits as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same to the Supervisors. Corrections shall be completed within the time limit stipulated in improvement plans.</p>	<p>conformity with the conditions set out herein but exceed the limit as stipulated above as a result of business needs, it shall require the approval of the Board of Directors and the joint guarantee by more than half of the Directors in respect of the possible loss incurred by the excessive guarantee, as well as amendment to these Procedures subject to ratification by the Shareholders' Meeting. In the event that the Shareholders' Meeting raises objection, the Company shall formulate a proposal to cancel the excess within stipulated time limit.</p> <p>In the event that the Company has independent directors, the Board of Directors shall take into account the opinions of the independent directors and furthermore record in the minutes of such meetings the independent directors' consenting or dissenting opinions and the reasons in holding a meeting discussing the conditions above-mentioned, this Procedures or providing endorsements and/or guarantees.</p> <p>Where the parties secured by such endorsements/guarantees fail to comply with these Procedures or the amounts have exceeded the limits as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same to the Supervisors. Corrections shall be completed within the time limit stipulated in improvement plans.</p> <p><u>If the subsidiary which the Company and its subsidiaries make endorsements and guarantees to, and whose net worth is lower than half of it's paid-up capital, the Company should pay attention to its financial, operational and other related credit conditions.</u></p> <p><u>If there are collaterals provided, attention should be paid to the collateral's value change. Endorsements/Guarantees should be ended when major, unfavorable condition occurs.</u></p>	
--	---	---	--

--	--	--	--

To amend certain provisions of the Company's "Procedures for Lending Capital to Others"

Section	Current Articles	Proposed Changes	Reasons
Article 4	<p>Procedure for Lending)</p> <p>When handling a loan by the Company, the Borrowers are required to present requisite financial information and the application to the Company's finance department for limits of loans. The finance department shall evaluate such application in accordance with the Regulations as well as these Procedures including the following items and prepare and submit to the Board of Directors the evaluation report for approval without authorizing any other persons to undertake the above-mentioned procedure:</p> <p>1) necessity and rationale of the loan; 2) the Borrowers' credit standing and risk evaluation; 3) impact on the Company's operation, financial condition and shareholders' interests; and 4) whether collaterals are required and appraised values of such collaterals.</p> <p>The Borrower should, upon the loan amount</p>	<p>(Procedure for Lending)</p> <p>When handling a loan by the Company, the Borrowers are required to present requisite financial information and the application to the Company's finance department for limits of loans. The finance department shall evaluate such application in accordance with the Regulations as well as these Procedures including the following items and prepare and submit to the Board of Directors the evaluation report for approval without authorizing any other persons to undertake the above-mentioned procedure:</p> <p>1) necessity and rationale of the loan; 2) the Borrowers' credit standing and risk evaluation; 3) impact on the Company's operation, financial condition and shareholders' interests; and 4) whether collaterals are required and appraised values of such collaterals.</p> <p><u>The lending of capital between the Company and its subsidiaries' or between the company's subsidiaries' should be proposed to the Board of Directors for approval.</u> <u>The Board of Directors could authorize the Chairman to lend the same party at separate appropriations for several times within one year period subject to the approved fixed of revolving credit line as approved by the Board of Directors.</u></p> <p><u>The fixed revolving credit line mentioned as previous paragraph shall not exceed ten percent (10%) of the Borrower's net worth. However this does not apply to any company that directly and/or indirectly holds 100% of the voting share in this company.</u></p> <p>The Borrower should, upon the loan amount</p>	<p>1) Pursuant to Article 14, paragraph 2 of the Regulations, paragraph 2 & 3 added.</p> <p>2) The original paragraphs "2,3,4 and 5", have been reassigned as paragraphs "4,5,6, and 7".</p> <p>3) To clarify the procedure, paragraph 4 amended.</p>

	<p>being approved, fill in an application form and apply to the finance department. The loan amount may only be disbursed after the <u>person-in-charge of the Company</u> or a person as designated by the Board of Directors has signed and approved. Subsequent to drawdown, the finance department shall report to the Board of Directors.</p> <p>Borrowers who apply for short-term financing facility in accordance with the aforesaid item shall provide the Company with bills or collaterals or guarantors as the Company approved as security securing such financing.</p> <p>In the event that the Company has independent directors, the Board of Directors shall take into account the opinions of the independent directors and furthermore record in the minutes of such meetings the independent directors' consenting or dissenting opinions and the reasons in holding a meeting discussing these Procedures or extending loans hereunder.</p> <p>Where the balance of loans has exceeded the limits, or the Borrower fails to comply with these Procedures, as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same to the Supervisors. Corrections shall be completed within the time limit stipulated in improvement plans.</p>	<p>being approved, fill in an application form and apply to the finance department. The loan amount may only be disbursed after the person-in-charge of the Company or a person as designated by the Board of Directors has signed and approved. Subsequent to drawdown, the finance department shall report to the Board of Directors.</p> <p>Borrowers who apply for short-term financing facility in accordance with the aforesaid item shall provide the Company with bills or collaterals or guarantors as the Company approved as security securing such financing.</p> <p>In the event that the Company has independent directors, the Board of Directors shall take into account the opinions of the independent directors and furthermore record in the minutes of such meetings the independent directors' consenting or dissenting opinions and the reasons in holding a meeting discussing these Procedures or extending loans hereunder.</p> <p>Where the balance of loans has exceeded the limits, or the Borrower fails to comply with these Procedures, as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same to the Supervisors. Corrections shall be completed within the time limit stipulated in improvement plans.</p>	
--	--	---	--

Rules and regulations

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

Chapter 1 General Provisions

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

Article 2 The Company's businesses are as follows :

1. General merchandise 、 silk nylon 、 cotton cloth 、 candies cookies 、 cans 、 entertainment appliances 、 hardware 、 furniture 、 decorations 、 hand-made local products 、 stationery 、 library appliances 、 CD/DVD 、 camera appliances 、 children toys (excluding gambling 、 porn game and air-soft gun) 、 shoe/ hat/ raining garment 、 medicine/medical equipment 、 cigarette /wine 、 rice/corn 、 salt 、 the import and export of beverage 、 clocks/watches/glasses/camera's business & maintenances 、 electronic business & maintenances 、 Children's entertainment playground/facility business (excluding gambling 、 porn game and play gun) 、 restaurants 、 food courts 、 beverage stores 、 film developer shop 、 and advertisement business(permitted business);
2. To operate gourmet grocery market, fresh food business, frozen vegetable, frozen meat/fish, dry food, and all kinds of flavoring sources;
3. To operate all kinds of product distribution, product classification and storage business;
4. The import and sales of vendor machines and measurement devices;
5. Authorizing a construction companies to build , commercial buildings and residential buildings for leasing and selling;
6. The business of gold and jewelry;
7. The business of tape recorder, radar CD player, and lets and sales of film tape, and CD/DVD;
8. The sales, import and export business, and dealer business of vehicles and vehicles parts (for example, seats, vehicles refresher, wax, car accessories and etc);
9. Vehicles repair and the operation and management of parking lot;
10. To operate gas station to supply gasoline, diesel fuel, the food and beverages in automatic vendor machine;
11. The business of art gallery and the deal of its works and antiques;
12. The business 、 repair 、 bidding and import and export business of all kind of wire and wireless telecom appliances;
13. The business of hair salon and various kinds of beauty services;
14. The entrusted management business of department stores and the stores in international and general tourist hotels;
15. The business of computer & telecom instrument/services;
16. JZ99030 photo shooting industry;
17. JZ99090 various kind services of festivities;
18. J701040 Leisure and entertaining activities;
19. F401161 the import of tobacco;
20. F401171 the import of liquor;
21. Except where permits are required, to run operations not forbidden or limited by laws and regulations.

Article 3 The Company may, where its businesses require, provide guarantee.

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

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

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

Chapter 2 Share Capital

- Article 7 The Company's total capital shall be Thirteen Billion and Five hundred Million New Taiwan Dollar (NT\$13,500,000,000) divided into 1,350,000,000 shares of NT\$10 each. The Board of Directors is authorized to issue the un-issued shares in separate trenches.
- Out of the above total capital amount, One Hundred Million New Taiwan Dollar (NT\$100,000,000) shall be divided into 10,000,000 shares of NT\$10 each, to be issued as warrants for employees to subscribe.
- Article 8 The Company's shares shall be numbered and issued following the signatures or seals by 3 Directors or more and the authentication by the relevant authorities or the registration organizations as approved by the authorities in compliance with law.
- Shares issued by the Company are not required to be evidenced by share certificates, provided that they shall be recorded at the Securities Central Depository Enterprises. New shares issued by the Company may also be consolidated for the purposes of production of share certificates, subject to them being deposited at the Securities Central Depository Enterprises.
- The Company may issue shares in large denominations upon demand by Securities Central Depository Enterprises.
- The Company can issue special shares.
- In the event of the Company merging with another company, matters relating to the merger need not be approved by way of a resolution of the special shareholders meeting.
- Article 9 Matters relating to the Company's shares shall be dealt with according to the provisions of "Regulations Governing Handling of Stock Affairs by Public Companies" and the relevant laws and regulations.
- Article 10 Registration of share transfer shall be closed within 60 days prior to General Shareholders' Meeting, or with 30 days prior to Extraordinary Shareholders' Meeting or within 5 days prior to the record date on which Company distributes the dividends or bonuses.

Chapter 3 Shareholders' Meeting

- Article 11 The Shareholders' Meetings shall be General or Extraordinary Shareholders' Meetings. :
1. General Shareholders' Meeting shall be held once a year within 6 months of the end of the Company's financial year.
 2. Extraordinary Shareholders' Meeting shall be convened by the Board of Directors where it thinks necessary, or by way of written request by shareholders who have held continuously the Company's total issued shares for more than 1 year and whose shareholdings are greater than 3% of the Company's issued shares.
- Other than where the Board of Directors has not convened or is unable to convene Shareholders' Meeting, the Supervisor may also convene Shareholders' Meeting for the benefit of the Company.
- Article 12 Notices of General Shareholders' Meeting shall be in writing and delivered to the shareholders along with a public notice 30 days before the General Shareholders' Meeting and 15 days before the Extraordinary Shareholders' Meeting. The said notices shall specify the date, place and reasons for calling the shareholders' meeting.
- Article 13 Unless otherwise stipulated by the Company Law, a quorum shall be present at the shareholders' meeting if shareholders representing more than half of the shares issued by the Company are in attendance and resolutions at the said assembly shall be passed if approved by a majority of the shareholders in attendance.
- Article 14 Shareholders may by way of power of attorney stamped with the seal of the Company appoint proxies to attend the said shareholders' meeting. Except for trust enterprises or share registration agencies approved by the securities management authorities, when one shareholder is entrusted by two or more shareholders, the voting right represented by the said shareholder shall not exceed 3% of the voting rights of total shares issued. Where it has so exceeded, the voting right in excess shall not be included.
- Unless otherwise stipulated by the Company Law, attendance of shareholder's proxies shall be in

accordance with the provisions of "Regulation Governing the Use of Proxies For Attendance of Shareholders' Meeting of Public Companies".

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

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

Chapter 4 Directors, Supervisors and Managers

Article 17 There shall be 7 Directors and 2 Supervisors of the Company, who are elected and appointed from the persons with legal capacity at the shareholders' meeting. The total shares number of the registered shares of the Company held by all of the Directors and Supervisors shall be determined according to the provisions of "Rules and Review Procedures for Director and Supervisor Ownership Ratios at Public Companies".

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

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

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

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

Article 21 The Supervisors shall perform their supervising duties in accordance with law; furthermore Supervisors may attend meetings of the Board of Directors and present their views, but may not have voting rights. Supervisors may elect from among them a Resident Supervisor.

Article 22 The remuneration of Directors and Supervisors shall be decided by the Shareholders' Meeting.

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

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

Chapter 5 Accounting

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

Article 26 The Board of Directors shall in accordance with law furnish various documents and statements and

forward the same to the Supervisors for review 30 days prior to the General Shareholders' Meeting, following which the said statements reviewed by the Supervisors and their reports shall be submitted for approval at the General Shareholders' Meeting. The appointment, dismissal and remuneration of the accountants auditing and reviewing the above documents and statements shall be resolved at the meeting of the Board of the Directors.

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

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

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

b) 33% as shareholders' bonuses to be distributed based on shareholdings. However in the case of increase in the Company's share capital, the shareholders' bonus to be distributed to the shareholders of increased shares for the year shall be decided by the shareholders' meeting.

c) 4% as employees' bonuses

d) 3% as remuneration for Directors and Supervisors, the manner in which it is to be distributed shall be decided by the Board of Directors. In the case of employees' bonuses in the form of stock dividends, the manner in which it is to be distributed shall be decided by the Board of Directors.

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

Chapter 6 Supplementary Provisions

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

First amendment on December 20, 1967;
Second amendment on October 2, 1968;
Third amendment on July 29, 1969;
Fourth amendment on August 26, 1969;
Fifth amendment on February 19, 1970;
Sixth amendment on June 26, 1970;
Seventh amendment on August 21, 1972;
Eighth amendment on March 30, 1973;
Ninth amendment on May 2, 1974;
Tenth amendment on May 30, 1975;
Eleventh amendment on April 19, 1976;
Twelfth amendment on March 25, 1977;
Thirteenth amendment on March 6, 1978;
Fourteenth amendment on April 6, 1979;
Fifteenth amendment on April 18, 1980;
Sixteenth amendment on April 9, 1981;
Seventeenth amendment on April 15, 1982;
Eighteenth amendment on November 29, 1982;
Nineteenth amendment on May 12, 1983;
Twentieth amendment on May 12, 1984;

Twenty-first amendment on May 6, 1985;
Twenty-second amendment on May 7, 1986;
Twenty-third amendment on April 30, 1987;
Twenty-fourth amendment on April 28, 1988;
Twenty-fifth amendment on April 29, 1989;
Twenty-sixth amendment on April 30, 1990;
Twenty-seventh amendment on May 2, 1991;
Twenty-eighth amendment on April 24, 1992;
Twenty-ninth amendment on April 30, 1993;
Thirtieth amendment on April 7, 1994;
Thirty-first amendment on April 15, 1995;
Thirty-second amendment on May 10, 1996;
Thirty-third amendment on May 9, 1997;
Thirty-fourth amendment on May 18, 1998;
Thirty-fifth amendment on May 12, 1999;
Thirty-sixth amendment on May 10, 2000;
Thirty-seventh amendment on May 9, 2001;
Thirty-eighth amendment on May 31, 2002;
Thirty-ninth amendment on June 10, 2003;
Fortieth amendment on June 2, 2006;

Meeting Rules of Stockholders for Far Eastern Department Stores Ltd (the “Company”).

- 1) The stockholders’ meeting of the Company shall be held according to the rules herein.
- 2) The location for stockholders’ meeting shall be the Company’s place of business or a place convenient for attendance by stockholders (or by proxies) that is suitable to holding of this meeting. The meeting shall be held between 9:00AM and 3:00PM. The stockholders (or proxies) when attending the meeting shall wear admission badge and hand in signed attendance form to be used to calculate the number of attending shares. The Company may appoint lawyers, accountants or related personnel to attend the stockholders’ meeting. The personnel in charge of handling the affairs of the meeting shall wear identification badge or armband. For a stockholders’ meeting convened by the board of directors, the chairman of the board of directors shall preside at the meeting. If the chairman of the board of directors is on leave or unable to exert the rights, the vice-chairman of the board of directors shall preside instead. If the position of vice-chairman is vacant or the vice-chairman is on leave or unable to exert the rights the chairman of the board of directors shall designate a director to preside at the meeting. If no director is so designated, the chairman of the meeting shall be elected by the board of directors from among themselves. For a stockholders’ meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting; if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves. The complete processes of the meeting shall be recorded by voice or video recorders and all the records shall be kept by the Company for a minimum period of at least one year.
- 3) The chairperson shall announce starting of the meeting when the attending stockholders (or proxies) represent more than half of the total shares issued in public. The chairperson may announce postponement of meeting if the legal quorum is not present after the designated meeting time. Such postponement is limited to two times and the aggregated postponed time shall not exceed one hour. If quorum is still not present after two postponements but the attending stockholders (or proxies) represent more than one third of the total shares issued in public, tentative resolution/s may be passed with respect to ordinary resolution/s by a majority of those present. After proceeding with the aforesaid tentative resolutions, the chairperson may put the tentative resolutions for re-voting over the meeting if and when the shares represented by

the attending stockholders (or proxies) reached the legal quorum.

- 4) If the stockholders' meeting is convened by the board of directors, the agenda shall be designated by the board of directors. The meeting shall proceed in accordance with the designated agenda and shall not be amended without resolutions. If the meeting is convened by person, other than the board of directors, having the convening right, the provision set out in the preceding paragraph shall apply mutatis mutandis. Except with stockholders' resolution, the chairperson shall not declare adjournment of the meeting before the first two matters set out in the agendas (including extemporary motions) are concluded. During the meeting, if the chairperson declares adjournment of the meeting in violation of the preceding rule, a new chairperson may be elected by a resolution passed by majority of the attending stockholders to continue the meeting. When the meeting is adjourned by resolution, the stockholders shall not elect another chairperson to continue the meeting at the same location or another venue.
- 5) The stockholders (or proxies) shall complete statement slip setting out the number of his/her attendance card, name and statement brief before speaking, and the chairperson will designate the order in which each person is to speak during the session. No statement will be considered to have been made if the stockholders (or proxies) merely complete the statement slip without speaking at the meeting. If there are any discrepancies between the content of the statement slip and the speech made, the statement to be adopted shall be the statement confirmed.
- 6) Any proposal for the agendas shall be submitted in written form. Except for the proposals set out in the agenda, any proposal by the stockholders (or proxies) to amend, substitute or to initiate extemporary motions with respect to the original proposal shall be seconded by other stockholders (or proxies). The same rule shall apply to any proposal to amend the agenda and motion to adjourn the meeting. The shares represented by the proponents and the seconders shall reach 100,000.
- 7) The explanation of proposal shall be limited to 5 minutes. The statement of inquiry and reply shall be limited to 3 minutes per person. The time may be extended for 3 minutes with the chairperson's permission. The chairperson may restrain stockholders (or proxies) from speaking if that stockholders (or proxies) speak overtime, speak beyond the allowed frequency or content of the speech is beyond the scope of the proposal. When a stockholder (or proxy) is speaking, other stockholder (or proxy) shall not interrupt without consent of the chairperson and the speaking stockholder (or proxy). Any disobedient of the preceding rule shall be prohibited by the chairperson.

Article 15 of this meeting rule shall apply if the disobedient do not follow the chairperson's instructions.
- 8) For the same proposal, each person shall not speak more than 2 times. When a juristic person is a stockholder, only one representative shall be appointed to attend the meeting, if more than two representatives were appointed to attend the meeting, only one representative is allowed to speak.
- 9) After speaking by the attending stockholder (or proxy), the chairperson may reply in person or assign relevant officer to reply. Over the proposal discussion, the chairperson may conclude the discussion in a timely manner and where necessary announce discussion is closed.
- 10) For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting. No discussion or voting shall proceed for matters unrelated to the proposals. The personnel responsible for overseeing and counting of the votes for resolutions shall be appointed by the chairperson with the consent of the stockholders (or proxies). The person

responsible for vote overseeing shall be of the stockholder status.

- 11) In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or Company's articles of incorporation, resolution shall be passed by a majority of the voting rights represented by the stockholders (or proxies) attending the meeting, The proposal for a resolution shall be deemed approved if the chairperson inquires and received no objection, the validity of such approval has the same effect as if the resolution has been put to vote. If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson. If one of the two proposals has been approved, the other proposal shall be deemed rejected without requirement to put it to vote. The results of voting shall be reported on the spot and kept for records.
- 12) During the meeting, the chairperson may at his/her discretion declare time for break.
- 13) The meeting shall be adjourned if encountering an air-raid alarm during the meeting. The meeting shall resume one hour after the alarm is lifted.
- 14) The chairperson may maintain the meeting order by instructing the security guards. The security guards shall wear the armband for identification when helping maintaining the venue order.
- 15) The stockholders (or proxies) shall obey the instructions of the chairperson and security guards in terms of maintaining the order. The chairperson or security guards may exclude the persons disturbing the stockholders' meeting from the meeting.
- 16) For matters not governed by the rules specified herein, shall be governed according to Company Law, Stock Exchange Law and the other related laws and regulations.
- 17) The rules herein take effect after approval at the stockholders' meeting; the same apply for any amendments.

Election Procedures of Director and Supervisor for Far Eastern Department Stores Ltd. (the "Company")

- 1) The election of directors and supervisors shall be pursued in accordance with the procedures herein
- 2) The election of directors and supervisors adopts the method of accumulated vote-counts. The attendance card number of the voters shall be used on the ballot instead of the name of the voters. The ballots shall be prepared by the board of directors, numbered according to the attendance card numbers and noted with share number represented for voting.
- 3) The election of directors and supervisors shall be pursued according to the number of position required and the candidates that obtain more number of votes shall be elected. If there are more than two candidates obtaining the same number of vote but the number of position offered is limited, a draw shall be made amongst the two candidates to determine. The chairperson shall conduct the drawing for the candidate who is absent.
- 4) In the beginning of the election, the chairperson shall assign two personnel for vote overseeing and vote counting respectively. The personnel for vote overseeing shall be of the stockholder status.
- 5) The responsibility of the vote-overseeing personnel's responsibility shall be as follows:

- Check and seal the ballot box in public before ballot casting.
 - Maintain the order and check for any negligence and illegality for voting.
 - Unseal the ballot box and check the ballot number after ballot casting.
 - Check for any invalid ballots and hand in the valid ballots to the vote-counting personnel.
 - Oversee the vote-counting personnel recording the ballot numbers received by each candidate.
- 6) If the candidate is a natural person with the stockholder status, the voters shall fill out the ballot with the name and stockholder number of the candidate. If the candidate is not of the stockholder status, the ballot shall be filled out with the name and identification number of the candidate. If the candidate is the government or juristic stockholder, the ballot shall be filled out with the number, the name of government or juristic person and the representative name. If there is more than one representative, all the representative names shall be listed.7) The ballot shall be considered invalid in any of the following situations:
- Not the ballot provided under the rules herein
 - One ballot with more than two candidate names listed
 - Blank ballot
 - Ballot not filled out according to article 6 or ballot with unrelated writing to this election
 - Written characters blurred and not legible
 - Incorrect candidate information on the ballot
- 8) There shall be one ballot box for director and supervisor elections respectively. The ballot counting shall be pursued separately for the two elections.
- 9) When all the ballots are cast in the box, the personnel of vote overseeing and counting shall simultaneously unseal the ballot boxes.
- 10) The vote-overseeing personnel shall be present for vote counting.
- 11) If there is any question about the ballot, the vote-overseeing personnel shall check whether it is invalid. The invalid ballots shall be collected and kept separately. The vote-overseeing personnel shall designate them as the invalid with signature and seal after ballot counting.
- 12) For the results of ballot counting, the vote-overseeing personnel shall make sure of correctness of the total ballot number after combining the numbers of the valid and invalid ballots. The numbers of the valid and invalid ballots shall be recorded separately and the chairperson shall announce the elected.
- 13) The elected directors and supervisors shall be given the election notification by the board of directors.
- 14) The rules herein take effect after approval at the stockholders' meeting. The same apply for any amendments.