



台北市寶慶路 27 號
NO.27, PAO CHING ROAD, Taipei

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

Date: 12 June 2009

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 2008
3. Supervisors' audit report on 2008 business report and financial statements.(Attachment: independent auditors' report by Deloitte & Touche)
4. Report on offering of corporate bond

Matters to be approved:

1. To accept 2008 financial statements
2. To approve the proposal for the distribution of 2008 surplus earning

Discussion and Election

1. To approve the capitalization of 2008 stock dividends
2. Proposal to amend certain provisions of the Company's "Regulations for Granting Loan to Others"
3. Proposal to amend certain provisions of the Company's "Regulations for Making Endorsements/Guarantees".
4. Proposal to re-elect the Company's directors/supervisors as the term of office for the existing directors/supervisors will expire on June 1, 2009.
5. Proposal to lift the restriction on non-competition of directors as defined in Article 209 of the Company Law

Extemporary motion

-Matters to be Reported

1. Messages to Shareholders

Message to Shareholders

Preface

In 2008 due to the profound impact of the world financial tsunami caused by the sub-prime mortgage debt problem in the U.S., the speed and range of this global depression has been beyond expectation. Director-General of Budget, Accounting and Statistics, the Executive Yuan registered a GDP growth of negative 8.36% for the fourth quarter of 2008, the biggest single season drop in history. The GDP growth for the whole year only reached 0.12%, which was also a record low for the past 8 years.

Looking into 2009, while shopping vouchers issued by the Government did enhance consumerism during mid January, it only offered short-term relief and support to elevate the overall economy but has failed to show positive results since February. Though urgent orders surged for the local electronics industry from the end of March to early April, given the fact that the financial tsunami crisis remains unresolved, the future is filled with uncertainty and is still too early to foresee a full recovery.

From a business retail perspective, oil and electricity price hikes in 2008 ignited consumers' fears regarding inflation and therefore they drastically cut down their spending. No satisfactory result was achieved even with added discount sales or more free gifts. The outbreak of the financial tsunami in the United States during the third quarter took a heavy toll on the already slumping department store at retail market. People's worry about inflation then switched to concern about deflation, leading to island-wide cut-throat promotions during anniversary sales. Most operators register negative revenue growths, only very few retailers maintain the same revenues or record only slight growth.

On the other hand, during last year the most obvious change in the retail industry was consumers' strict budgeting and living a frugal lifestyle which called for constant price cuts in all walks of life. As a result, this led to increasingly larger price reductions, longer promotion sales and shorter regular sales periods.

In view of the above, though facing an extremely difficult economic situation and inevitable cross-industry fierce competition, we have reviewed and analyzed our daily operations and adopted strategies to overcome these harsh challenges. Therefore, we are happy to report that we registered a 2.5% growth in 2008. Given progressing cross-strait relations, increasing number of tourists from Mainland China, and new store expansions in both Taiwan and China, we feel quite optimistic about our future performance.

Operations Report for 2008

During the year 2008, Far Eastern Department Stores (FEDS) recorded total sales revenues of

NT\$21.033 billion, up 2.5% from the previous year. When combined with subsidiaries, consolidated revenues of the cross-strait Far Eastern Retail Group amounted to NT\$89.629 billion, up 1.4% year-on-year. Net income after tax was NT\$287 million and earnings per share at NT\$0.25. Total dividend payout for 2008 was NT\$0.6 per share, which included NT\$0.3 in cash and NT\$0.3 in stock dividends from capital surplus.

The Far Eastern Retail Group's 2008 performance is summarized as follows:

1. Far Eastern Department Stores Ltd.

To cope with more intense competition among retailers, FEDS has constantly re-examined and re-adjusted its merchandise mix. In response to consumers' changing needs, our Paoching, Panchiao, Taoyuan and Hsinchu Stores underwent major renovations. The expansion of the women's clothing section in Chiayi Store and the refurbishing of B2F supermarket and exquisite food court in Tainan Chengkung Store contributed to their revenue growths.

With the inauguration of Kaohsiung Mass Rapid Transit (MRT) system, customer count to our FE21' MegA Kaohsiung Store grew more than 25%. In particular, the VIP room is widely favored to help enhance target customer loyalty.

The international exhibitions have long been FEDS' traditional, unique and well-liked promotional events, which not only help elevate corporate image but allow consumers to better understand each nation's different cultures and fine merchandise. "La Provence – Colors & Traditions" held from April 17 to 29, 2008 offered diversified French cuisine and products, introduced the evolution of French perfumes, served to increase customer count and revenues, and further enhanced differentiation and uniqueness of our merchandise.

On the other hand, FEDS also held various sales promotional activities of special local products to enhance consumption and economy. For example, "Energetic Pomelo of Danei Nanyin" sponsored by FE21' Panchiao Store offered fine farm produce gifts from Tainan County and the popular "Jinmen Exhibition" sponsored by our Tainan, Kaohsiung and Hualien Stores displayed a variety of products and gourmet food from Jinmen.

To recognize our smart marketing strategy and outstanding revenue performance, FEDS won the "Economic Ministry Encouraging Enterprise to Stimulate Private Consumption Operation" Phase One "Outstanding Revenue Performance Minister Award" and Phase Two "Outstanding Revenue Performance Deputy Minister Award".

FEDS has always been a good corporate citizen who believes in "taking from the society and giving back to the society". Shortly after the catastrophic Sichuan earthquake on May 12, 2008, the Company initiated "Saving Sichuan Earthquake" fund-raising program to mobilize all staffs, counters and consumers. Altogether NT\$2.15 million was raised and donated to World Vision International on June 24, 2008 by President Alice Hsu on behalf of FEDS to aid rescue work and rebuild the disaster area.

To help underprivileged school children, FEDS also sponsored "I Love School Caring for Children" collection to accept donations of stationery at 31 retail sites of Far Eastern Department Store, Far

Eastern Geant, The Mall and then distributed these to the economically disadvantaged junior high and primary school children.

To support disadvantaged families and make their dreams come true, the Company gathered 200 pieces of celebrity second-hand clothing and held a charity sale at FE21' Panchiao Store to raise the funds for this program.

2. Pacific SOGO Department Stores

2008 revenues were NT\$32.947 billion, slightly down (1.8%) from a year ago, net income after tax was NT\$1.66 billion, also down 39.2% from that of 2007.

In 2008 due to international crude oil and commodity prices soaring, coupled with the sub-prime mortgage crisis in the U.S. which led to a global financial tsunami, the world economy fell sharply to affect all industries causing higher unemployment, deflation and even a recession. Though Pacific SOGO Department Stores have adopted various promotional measures, except for SOGO Fuxing Store, all branch stores reported a decline.

While under such an unfavorable economic scenario in the second year of operation, SOGO Fuxing Store is commended for enjoying a revenue growth of 17.2% thanks to good merchandising and proper readjusting.

As the leasing agreement of SOGO branch in Taipei 101 has expired, with soaring rents and no profit left, the Company decided to cease operation of its 101 Store in October 2008.

Reference to the opening of SOGO Tianmu Store, following SOGO New Life guidelines of "Love, Sharing, Caring", "Self Style", "Environment-Friendly" and "Quality Life" its booth recruitment and interior design work has been completed.

The Company has implemented ERP system since April 2008, among which the finance and accounting system was on line in September 2008, core and store systems are still under testing and expected to fully operate in 2009.

3. Far Eastern Geant Co., Ltd.

2008 revenues were NT\$16.546 billion, up 6.2% or an increase of NT\$223 million from that of 2007.

Far Eastern A-Mart is Taiwan's first "Green Shop" certified by the Environmental Protection Administration, Executive Yuan. Our Hsinchu and Yungfu Branches won in particular the first and second prize respectively of "Green Marketing Award" to duly contribute to cleaning up the earth and maintaining sustainable growth.

The Company's 15th Branch in Sanchung City was opened on October 31, 2008 to mark a new milestone for continuous expansion.

1. Prospects for 2009

1. Far Eastern Department Stores Ltd.

To comply with the opening of Shangri-La's Far Eastern Plaza Hotel in Tainan, the adjoining FE21' MegA Tainan Chenkong Store will continue to adjust its merchandise mix.

FE21' MegA Kaohsiung Store is also going through major readjustment of its merchandise mix before the second season to absorb more MRT passengers.

To cater for consumers' thrifty concerns, FE21' Panchiao and FE21' MegA Hsinchu Stores will continue to organize special sales of boutique brand-name fashion and products such as Burberry, Bally, Ferragamo, Issey Miyake, etc.

FEDS will continue to sponsor international exhibitions. "Italian Week" will be held in September 2009.

FE21' Hualien Store is scheduled to roll out moving sales in August and is targeted to reopen in mid-October.

2. Pacific SOGO Department Stores Co., Ltd.

Aside from seeking revenue growth, the 2008 operational goals also focused on more strict control of marketing and operational costs. We expect this year to cut down all expenditures as compared with 2008.

SOGO Tianmu Store held its grand opening on May 22, 2009. Aimed to save personnel cost and elevating HR efficiency, the Company did not recruit new staff but transferred and dispatched existing manpower from other branch stores to handle the operation. With the theme of "SOGO New Life", its merchandise planning, top-quality services, and green shopping environment will bring a totally fresh experience to local consumers of the Tianmu area.

Facing with an economic setback, the Company intends to increase "Only SOGO" merchandise and enhance brand advantage to improve gross profit. Also we will work more closely with vendors and strengthen cross-industry strategic alliances to offer joint promotions.

The operating strategy of the Sales and Marketing Department is to elevate store customer count by 15%, prolong their stay when visiting our stores, and increase email notices hopefully to reduce DM publishing expense by 20%.

To cope with these challenges management-wise, we are implementing a more streamlined organizational structure, elevating administrative efficiency, enhancing IT, enforcing systematic commands, clear authorization and reasonable allocation of job responsibilities.

With the launch of ERP online, in order to save manpower and elevate cashier efficiency, Pacific SOGO is modifying its accounting system to rationalize and standardized its operating processes, complete an island-wide centralized payment operation, and renew POS cashier system.

3. Far Eastern Geant Co., Ltd.

To overcome the financial crisis caused by financial tsunami, Far Eastern Geant a.mart will further cut expenditures and lower operating cost.

We will continue to strengthen the fresh food department and organize the popular “Taiwan Festival” held last year to promote localized products and transport low-priced fresh food directly from their places of production. In the meantime, through “Great Master” plan, a.mart will standardize food processing techniques to improve production and taste of the bread and delicatessens so as to provide quality food items and attract more customers.

In view of dropping international raw material prices, the Company will negotiate for better purchasing prices and seek to buy merchandise directly from manufactures in an effort to improve margins. Also we will enhance monitoring and inventory control to lower bad stocks and improve quality of our inventory.

Our customer loyalty program includes the upcoming launch of a variety of membership and cardholder campaigns, continue to boost Happy Go Cardholders’ loyalty, make good use of membership data, and develop more potential customers.

The Company is scheduled to open its 16th store by the end of 2009, which will be the first store in eastern Taiwan.

In summary, 2008 was an astounding year for local retailers as well as Far Eastern Department Stores 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.

FEDS is the most historical department store in Taiwan. The Far Eastern Retail Group operates with 43 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. We would urge our wonderful management team to be always customer-oriented and continue to enhance customer satisfaction and create higher growth value for our shareholders.

Chairman Douglas Tong Hsu

2. 2008 financial statements

FAR EASTERN DEPARTMENT STORES, LTD.
遠東百貨股份有限公司

BALANCE SHEETS
資產負債表
DECEMBER 31, 2008 AND 2007
民國九十七年及九十六年十二月三十一日
(In Thousands of New Taiwan Dollars, Except Par Value)
(單位：除每股面額為新台幣元外，餘係新台幣千元)

ASSETS	資	2008 九十七年十二月三十一日			2007 九十六年十二月三十一日			LIABILITIES AND STOCKHOLDERS' EQUITY	負 債 及 股 東 權 益	2008 九十七年十二月三十一日			2007 九十六年十二月三十一日		
		Amount	額	%	Amount	額	%			Amount	額	%	Amount	額	%
CURRENT ASSETS	流動資產						CURRENT LIABILITIES	流動負債							
Cash	現金	\$ 288,988	1		\$ 232,948	-	Short-term debts	短期借款	\$ 2,950,000	7		\$ 2,050,000	5		
Available-for-sale financial assets - current	備供出售金融資產－流動	131,662	-		241,381	1	Short-term notes and bills payable	應付短期票券	1,794,234	4		699,204	1		
Receivables:							Accounts payable	應付帳款	1,826,379	4		2,084,553	5		
Notes	應收票據	14,062	-		15,858	-	Accounts payable - related parties	應付關係人款項	168,970	-		110,490	-		
Accounts, net of allowance for doubtful accounts of \$8,799 thousand in 2008 and \$8,216 thousand in 2007	應收帳款－減備抵呆帳九十七年 8,799 千元及九十六年 8,216 千元後之淨額	168,760	1		237,931	1	Accrued expenses	應付費用	531,884	1		545,878	1		
Related parties	應收關係人款項	530,713	1		420,037	1	Balance payable - property	應付工程設備款	100,978	-		78,013	-		
Others	其他應收款	89,254	-		81,706	-	Advance receipts	預收款項	1,427,945	4		1,391,078	3		
Inventories, net	存貨－淨額	296,229	1		262,051	1	Current portion of bonds issued	一年內到期之應付公司債	-	-		1,200,000	3		
Prepayments	預付款項	22,704	-		27,872	-	Current portion of long-term borrowings	一年內到期之長期借款	698,875	2		597,133	1		
Deferred tax assets	遞延所得稅資產	34,292	-		27,143	-	Current portion of franchise liability	一年內到期之應付權利金負債	-	-		298,588	1		
Other current assets	其他流動資產	64,473	-		75,709	-	Other current liabilities	其他流動負債	694,333	2		707,963	2		
Total current assets	流動資產合計	1,641,137	4		1,622,636	4	Total current liabilities	流動負債合計	10,193,598	24		9,762,900	22		
LONG-TERM INVESTMENTS	長期股權投資						LONG-TERM LIABILITIES, NET OF CURRENT PORTION	長期負債							
Investments accounted for by the equity method	採權益法之長期股權投資	15,964,679	38		17,396,754	40	Bonds issued	應付公司債	1,700,000	4		500,000	1		
Available-for-sale financial assets - noncurrent	備供出售金融資產－非流動	1,859,887	5		3,201,751	7	Long-term borrowings	長期借款	8,663,377	21		8,881,183	20		
Financial assets carried at cost	以成本衡量之金融資產	160,035	-		162,570	-	Total long-term liabilities	長期負債合計	10,363,377	25		9,381,183	21		
Total long-term investments	長期股權投資合計	17,984,601	43		20,761,075	47									
PROPERTY	固定資產						RESERVES	各項準備							
Cost	成 本						Reserve for land revaluation increment tax	土地增值稅準備	575,490	2		575,490	2		
Land	土 地	4,072,720	10		4,073,120	9									
Buildings and equipment	房屋及設備	6,122,584	15		6,098,510	14	OTHER LIABILITIES	其他負債							
Furniture and equipment	器具及設備	3,137,123	7		3,023,750	7	Deposits received	存入保證金	39,373	-		42,659	-		
Total cost	成本合計	13,332,427	32		13,195,380	30	Deferred tax liabilities	遞延所得稅負債－非流動	12,546	-		72,297	-		
Revaluation increment	重估增值	1,193,498	2		1,193,498	3	Deferred credits - gains on related-party transactions	遞延盈餘	11,366	-		11,366	-		
Cost and appreciation	成本及重估增值	14,525,925	34		14,388,878	33	Miscellaneous	其他負債－其他	-	-		563	-		
Less: Accumulated depreciation	減：累積折舊	4,277,773	10		3,848,424	9	Total other liabilities	其他負債合計	63,285	-		126,885	-		
		10,248,152	24		10,540,454	24									
Construction in progress	未完工程	6,093,083	15		5,471,726	13	Total liabilities	負債合計	21,195,750	51		19,846,458	45		
Leasehold rights, net	租賃權益－淨額	4,117,668	10		3,999,805	9									
Properties leased to others, net	出租資產－淨額	1,012,661	2		1,028,045	2	STOCKHOLDERS' EQUITY	股東權益							
Net property	固定資產淨額	21,471,564	51		21,040,030	48	Capital stock NT\$10.00 par value	股 本							
OTHER ASSETS	其他資產						Authorized - 1,350,000 thousand shares	普通股股本－每股面額 10 元，額定：1,350,000 千							
Idle assets, net	閒置資產－淨額	384,462	1		387,483	1	Issued and outstanding - 1,177,015 thousand shares in 2008 and 1,120,967 thousand shares in 2007	股，發行：九十七年 1,177,015 千股及九十六年 1,120,967 千股	11,770,154	28		11,209,670	25		
Refundable deposits	存出保證金	158,828	-		159,941	-	Capital surplus:	資本公積							
Prepaid pension costs	預付退休金	194,156	1		143,314	-	Additional paid-in capital - share issuance in excess of par	股票發行溢價	2,175,718	5		2,175,718	5		
Miscellaneous	其他資產－其他	7,031	-		9,548	-	Treasury stock transactions	庫藏股票交易	835,591	2		312,682	-		
Total other assets	其他資產合計	744,477	2		700,286	1	Long-term investments	長期投資	372,157	1		323,895	1		
							Total capital surplus	資本公積合計	3,383,466	8		2,812,295	6		
							Retained earnings:	保留盈餘							
							Legal reserve	法定盈餘公積	1,496,641	4		1,335,926	3		
							Special reserve	特別盈餘公積	1,484,033	3		2,156,588	5		
							Unappropriated earnings	未分配盈餘	286,864	1		1,607,152	4		
							Total retained earnings	保留盈餘合計	3,267,538	8		5,099,666	12		
							Other equity adjustments	股東權益其他項目							
							Cumulative translation adjustments	累積換算調整數	317,743	1		(16,162)	-		
							Net loss not recognized as pension costs	未認列為退休金成本之淨損失	(6,584)	-		(12,351)	-		
							Unrealized valuation gains (losses) on financial instruments	金融商品未實現(損)益	1,125,491	2		4,465,999	10		
							Unrealized asset revaluation increment	未實現重估增值	883,944	2		883,944	2		
							Total other equity adjustments	股東權益其他項目合計	2,320,594	5		5,321,430	12		
							Treasury stock - 17,473 thousand shares in 2008 and 28,770 thousand shares in 2007	庫藏股票－九十七年 17,473 千股及九十六年 28,770 千股	(95,723)	-		(165,492)	-		
							Total stockholders' equity	股東權益合計	20,646,029	49		24,277,569	55		
TOTAL	資 產 總 計	\$ 41,841,779	100		\$ 44,124,027	100	TOTAL	負 債 及 股 東 權 益 總 計	\$ 41,841,779	100		\$ 44,124,027	100		

The accompanying notes are an integral part of the financial statements.
後附之附註係本財務報表之一部分
(With Deloitte & Touche audit report dated March 3, 2009)

董事長：徐旭東

經理人：徐雪芳

會計主管：鄒德祥

FAR EASTERN DEPARTMENT STORES, LTD.
遠東百貨股份有限公司

STATEMENTS OF INCOME
損益表

YEARS ENDED DECEMBER 31, 2008 AND 2007
民國九十七年及九十六年一月一日至十二月三十一日
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)
(單位：除每股盈餘為新台幣元外，餘係仟元)

		2008		2007	
		九 十 七 年 度	九 十 六 年 度	九 十 七 年 度	九 十 六 年 度
		Amount	Amount	Amount	Amount
		金 額	%	金 額	%
REVENUES	營業收入				
Sales	銷貨收入	\$ 20,809,508	99	\$ 20,244,063	99
Other operating revenues	其他營業收入	223,914	1	270,656	1
Total revenues	營業收入合計	21,033,422	100	20,514,719	100
COSTS	營業成本				
Cost of goods sold	銷貨成本	16,746,762	80	16,282,890	80
Other operating costs	其他營業成本	47,496	-	47,483	-
Total costs	營業成本合計	16,794,258	80	16,330,373	80
GROSS PROFIT	營業毛利	4,239,164	20	4,184,346	20
OPERATING EXPENSES	營業費用				
Selling	推銷費用	822,954	4	851,024	4
General and administrative	管理及總務費用	2,711,469	13	2,659,196	13
Total operating expenses	營業費用合計	3,534,423	17	3,510,220	17
OPERATING INCOME	營業淨利	704,741	3	674,126	3
NONOPERATING INCOME AND GAINS	營業外收入及利益				
Gain on disposal of property	處分資產已實現利益	-	-	363,639	2
Dividend income	股利收入	149,611	1	97,696	-
Equity in earning of equity-method investees, net	採權益法認列之投資淨益	-	-	476,300	2
Interest income	利息收入	4,649	-	6,131	-
Gain on disposal of investments, net	處分投資淨益	156,388	1	34,149	-
Other income	什項收入	115,612	-	115,638	1
Total nonoperating income and gains	營業外收入及利益合計	426,260	2	1,093,553	5
NONOPERATING EXPENSES AND LOSSES	營業外費用及損失				
Equity in earning of equity-method investees, net	採權益法認列之投資淨損	611,509	3	-	-
Interest expense	利息費用	190,572	1	182,944	1
Loss on disposal of property and idle assets	處分及報廢固定及閒置資產損失	13,985	-	22,351	-
Other expenses	什項支出	94,869	-	78,204	-
Total nonoperating expenses and losses	營業外費用及損失合計	910,935	4	283,499	1
INCOME BEFORE INCOME TAX	稅前淨利	220,066	1	1,484,180	7
INCOME TAX	所得稅利益	(66,798)	-	(122,972)	(1)
NET INCOME	淨 利	\$ 286,864	1	\$ 1,607,152	8

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(Continued)

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		2008		2007	
		九 十 七 年 度		九 十 六 年 度	
		Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE	每股盈餘	稅 前	稅 後	稅 前	稅 後
Basic	基本每股盈餘	<u>\$ 0.19</u>	<u>\$ 0.25</u>	<u>\$ 1.29</u>	<u>\$ 1.40</u>
Diluted	稀釋每股盈餘	<u>\$ 0.19</u>	<u>\$ 0.25</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:
假設子公司持有母公司股票不視為庫藏股票而作為投資時之擬制資料稅後金額

		2008		2007	
		九 十 七 年 度		九 十 六 年 度	
		Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE	每股盈餘	稅 前	稅 後	稅 前	稅 後
Basic	基本每股盈餘	<u>\$ 0.63</u>	<u>\$ 0.69</u>	<u>\$ 1.30</u>	<u>\$ 1.40</u>
Diluted	稀釋每股盈餘	<u>\$ 0.63</u>	<u>\$ 0.69</u>		

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

後附之附註係本財務報表之一部分

(With Deloitte & Touche audit report dated March 3, 2009)

(參閱勤業眾信會計師事務所民國九十八年三月三日會計師查核報告)

(Concluded)

董事長:徐旭東

經理人:徐雪芳

會計主管:鄒德祥

FAR EASTERN DEPARTMENT STORES, LTD.
遠東百貨股份有限公司

STATEMENTS OF CASH FLOWS
現金流量表
YEARS ENDED DECEMBER 31, 2008 AND 2007
民國九十七年及九十六年一月一日至十二月三十一日
(In Thousands of New Taiwan Dollars)
(單位：新台幣仟元)

		2008 九十七年度	2007 九十六年度
CASH FLOWS FROM OPERATING ACTIVITIES	營業活動之現金流量		
Net income	淨利	\$ 286,864	\$ 1,607,152
Depreciation	折舊	409,153	429,095
Amortization of deferred charges	攤銷	7,280	9,034
Amortization of leasehold rights included in rental expense	租賃權益攤銷	74,822	74,667
Gain on disposal of investments, net	處分投資淨益	(156,388)	(34,149)
Cash dividends from equity-method investees	權益法計價之被投資公司發放現金股利	827,538	337,193
Equity in losses (earnings) of equity-method investees, net	權益法認列之投資淨損(益)	611,509	(476,300)
Loss on disposal of property and idle assets, net	處分及報廢固定及閒置資產淨損失	13,985	22,332
Realized gain on disposal of assets	處分資產已實現利益	-	(363,639)
Other losses	其他損失	198	-
Deferred income taxes	遞延所得稅	(66,900)	(128,733)
Increase in prepaid pension cost	預付退休金增加	(50,842)	(32,216)
Net changes in operating assets and liabilities	營業資產及負債之淨變動		
Notes receivable	應收票據	1,796	178,435
Accounts receivable	應收帳款	69,171	(16,857)
Accounts receivable - related parties	應收關係人款項	30,191	(82,363)
Other receivables	其他應收款	(7,548)	118,505
Inventories	存貨	(34,178)	(48,760)
Prepayments	預付款項	5,168	(5,448)
Other current assets	其他流動資產	11,236	(6,775)
Accounts payable	應付帳款	(258,174)	(200,921)
Accounts payable -related parties	應付關係人款項	58,480	21,100
Accrued expenses	應付費用	(13,994)	69,866
Income tax payable	應付所得稅	-	(42,630)
Advanced receipts	預收款項	153,534	452,932
Other current liabilities	其他流動負債	(41,565)	203,411
Net cash provided by operating activities	營業活動之淨現金流入	<u>1,931,336</u>	<u>2,084,931</u>
CASH FLOWS FROM INVESTING ACTIVITIES	投資活動之現金流量		
Proceeds from disposal of available-for-sale financial assets	處分備供出售金融資產價款	240,236	53,905
Decrease in pledged time deposits	質押定存單減少	-	1,000
Acquisition of investments accounted for by the using equity method	取得採權益法之長期股權投資價款	(1,140,000)	(1,931,076)
Proceeds of the disposal of property and idle assets	處分固定資產價款	704	551,679
Acquisition of property	購置固定資產價款	(1,319,665)	(1,654,643)
Decrease in refundable deposits	存出保證金減少	1,113	1,106
Increase in other assets	其他資產-其他增加	(2,228)	(1,358)
Net cash used in investing activities	投資活動之淨現金流出	<u>(2,219,840)</u>	<u>(2,979,387)</u>

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(Continued)

		2008 九 十 七 年 度	2007 九 十 六 年 度
CASH FLOWS FROM FINANCING ACTIVITIES	融資活動之現金流量		
Increase (decrease) in short-term debts	短期借款增加(減少)	\$ 900,000	(\$ 170,000)
Increase (decrease) in short-term notes and bills payable	應付短期票券增加(減少)	1,095,030	(249,583)
Repayments of bonds issued	償還到期公司債	(1,200,000)	(2,000,000)
Issuance of bonds	發行應付公司債	1,200,000	-
(Decrease)Increase in long-term borrowings	長期借款(減少)增加	(116,064)	2,593,590
Decrease in deposits received	存入保證金減少	(3,286)	(13,900)
Decrease in other liabilities	其他負債-其他減少	(563)	(35)
Cash dividends, bonuses paid to employees and remuneration paid to supervisors and directors	發放現金股利、董監事酬勞及員工紅利	(1,530,573)	(595,985)
Net cash provided by (used in) financing activities	融資活動之淨現金流入(出)	<u>344,544</u>	<u>(435,913)</u>
NET INCREASE (DECREASE) IN CASH	現金淨增加(減少)	56,040	(1,330,369)
CASH, BEGINNING OF YEAR	年初現金餘額	<u>232,948</u>	<u>1,563,317</u>
CASH, END OF YEAR	年底現金餘額	<u>\$ 288,988</u>	<u>\$ 232,948</u>
SUPPLEMENTAL CASH FLOW INFORMATION	現金流量資訊之補充揭露		
Interest paid	當年度支付利息	\$ 315,255	\$ 301,416
Less: Capitalized interest	減:資本化利息	<u>147,918</u>	<u>140,978</u>
Interest paid, excluding capitalized interest	不含資本化利息之當年度支付利息	<u>\$ 167,337</u>	<u>\$ 160,438</u>
Income tax paid	支付所得稅	<u>\$ 1,389</u>	<u>\$ 83,283</u>
NONCASH INVESTING AND FINANCING ACTIVITIES	不影響現金流量之投資及融資活動		
Dividends receivable from equity-method investees	應收採權益法計價之被投資公司現金股利(帳列應收關係人款項)	<u>\$ 464,861</u>	<u>\$ 323,994</u>
Idle assets reclassified into construction-in-progress	閒置資產重分類為未完工程	<u>\$ -</u>	<u>\$ 68,247</u>
Adjustment to advance receipts and depreciation	預收裝修補助款沖減折舊	<u>\$ 116,667</u>	<u>\$ 126,847</u>
Current portion of bonds issued	一年內到期之應付公司債	<u>\$ -</u>	<u>\$ 1,200,000</u>
Current portion of long-term borrowings	一年內到期之長期借款	<u>\$ 698,875</u>	<u>\$ 597,133</u>
Current portion of franchise liabilities	一年內到期之應付權利金負債	<u>\$ -</u>	<u>\$ 298,588</u>
CASH PAID FOR ACQUISITION OF PROPERTY	購置固定資產支付現金		
Acquisition of property	固定資產增加	\$ 860,440	\$ 647,002
Acquisition of leasing	租賃權益增加	192,685	-
Decrease in construction in progress	未完工程減少	(9,083)	(1,976)
(Increase) decrease in balance payable - property	應付工程設備款(增加)減少	(22,965)	706,923
Decrease in franchise liabilities	應付權利金負債減少	<u>298,588</u>	<u>302,694</u>
	支付現金	<u>\$ 1,319,665</u>	<u>\$ 1,654,643</u>

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

後附之附註係本財務報表之一部分

(With Deloitte & Touche audit report dated March 3, 2009)

(參閱勤業眾信會計師事務所民國九十八年三月三日會計師查核報告)

(Concluded)

董事長:徐旭東

經理人:徐雪芳

會計主管:鄧德祥

3. **Supervisors' audit report on 2008 business report and financial statements. (Attachment: independent auditors' report by Deloitte & Touche).**

SUPERVISORS' REPORT

To the 2009 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 2008 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, 2008 and 2007 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, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, 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, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The Company also adopted Statements of Financial Accounting Standards No. 38 - "Accounting for Noncurrent Assets Held for Sale and Discontinued Operations" and No. 37 - "Intangible Assets" on January 1, 2007.

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, 2008 and have expressed an unqualified opinion thereon in our report dated March 3, 2009.

March 3, 2009

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.

4. Report on offering of corporate bond

i. The Company offered the following corporate bond in 2008.

Name	20th secured ordinary corporate bond of the Far Eastern Department Store Ltd.	
Amount	NT\$1.2 billion	
Interest rate	Coupon rate 2.75%	
Duration	5 Years	
Repayment	Simple interest payable once annually at the coupon rate from the date of offering; To be redeemed in full at maturity as of the date of offering	
Guaranteeing bank	Taiwan Cooperative Bank, Hsimen Branch	
Approver	Entity	Financial Supervisory Commission, Executive Yuan
	Date	September 24, 2008
	Approval letter No.	Ching-Kuan-Cheng-1-Tze No. 0970050871
Cause	To repay bank loans	
Note	Offering completed on October 7, 2008	

ii. Reported pursuant to Article 246 of the Company Law. Please take notice of this matter accordingly.

Matters to be approved:

1. To accept the 2008 financial statements.

The Board of Directors proposes and recommends that each shareholder vote FOR the acceptance of 2008 business report and financial statements.

Explanatory Notes:

- i. FEDS's 2008 financial report, including balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, have been audited by independent auditors, Mr. Shih Ching-Pin and Ms. Yeh Shu-Chuan of Deloitte & Touche (please refer to P.3-P.14), and have been examined by and determined to be correct and accurate by Supervisors of FEDS. We thereby submit this report.
- ii. The 2008 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 2008 surplus earning. The Board of Directors proposes and recommends that each shareholder vote FOR the distribution of 2008 surplus earning.

Explanatory Notes:

i. All the closing transactions as of December 31, 2008 have been completely closed, and have been audited by the accounting firm, Deloitte and Touche. We thereby submit the proposal for distribution of 2008 profits:

1. Net Income of 2008	N.T\$ 286,863,814
2. 10% legal reserve (1*10%)	(28,686,381)
3. Undistributed profits of previous years	0
4. Reverse the special reserve provided pursuant to laws (Note)	483,468,810
5. Earnings available for distribution (4=1-2+3)	741,646,243

Note: To comply with the office letter of Securities and Futures Bureau, Ministry of Finance under (89) Tai-Tsai-Cheng (1) Tze No. 100116 dated January 3, 2000.

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

1. Dividend (60%)	N.T\$ 455,618,852
2. Cash bonus to shareholders (33%)	250,590,368
4. Total Distribution	706,209,220

iii. Undistributed earnings after distribution N.T\$ 35,437,023

iv. Source of 2008 dividend :

1. Dividend of this year	N.T\$ 455,618,852
2. Cash bonus to shareholders of this year	250,590,368
3. Total amount	706,209,220

v. The major items of the Distribution of 2008 Dividend :

1. Cash dividends to common share holders (NT\$ 0.3 per share)	N.T\$ 353,104,610
2. Stock dividends to common share holders (NT\$ 0.3 per share at par value)	353,104,610
3. Total amount of 0.60 per share	706,209,220

vi. After being approved at the annual General Shareholders' meeting, the cash dividends

to common shareholders will be distributed on the record date to be determined by the Board of Directors.

- vii. After being approved at the annual General Shareholders' meeting (2009), the cash dividends to common shareholders will be distributed on the record date to be determined by the Board of Directors.
- viii. 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.
- ix. Please approve the above mentioned proposal for the distribution of 2008 profits.

Discussion and Election:

1. To approve the capitalization of 2008 stock dividends.

The Board of Directors proposes and recommends that each shareholder vote FOR the capital increase of 2008 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 common share holders of NT\$353,104,610. A total number of 35,310,461 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 30 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 204 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 2009 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 2009, the paid-in Capital is NT\$11,770,153,530, a total number of 1,177,015,353 common shares, at par value of NT\$10 each share. After the proposed capital increase has been issued, the paid-in capital is NT\$12,123,258,140, at par value of NT\$10 each share, comes to total 1,212,325,814 common shares.
- v. Please approve the proposal for the capitalization of 2008 stock dividends.

2. Proposal to amend certain provisions of the Company’s “Procedures for Lending Capital to Others”

Please vote.

Board of Directors proposes:

Explanatory Notes:

- i. We propose to amend Article 1, Article 2, Article 4, Article 5, Article 6, Article 8 and Article 9 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. 0980000271 dated January 15, 2009. The amended provisions are shown in the attached comparison table.
- ii. Please approve the proposed resolutions.

Section	Current Articles	Proposed Changes	Reasons
Article 1	<p>(Subjects of Lending)</p> <p>The subjects of the lending of the Company ("Borrowers") are limited to the following:</p> <p>1) Those companies who have business relationships with the Company ("Business Partners"); and</p> <p>2) <u>Those companies who have no business relationships with the Company but have short-term financing needs ("Companies Seeking Short-Term Financing").</u></p> <p>"Short-term" in (2) above refers to a period <u>not exceeding 1 year.</u></p>	<p>(Subjects of Lending)</p> <p>The subjects of the lending of the Company ("Borrowers") are limited to the following:</p> <p>1) Those companies who have business relationships with the Company ("Business Partners"); and</p> <p>2) <u>Those companies who have short-term financing needs ("Companies Seeking Short-Term Financing").</u></p> <p>"Short-term" in (2) above refers to a period <u>not exceeding either 1 year or the business operation cycle, whichever longer shall apply.</u></p>	<p>Pursuant to the Article 3 of Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies ("Regulations") by the Financial Supervisory</p>

			Commission (FSC).
Article 2	<p>(Limits on the Total Amount of Lending and Respective Subjects)</p> <p>The total amount of loans extended by the Company to the Borrowers as set forth in Article 1 above shall not exceed fifty percent (50%) of the Company's net worth of the last period audited or reviewed by its accountants ("Latest Net Worth of the Company").</p> <p>The amount of loans extended by the Company to the Business Partners shall not exceed the total amount involved in the business transactions between both parties. Total amount involved in the business transactions refers to the value represented by orders placed, sales or transactions contemplated by the parties in the most recent year.</p> <p>The total amount of loans extended by the Company to all Companies Seeking Short-Term Financing shall not exceed forty percent (40%) of the Latest Net Worth of the Company. The amount of any individual loan hereunder shall not exceed twenty percent (20%) of the Latest Net Worth of the Company.</p>	<p>(Limits on the Total Amount of Lending and Respective Subjects)</p> <p>The total amount of loans extended by the Company to the Borrowers as set forth in Article 1 above shall not exceed fifty percent (50%) of the Company's net worth of the last period audited or reviewed by its accountants ("Latest Net Worth of the Company").</p> <p>The amount of loans extended by the Company to the Business Partners shall not exceed the total amount involved in the business transactions between both parties. Total amount involved in the business transactions refers to the value represented by orders placed, sales or transactions contemplated by the parties in the most recent year.</p> <p>The total amount of loans extended by the Company to all Companies Seeking Short-Term Financing shall not exceed forty percent (40%) of the Latest Net Worth of the Company. The amount of any individual loan hereunder shall not exceed twenty percent (20%) of the Latest Net Worth of the Company.</p> <p><u>The amount of loans extended by the Company to any overseas subsidiary, over which the Company owns directly or indirectly 100% voting shares, is exempted from the restriction of Article 3-1-2 of the Regulations: "The amount of loans extended shall not exceed the forty percent (40%) of the Borrower's net worth."</u></p>	<p>Additional term added, pursuant to the Article 3 of the Regulations.</p>
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</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</p>	<p>1. Wording of paragraph 2 modified according to the Company's internal</p>

<p>evaluate such application in accordance with <u>Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies ("The Regulations")</u> 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> <ol style="list-style-type: none"> 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>The Borrower should, upon the loan amount being approved, fill in <u>the "Application for Drawdown"</u> 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><u>Where the balance of loans has exceeded the limits</u> as a result of changes in the</p>	<p>evaluate such application in accordance with <u>the Regulations</u> 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> <ol style="list-style-type: none"> 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>The Borrower should, upon the loan amount being approved, fill in <u>an application form</u> 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><u>Where the balance of loans has exceeded the limits, or the Borrower fails to comply with these Procedures</u>, as a result of changes in the circumstances, the Company shall prepare improvement plans and</p>	<p>practices.</p> <p>2. Pursuant to the Article 5 of the Regulations, paragraph 5 amended.</p>
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	circumstances, the Company shall prepare improvement plans and forward the same to the Supervisors.	forward the same to the Supervisors. <u>Corrections shall be completed within the time limit stipulated in improvement plans.</u>	
Article 5	<p>(Loan Term and Interest Calculation)</p> <p>The term of loans extended by the Company shall not exceed 1 year.</p> <p>Interest for short term financing shall be calculated on a floating rate basis which rate is subject to adjustment depending on the costs of fund of the Company. Adjustments in interest rate shall be implemented after the finance department has submitted the application to the General Manager for approval. Interest receivable shall be settled once a month.</p>	<p>(Loan Term and Interest Calculation)</p> <p>The term of loans extended by the Company shall not exceed 1 year. <u>For Companies Seeking Short-Term Financing with a business operation cycle exceeding 1 year, the term of loans can be extended to the length of the cycle.</u></p> <p><u>The term of loans extended by the Company to any overseas subsidiary, over which the Company owns directly or indirectly 100% voting shares, is exempted from the limits of the preceding paragraph.</u></p> <p>Interest for short term financing shall be calculated on a floating rate basis which rate is subject to adjustment depending on the costs of fund of the Company. Adjustments in interest rate shall be implemented after the finance department has submitted the application to the General Manager for approval. Interest receivable shall be settled once a month.</p>	Pursuant to the Regulations, paragraph 1 amended and additional term added.
Article 6	<p>(Subsequent Control Measures and Procedure for Overdue Debts)</p> <p>The Company shall maintain accounts books for loan extension setting out in details the subjects of loans, their amount, date of approval by the Board of Directors, loan drawdown date and results of evaluation as required under Article 4 (1) above.</p> <p>The Company's internal audit department shall conduct at least a quarterly audit of these Procedures and status of implementation and make written records in details. In the event of major irregularities, the internal audit department shall inform all Supervisors of the same.</p>	<p>(Subsequent Control Measures and Procedure for Overdue Debts)</p> <p>The Company shall maintain accounts books for loan extension setting out in details the subjects of loans, their amount, date of approval by the Board of Directors, loan drawdown date and results of evaluation as required under Article 4 (1) above.</p> <p>The Company's internal audit department shall conduct at least a quarterly audit of these Procedures and status of implementation and make written records in details. In the event of major irregularities, the internal audit department shall inform all Supervisors of the same.</p>	Paragraph 4 amended according to the Company's internal practices.

	<p>Following drawdown of the loans, the Company shall constantly monitor the financial, business and the relevant credit conditions of the Borrowers and guarantor. Where security has been provided, the company shall also monitor the change in the value of the said security. Any major changes to the security shall be reported to the General Manager immediately and handled as the General Manager instructed.</p> <p><u>Unless with prior extension application is approved by the Company's Board of Directors, the Borrowers shall immediately repay the principal amount and interest accrued when the loan becomes due and payable. In the event that the Borrowers are unable to repay and request an extension of maturity date, such extension may be granted subject to a prior application and approvals by the Board of Directors. Each extension of maturity dates shall not exceed 3 months, with maximum 2 extensions. The Company may take legal actions and seek compensation against the security or guarantor of the breaching Borrowers.</u></p>	<p>Following drawdown of the loans, the Company shall constantly monitor the financial, business and the relevant credit conditions of the Borrowers and guarantor. Where security has been provided, the company shall also monitor the change in the value of the said security. Any major changes to the security shall be reported to the General Manager immediately and handled as the General Manager instructed.</p> <p><u>The Borrowers shall immediately repay the principal amount and interest accrued when the loan becomes due and payable. In the event that the Borrowers are unable to repay, the finance department shall immediately write to notify the Borrowers to collect the loan. The Company may take legal actions and seek compensation against the security or guarantor, if the Borrowers fail to repay after the written notification.</u></p>	
Article 8	<p>(Procedure for Public Notices and Announcement)</p> <p>The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month.</p> <p><u>Where the balance of the Company's loans extended has reached the limits set below, the Company shall publish and report them within 2 days of the said events:</u></p> <p>1) <u>The balance of any and all loans extended has reached 20% of the net worth of the Company as shown in its latest financial statement, or subsequent to the Company's public announcement provided herein, the balance of loan increases by more than 2% of the net worth of the Company as shown in its latest financial statement;</u> or</p>	<p>(Procedure for Public Notices and Announcement)</p> <p>The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month.</p> <p><u>When limits of the Company's loans extended set below have occurred, the Company shall publish and report them within 2 days of the said events:</u></p> <p>1) <u>The balance of any and all loans extended by the Company and its subsidiaries has reached 20% of the net worth of the Company as shown in its latest financial statement;</u> or</p>	<p>To clarify and condense the procedure for public notices and announcements, Article 8 amended pursuant to the Regulations.</p>

<p>2) <u>The balance of loans extended to an individual company has reached 10% of the net worth of the Company as shown in its latest financial statement, or subsequent to the Company's public announcement provided herein, the balance of loans increases by more than 2% of the net worth of the Company as shown in its latest financial statement;</u> or</p> <p>3) <u>The balance of loans extended to Business Partners by the Company has reached the aggregate value of business transactions contemplated in the most recent year, or subsequent to the Company's public announcement provided herein, the balance of loans increases by more than 2% of the net worth of the Company as shown in its latest financial statement.</u></p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to <u>any subparagraph</u> of the preceding paragraph.</p> <p><u>The percentage of the balance of loans extended over a company's net worth for a subsidiary under the preceding paragraph shall be calculated by the ratio of the subsidiary's balance of loans extended to the Company's net worth.</u></p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission, Executive Yuan for reporting information.</p> <p>The Company shall, in accordance with Generally Accepted Accounting Principles, assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the</p>	<p>2) <u>The balance of loans extended by the Company and its subsidiaries to an individual company has reached 10% of the net worth of the Company as shown in its latest financial statement;</u> or</p> <p>3) <u>Any additional individual loan extended by the Company or its subsidiary exceeds NT\$10 million and has reached 2 % or more of the net worth of the Company as shown in its latest financial statement.</u></p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to <u>item 3</u> of the preceding paragraph.</p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission, Executive Yuan for reporting information.</p> <p>The Company shall, in accordance with Generally Accepted Accounting Principles, assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the</p>	
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	necessary audit processes.	necessary audit processes.	
Article 9	<p>(Control Procedures for Subsidiaries' Loan Extension)</p> <p>Subsidiaries of the Company proposing to extend loans to others shall prepare their respective procedures in compliance with the Regulations and report the same to the Finance department of the Company and the Finance department of the Company will compile all procedures from subsidiaries to report to the Board of Directors for approval.</p> <p>Subsidiaries of the Company which are also domestic public companies shall on their own undertake the public announcement and report in compliance with the Regulations.</p> <p>Subsidiaries of the Company shall submit, before the 5th day of each month, detailed statements of the loans extended as of the end of last month to the Company for consolidation.</p> <p>Subsidiaries of the Company shall on their own examine whether their procedures in relation to capital of lending to others are in compliance with the Regulations and whether their loans extended to others are in compliance with their procedures. The Company's internal audit department shall review the self-examination reports of the said subsidiaries.</p>	<p>(Control Procedures for Subsidiaries' Loan Extension)</p> <p>Subsidiaries of the Company proposing to extend loans to others shall prepare their respective procedures in compliance with the Regulations, <u>and shall implement such procedures accordingly.</u> <u>Subsidiaries of the Company shall</u> report the same to the Finance department of the Company and the Finance department of the Company will compile all procedures from subsidiaries to report to the Board of Directors for approval.</p> <p>Subsidiaries of the Company which are also domestic public companies shall on their own undertake the public announcement and report in compliance with the Regulations.</p> <p>Subsidiaries of the Company shall submit, before the 5th day of each month, detailed statements of the loans extended as of the end of last month to the Company for consolidation.</p> <p>Subsidiaries of the Company shall on their own examine whether their procedures in relation to capital of lending to others are in compliance with the Regulations and whether their loans extended to others are in compliance with their procedures. The Company's internal audit department shall review the self-examination reports of the said subsidiaries.</p>	<p>Pursuant to the Regulations, paragraph 1 amended.</p>

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

Please vote.

Board of Directors proposes:

Explanatory Notes:

- i. We propose to amend Article 2, Article 4, Article 8 and Article 9 of the Company's "Regulations for Making Endorsements/Guarantees" pursuant to the official letter of Financial Supervisory Commission, Executive Yuan under Ching-Kuan-Cheng-6-Tze No. 0980000271 dated January 15, 2009. The amended provisions are shown in the attached comparison table.
- ii. 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>The above restrictions 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 for the purpose of construction project, or where <u>each shareholder makes</u> endorsements/guarantees for their jointly invested companies in proportion to <u>its</u> shareholding percentages.</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>Subsidiaries, whose voting shares are 100% owned, directly or indirectly, by the Company, may make</u> endorsements/guarantees for each other.</p> <p>The above restrictions <u>in the preceding two paragraphs</u> 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, <u>or for the co-producers of the same project</u>, for the purpose of construction project, or where <u>all shareholders make</u> endorsements/guarantees for their jointly invested companies in proportion to <u>their</u> shareholding percentages.</p> <p><u>Invested companies said in the preceding</u></p>	<p>Pursuant to Article 5 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies ("Regulations"), paragraph 3 amended and paragraphs 2 and 4 added.</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.	<u>paragraph are those invested directly by the Company, or by the subsidiaries of which the Company owns 100% voting shares.</u> 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.	
Article 4	<p>Prior to the provision of endorsements or guarantees, the Company's finance department shall carefully evaluate its 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</p>	<p>Prior to the provision of endorsements or guarantees, the Company's finance department shall carefully evaluate its 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</p>	Pursuant to the Article 20 of the Regulations, paragraph 5 amended.

	<p>endorsements/guarantees.</p> <p>Where the Company proposes to provide an endorsement and/or guarantees as a result of business transactions which is in 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.</p>	<p>endorsements/guarantees.</p> <p>Where the Company proposes to provide an endorsement and/or guarantees as a result of business transactions which is in 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. <u>Corrections shall be completed within the time limit stipulated in improvement plans.</u></p>	
Article 8	<p>The Company shall before the 10th day of each month publish and report the endorsements/guarantees it and its subsidiaries provided and their balance amounts as of the end of last month.</p> <p><u>Where the balance of Company's endorsements/guarantees has reached the</u></p>	<p>The Company shall before the 10th day of each month publish and report the endorsements/guarantees it and its subsidiaries provided and their balance amounts as of the end of last month.</p> <p><u>Where limits of the Company's endorsements/guarantees set below have</u></p>	<p>To clarify and condense the procedure for public notices and announcements, and pursuant to</p>

<p><u>limits set below</u>, the Company shall publish and report within 2 days of the said events:</p> <p>1) <u>The aggregate balance of endorsements/guarantees</u> has reached 50% or more of the net worth of the Company as shown in its latest financial statement or subsequent to the Company's public announcement provided herein, the balance increases by more than 5% of the net worth of the Company as shown in its latest financial statement; or</p> <p>2) <u>The balance of endorsements/guarantees</u> for an individual company has reached 20% or more of the net worth of the Company as shown in its latest financial statement, <u>or subsequent to the Company's public announcement provided herein, the balance for a company increases by more than 5% of the net worth of the Company as shown in its latest financial statement;</u> or</p> <p>3) <u>The balance of endorsements/guarantees</u> for an individual company has reached Ten Million New Taiwan Dollars (NT\$10,000,000) or more and the aggregate amount of all endorsements/guarantees, long term investment in, and balance of loans to, such company has reached 30% of the net worth of the Company as shown in its latest financial statement; <u>or subsequent to the Company's public announcement provided herein, the balance increases by more than 5% of the net worth of the Company as shown in its latest financial statement;</u> or</p> <p>4) <u>The balance of endorsements/guarantees</u> for an individual company out of business needs exceeds the total trading amount between the two parties in the most recent year or subsequent to the Company's public announcement provided herein, the balance for a company increases by more than 5% of the net worth of the Company as shown in its latest financial statement.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any</p>	<p><u>occurred</u>, the Company shall publish and report within 2 days of the said events:</p> <p>1) <u>The aggregate balance of endorsements/guarantees provided by the Company and its subsidiaries</u> has reached 50% or more of the net worth of the Company as shown in its latest financial statement; or</p> <p>2) <u>The balance of endorsements/guarantees provided by the Company and its subsidiaries</u> for an individual company has reached 20% or more of the net worth of the Company as shown in its latest financial statement; or</p> <p>3) <u>The balance of endorsements/guarantees provided by the Company and its subsidiaries</u> for an individual company has reached Ten Million New Taiwan Dollars (NT\$10,000,000) or more and the aggregate amount of all endorsements/guarantees, long term investment in, and balance of loans to, such company has reached 30% of the net worth of the Company as shown in its latest financial statement; or</p> <p>4) <u>The additional individual endorsement/guarantee provided by the Company or its subsidiary has reached Thirty Million New Taiwan Dollars (NT\$30,000,000) or more and has reached 5% or more of the net worth of the Company as shown in the latest financial statement.</u></p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any</p>	<p>the Article 25 of the Regulations, paragraphs 2 and 3 amended and paragraph 4 deleted.</p>
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	<p>subparagraph of the preceding paragraph.</p> <p><u>The percentage of the balance of endorsements/guarantees over a company's net worth for a subsidiary under the preceding paragraph shall be calculated by the ratio of the subsidiary's balance of endorsements/guarantees to the Company's net worth.</u></p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission, Executive Yuan for reporting information.</p> <p>The Company shall, in accordance with the Statements of Financial Accounting Standards No. 9, assess the status of endorsements/guarantees provided and reserve an appropriate amount to offset against contingent loss. The Company shall furthermore disclose the relevant information in its financial statements and provide the certified accountants with relevant materials for them to carry out the necessary audit processes.</p>	<p>subparagraph of the preceding paragraph.</p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission, Executive Yuan for reporting information.</p> <p>The Company shall, in accordance with the Statements of Financial Accounting Standards No. 9, assess the status of endorsements/guarantees provided and reserve an appropriate amount to offset against contingent loss. The Company shall furthermore disclose the relevant information in its financial statements and provide the certified accountants with relevant materials for them to carry out the necessary audit processes.</p>	
Article 9	<p>Subsidiaries of the Company proposing to provide endorsements/ guarantees for others shall prepare their respective procedures in compliance with the Regulations and report the same to the Finance department of the Company and the Finance department of the Company will compile all procedures from subsidiaries to report to the Board of Directors for approval.</p> <p>Subsidiaries of the Company shall on their own examine whether their procedures in relation to endorsements/guarantees are in compliance with the Regulations and whether endorsements/guarantees provided are in compliance with their procedures. The Company's internal audit department shall review the self-examination reports of the said subsidiaries.</p>	<p>Subsidiaries of the Company proposing to provide endorsements/ guarantees for others shall prepare their respective procedures in compliance with the Regulations, <u>and shall implement such procedures accordingly.</u> <u>Subsidiaries of the Company shall</u> report the same to the Finance department of the Company and the Finance department of the Company will compile all procedures from subsidiaries to report to the Board of Directors for approval.</p> <p>Subsidiaries of the Company shall on their own examine whether their procedures in relation to endorsements/guarantees are in compliance with the Regulations and whether endorsements/guarantees provided are in compliance with their procedures. The Company's internal audit department shall review the self-examination reports of the said subsidiaries.</p>	Pursuant to the Article 13 of the Regulations, paragraph 1 amended.

	<p>Subsidiaries of the Company which are also domestic public companies shall on their own undertake the public announcement and report in compliance with regulations.</p> <p>Subsidiaries of the Company shall submit, before the 5th day of each month, detailed statements of the endorsements/guarantees provided as of the end of last month to the Company for consolidation.</p>	<p>Subsidiaries of the Company which are also domestic public companies shall on their own undertake the public announcement and report in compliance with regulations.</p> <p>Subsidiaries of the Company shall submit, before the 5th day of each month, detailed statements of the endorsements/guarantees provided as of the end of last month to the Company for consolidation.</p>	
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4. Proposal to re-elect the Company's directors/supervisors as the term of office for the existing directors/supervisors will expire on June 1, 2009

Please vote.

Board of Directors proposes:

Explanatory Notes:

- i. The Company's directors of 14th term and supervisors of 17th term were elected in the general shareholders' meeting on June 2, 2006. The term of office for the directors/supervisors will expire on June 1, 2009. Therefore, the directors/supervisors shall be re-elected in the general shareholders' meeting in 2009 in accordance with Article 18 of the Company's Articles of Incorporation.
- ii. We propose to elect 7 directors and 2 supervisors in accordance with Article 17 of the Company's Articles of Incorporation, and the term of office thereof shall commence from the date when they are elected.

iii. Election result:

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

Please vote.

Board of Directors proposes:

Explanatory Notes:

- i. According to Paragraph 1 of Article 209 of the Company Law, a director who performs any act for himself or on behalf of another person that is within the scope of the company's business shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.

ii. As the Company's new directors might have invested in or managed other companies engaged in the business identical with or similar to the Company's and assumed the position of director or manager in the companies, we hereby ask the shareholders' meeting to approve the relief of the Company's restrictions on the non-competition of new directors and their representatives in accordance with Article 209 of the Company Law.