

Stock Code: 2903

Far Eastern Department Stores LTD.

Handbook for the 2011 Annual Meeting of Shareholders

MEETING TIME: 09:00 a.m. (Thursday), June 23, 2011

PLACE: Auditorium in the Taipei Hero House

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



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Far Eastern Department Stores LTD.

I . Procedure for the 2011 Annual Meeting of Shareholders

Call the Meeting to Order

Chairman Takes Chair

Chairman Remarks

Matters to be Reported

Matters to be Approved

Discussion

Extemporaneous Motion

Adjournment

II . Matters to be Reported

1. 2010 Messages to shareholders

Explanation:

The 2010 Messages to Shareholders is attached as page 4-9.

Preface

Reflecting on 2010, with continuous global recovery Taiwan's imports and exports enjoyed remarkable growths for 14 consecutive months, annual export volume surged 34.8% to reach historical high of US\$274.6 billion. Department of Statistics, Ministry of Economic Affairs indicated increasingly higher employment and registered in 2010 unemployment rate of 4.67%, lowest within the past two years. Furthermore, thanks to salary increase and steady growth of domestic spending, revenues of wholesale, retail and restaurants grew 9.6% to NT 13.7 trillion, the highest since 1999 (among which retail was up 6.56%). Moreover, sales revenues of local retail industry exceeded NT\$300 billion for three months on the roll.

On the other hand, from the perspective of the department stores, with evident domestic economic recovery in 2010, Taiwan's department stores welcomed six new competitors located at different commercial circles around the Island including Hankyu Department Stores, Taipei. While the addition of these new stores intensified existing market competition, economic rebound encouraged consumers to spend more and created revenues as high as NT\$251.1 billion for department stores throughout the Island, up 7.7% year on year.

It is worth mentioning that under the joint efforts from our colleagues, Far Eastern Department Stores (FEDS) recorded revenues of NT\$24.603 billion at a growth rate of 10.8%,(When combined with subsidiaries, consolidated revenues of the cross-strait Far Eastern Retail Group amounted to NT\$ 108.087 billion, up 8.2% year on year) and our anniversary sales exceeded NT\$ 6.8 billion, up 14% year on year, both marked new highs for the past 43 years. Aside from macro economic recovery, successful consolidating of our major customers and restructuring of existing brands have been more important key factors to trigger these growths. Furthermore, FE21' MegA Kaohsiung, FE21' Taoyuan and FE21' Panchiao Stores are going through merchandise upgrade this year to maintain growth momentum of our current stores.

Looking into 2011, Ministry of Economic Affairs predicted steady economic growth, coupled with Taiwan stock index topped 9,000 point, all contributing to create wealth and stimulate private consumption. Given this optimistic outlook for domestic consumption and more evident recovery, local department stores and the retail industry are expected to achieve more outstanding performances. Director-General of Budget, Accounting and Statistics, Executive Yuan foresees 3.85% growth in private consumption, the highest since credit card debt crisis and financial tsunami.

In addition, gradual increase of wages and the upcoming opening of Taiwan to individual Mainland tourists shall serve to further boost revenues of local retail industry.

Taiwan's department stores are keen to this upward trend and feel optimistic about their revenues for this year. They are ready and well prepared to welcome better opportunities. FEDS shall benefit from these favorable factors, in particular during 4Q of 2011 after the opening of Taichung and Panchiao Shopping Centers, the Company would expect to register more historical highs of its revenues.

Operations Report for 2010

During the year 2010, total FEDS revenues were recorded at NT\$24.63 billion, up 10.8% year-on-year. Net income after tax was NT\$2.567 billion and earnings per share was NT\$2.09. Total dividend payout for 2010 was NT\$1.6 per share, which included NT\$1.0 in cash and NT\$0.6 in stock dividends from capital surplus. The performance of Far Eastern Retail Group in 2010 is summarized as follows:

(1) Far Eastern Department Stores Ltd.

1. Panchiao, Hsinchu and Kaohsiung Stores continue to review and readjust their merchandise mix, maintain profitable counters, and introduce new counters with growth potential (such as Din Tai Fung, J.G.T. Watches, Coach Store, etc.) to satisfy customer needs and elevate operating efficiency.
2. To improve the quality of customer service, FE21' Taoyuan, Hsinchu, Tainan, Kaohsiung and Hualien Stores have launched VIP room services so that their major customers can enjoy free VIP service each month. In particular, FE21' MegA Hsinchu Store established exquisite V.VIP room to further enhance customer satisfaction.
3. Taiwan's leading Vieshow Cinemas invested NT\$50 million to build the first IMAX cinema in southern Taiwan at FE21' MegA Kaohsiung Store to offer audiences superb fun.
4. Sponsored "Holland: Unconventional Free Spirit" commodities exhibition in June 2010 to provide local customers with a variety of Dutch cuisines, household appliances as well as other innovative goods.
5. To strengthen information security, FEDS completely renewed its network and reset its Virtual Private Network (VPN) to enhance the Company's internal data safety and prevent outside hacker invasion.
6. To continue to push ahead with ISO certification to standardize operational process at each store. After Paoching, Tainan and Kaohsiung Stores successfully obtained ISO certification in 2007 and 2008, Panchiao and Hsinchu Stores also obtained ISO9001 in September 2009: 2008 Department

Store and Shopping Mall Quality Management System certification which not only established standardized operating, merchandising and service processes, but also ensured improvements of management efficiency and service quality.

(2) Pacific SOGO Department Stores Co., Ltd.

1. 2010 revenues were NT\$38.573 billion, up 9% year-on-year. Net income after tax was NT\$2.136 billion, up 37% from that of 2009.
2. With joint efforts of management team and continuous strengthening of merchandise mix, revenues of SOGO Fuxing Store grew 17%, contributing to the historical highs for the Company's total revenues and profit in 2010.
3. Chungli Yuan Hua Store underwent the largest renovation and readjustment of its merchandise mix ever since its opening more than 10 years ago to emerge with fresh new look and register considerable growths in both revenues and profit.
4. The Company won the bid for Windance Shopping Center in Hsinchu from Hsinchu District Court at NT\$5.8 billion to acquire over 100,000 pins of land and space, which will be redesigned into SOGO's first shopping mall encompassing department store, hypermarket, supermarket, food court, cinemas and playground.
5. Given domestic economic recovery and flexible marketing strategies, Pacific SOGO's 23rd anniversary sale revenues exceeded NT\$8.69 billion, up 14% year-on-year, marking another all-time high of the Company's anniversary sales.
6. Continuing the expansion in China, FEDS Wuxi Store was opened on June 12, 2010.
7. To comply with implementation of the International Financial Reporting Standards (IFRS), Pacific SOGO Department Stores has already been strengthening educational trainings of various levels of executives to form seamless connectivity with international operators.

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

1. 2010 revenues were NT\$18.981 billion, up 8.0% from that of 2009. This NT\$46 million net income was the first profit earning ever registered within the past decade.
2. The 17th Far Eastern A-mart store was opened on January 15, 2010 in Keelung City, which is the first A-mart hypermarket store in Keelung area and made profit of NT\$40 million in the first year of its operation.
3. The Company once again won the Annual Environmental Green Marketing

Award in 2010, 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 four consecutive years.

4. To focus on promoting professional “Beauty & Health” products and launch the concept of “pharmaceutical drug and cosmetic store within store”.
5. Taiwan’s first retail channel to wholly introduce MIT products, estimated to sell thousands of MIT merchandise items and lead the trend to support Taiwanese products.

Prospects for 2011

(1) Far Eastern Department Stores Ltd.

1. After years of elaborate preparations, the two heavy-weighted shopping center MegA Stores in Panchiao and Taichung are targeted to open in 4Q 2011, which will further expand market share and bring brand new shopping environment and experience to the consumers.
2. To maintain market competitiveness and elevate operating performance, FEDS will continue to renovate and readjust each branch store’s counters and brands to ensure the leading position in showcasing the latest and most complete trendy collection.
3. “German Commodities Exhibition” is to be held in September 2011 introducing a wide variety of fine German products to offer quality life enjoyment.
4. In compliance with “Personal Data Protection Law” imposed by the government, the Company is strengthening security control of customer data and information.
5. To continue to apply for ISO certifications and cultivate quality services. The certified ISO stores should conform to ISO standards and help promote applications of other branch stores. The set standard documents could be quickly duplicated to serve as reference base for operations of store expansion.

(2) Pacific SOGO Department Stores Co., Ltd.

1. Pacific SOGO Taipei Store has already operated for 23 years, always ranks top in terms of customer number and per customer transaction among Taiwan’s department stores. To further improve customer service, this store will go through major renovations of its hardware facilities.
2. Since its opening, revenues of SOGO Fuxing Store grew at an average rate of 16% per year due to its delightful shopping environment and attractive

merchandise mix. In 2011, revenues of this store is expected to increase and become the Company's third mega store with NT\$10 billion plus annual revenue.

3. After partial renovation of Chungli Yuan Hua Store in 2010, revenues enjoyed remarkable growth. The store will continue to readjust and strengthen its merchandise mix to maintain the growth momentum of both revenues and profit, and also to keep offering best services to the major customers left by Chungli New Hall which ceased to operate.
4. Far Eastern Big City Shopping Center (formerly known as Windance Shopping Center Hsinchu) is now under fervent renovations and planning to incorporate SOGO department store, Far Eastern A.mart, Citysuper, international brand boutique, food court, cinemas and playground. It is expected to open in October 2011 to serve consumers in Hsinchu, Taoyuan and Miaoli areas.
5. Speedy expansion into south-western Mainland China has been our company strategy. FEDS Chengdu Store combining international brand names and fresh supermarket located at Tianfu Square Central Metro Station is scheduled for its grand opening in June 2011.
6. To continue to promote electronic sales voucher and on-line free gift programs to enhance management efficiency of sales, inventory and marketing operations.

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

1. To continue to enhance the image of Far Eastern A-mart being a "good localized enterprise" to actively promote Taiwan's farming products and care about the nation's environment protection.
2. To apply Data Mining techniques to achieve precise marketing and elevate efficiency
3. Further expansions -- Far Eastern A-mart's 18th store in Feng Yuan had its soft opening on January 5, 2011, expect to increase the 19th store in Hsinchu during 4Q of 2011.
4. Sales revenues of Far Eastern A-mart stores are expected to exceed NT\$20 billion in 2011.

In summary, 2010 was an extraordinary year for FEDS, achieving all-time highs in both revenues and profit within the past 43 years of operation. Of course, this is the result of the joint efforts from all our colleagues. We would also like to express special thanks to our shareholders and customers for their continuous support and recognition.

After 43 glamorous years, FEDS is the department store in Taiwan with the longest

history. The Far Eastern Retail Group now operates with 47 stores across both sides of the Taiwan Straits comprising department stores, hypermarkets, and shopping centers. This year we are expanding new stores and further cultivating the Greater China market. Added with 5 new stores including Panchiao New City Shopping Center, Taichung Top City department store, Far Eastern Big City Shopping Center in Hsinchu, A-mart Big City Store and Chendu Tianfu Square Shopping Center, total store number will increase to 52. It is not only Taiwan's only listed department-store-chain company, but also the largest retail group in the Greater China area in 2012.

Reflecting back, we are not satisfied with our past achievements; looking into the future, we are confident to welcome a better tomorrow. More importantly, FEDS needs to grow, to be strong and therefore we would urge all colleagues to exert best efforts to gain consumer confidence. To achieve this goal, we would call for the full support from our shareholders. We are determined to cultivate and expand the retail market in both China and Taiwan. Pursuant to the "consumer-oriented" founding spirit, the Far Eastern Retail Group believes that its wonderful management team shall continue to enhance customer satisfaction and create the highest growth value for our shareholders.

Chairman

Douglas Tong Hsu

2 Financial report of 2010

Explanation:

The 2010 Financial Statements are attached as page 10-15.

1. Balance sheets (December 31, 2010)
2. Income statements (January 1, 2010 ~ December 31, 2010)
3. Statements of changes in stockholders' equity (January 1, 2010 ~ December 31, 2010)
4. Statements of cash flows (January 1, 2010 ~ December 31, 2010)
5. Independent auditor's report by Deloitte & Touche is attached as page 16-17.

FAR EASTERN DEPARTMENT STORES, LTD.

BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2010		2009		LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 289,824	1	\$ 278,918	1	Short-term debts	\$ 3,150,000	6	\$ 2,650,000	6
Available-for-sale financial assets - current	291,224	1	228,938	1	Short-term notes and bills payable	1,299,456	3	1,448,934	3
Receivables:					Accounts payable	2,331,803	5	2,238,613	5
Notes	15,516	-	13,320	-	Related parties - payables	61,385	-	54,555	-
Accounts, net of allowance for doubtful accounts of \$3,550 thousand in 2010 and \$4,133 thousand in 2009	181,765	-	180,841	-	Related parties - others	130,918	-	95,609	-
Related parties - notes and receivables	41,090	-	36,616	-	Income tax payable	198,220	-	-	-
Related parties - others	272,246	1	303,436	1	Accrued expenses	818,438	2	704,181	2
Others	100,659	-	114,730	-	Balance payable - property	88,909	-	259,058	1
Inventories	207,597	-	216,316	1	Other payables	93,543	-	94,953	-
Prepayments	262,435	-	149,264	-	Advance receipts	1,541,631	3	1,430,724	3
Deferred tax assets - current	30,654	-	31,322	-	Current portion of bonds issued	-	-	500,000	1
Noncurrent assets classified as held for sale	-	-	89,461	-	Current portion of long-term borrowings	995,898	2	-	-
Other current assets	15,004	-	16,433	-	Other current liabilities	744,721	2	583,984	1
Total current assets	1,708,014	3	1,659,595	4	Total current liabilities	11,454,922	23	10,060,611	22
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Investments accounted for by the equity method	18,884,849	38	18,395,707	40	Bonds issued	2,200,000	4	1,200,000	2
Available-for-sale financial assets - noncurrent	2,682,262	6	2,576,840	5	Long-term borrowings	9,220,000	19	10,078,147	22
Financial assets carried at cost	102,540	-	116,728	-	Total long-term liabilities	11,420,000	23	11,278,147	24
Total long-term investments	21,669,651	44	21,089,275	45	RESERVES				
PROPERTY					Reserve for land revaluation increment tax	508,719	1	575,490	1
Cost					OTHER LIABILITIES				
Land	3,951,477	8	4,118,124	9	Deposits received	37,949	-	38,872	-
Buildings and equipment	6,746,476	14	6,972,872	15	Deferred tax liabilities - noncurrent	106,894	-	105,921	1
Furniture and equipment	3,418,045	7	3,400,286	7	Deferred credits - gains on related-party transactions	-	-	11,366	-
Total cost	14,115,998	29	14,491,282	31	Miscellaneous	14,589	-	7,743	-
Revaluation increment	1,213,827	2	1,212,414	3	Total other liabilities	170,798	-	163,902	1
Cost and appreciation	15,329,825	31	15,703,696	34	Total liabilities	23,554,439	47	22,078,150	48
Less: Accumulated depreciation	4,708,986	10	4,732,105	10	STOCKHOLDERS' EQUITY				
10,620,839	21	10,971,591	24	Capital stock NT\$10.00 par value					
Construction in progress and prepayments for equipment	7,015,101	14	5,946,369	13	Authorized - 1,350,000 thousand shares				
Leasehold rights, net	6,390,537	13	4,457,349	9	Issued and outstanding - 1,242,634 thousand shares in 2010 and 1,212,326 thousand shares in 2009	12,426,341	25	12,123,259	26
Property leased to others, net	1,237,289	3	1,487,794	3	Capital surplus:				
Net property	25,263,766	51	22,863,103	49	Additional paid-in capital - share issuance in excess of par	2,175,718	4	2,175,718	4
OTHER ASSETS					Treasury stock transactions	1,213,526	3	964,467	2
Idle assets, net	574,918	1	381,610	1	Long-term investments	375,941	1	384,643	1
Refundable deposits	159,143	-	159,028	-	Total capital surplus	3,765,185	8	3,524,828	7
Prepaid pension costs	215,728	1	194,847	1	Retained earnings:				
Miscellaneous	6,398	-	7,493	-	Legal reserve	1,718,606	4	1,525,328	4
Total other assets	956,187	2	742,978	2	Special reserve	1,000,564	2	1,000,564	2
					Unappropriated earnings	3,129,751	6	1,968,212	4
					Total retained earnings	5,848,921	12	4,494,104	10
					Other equity adjustments				
					Cumulative translation adjustments	(374,215)	(1)	139,364	-
					Net loss not recognized as pension costs	(8,300)	-	(10,386)	-
					Unrealized valuation gains on financial instruments	3,578,911	7	3,192,918	7
					Unrealized for asset revaluation increment	843,106	2	883,944	2
					Treasury stock - 7,086 thousand shares in 2010 and 13,392 thousand shares in 2009	(36,770)	-	(71,230)	-
					Total other equity adjustments	4,002,732	8	4,134,610	9
					Total stockholders' equity	26,043,179	53	24,276,801	52
TOTAL	\$ 49,597,618	100	\$ 46,354,951	100	TOTAL	\$ 49,597,618	100	\$ 46,354,951	100

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

(With Deloitte & Touche audit report dated February 26, 2011)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
REVENUES				
Sales	\$ 24,320,923	99	\$ 21,988,908	99
Other operating revenues	<u>282,195</u>	<u>1</u>	<u>214,290</u>	<u>1</u>
Total revenues	<u>24,603,118</u>	<u>100</u>	<u>22,203,198</u>	<u>100</u>
COSTS				
Cost of goods sold	19,592,662	80	17,735,782	80
Other operating costs	<u>59,820</u>	<u>-</u>	<u>50,119</u>	<u>-</u>
Total costs	<u>19,652,482</u>	<u>80</u>	<u>17,785,901</u>	<u>80</u>
GROSS PROFIT	<u>4,950,636</u>	<u>20</u>	<u>4,417,297</u>	<u>20</u>
OPERATING EXPENSES				
Selling	970,771	4	876,528	4
General and administrative	<u>2,995,888</u>	<u>12</u>	<u>2,850,456</u>	<u>13</u>
Total operating expenses	<u>3,966,659</u>	<u>16</u>	<u>3,726,984</u>	<u>17</u>
OPERATING INCOME	<u>983,977</u>	<u>4</u>	<u>690,313</u>	<u>3</u>
NONOPERATING INCOME AND GAINS				
Equity in earnings of equity-method investees, net	1,669,760	7	1,316,910	6
Dividend income	122,387	1	108,663	-
Gain on disposal of property and idle assets, net	72,531	-	-	-
Interest income	1,212	-	2,010	-
Other income	<u>97,335</u>	<u>-</u>	<u>116,077</u>	<u>1</u>
Total nonoperating income and gains	<u>1,963,225</u>	<u>8</u>	<u>1,543,660</u>	<u>7</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	50,913	-	61,612	-
Impairment loss on financial assets carried at cost	12,470	-	39,927	-
Impairment loss on idle assets	32,931	-	-	-
Loss on disposal of property and idle assets	-	-	3,201	-
Other expenses	<u>83,883</u>	<u>1</u>	<u>98,987</u>	<u>1</u>
Total nonoperating expenses and losses	<u>180,197</u>	<u>1</u>	<u>203,727</u>	<u>1</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	2,767,005	11	2,030,246	9
INCOME TAX EXPENSE	<u>199,862</u>	<u>1</u>	<u>97,470</u>	<u>-</u>
NET INCOME	<u>\$ 2,567,143</u>	<u>10</u>	<u>\$ 1,932,776</u>	<u>9</u>
	2010		2009	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE				
Basic	<u>\$ 2.25</u>	<u>\$ 2.09</u>	<u>\$ 1.66</u>	<u>\$ 1.58</u>
Diluted	<u>\$ 2.25</u>	<u>\$ 2.08</u>	<u>\$ 1.65</u>	<u>\$ 1.57</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:

	2010		2009	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE				
Basic	<u>\$ 2.43</u>	<u>\$ 2.27</u>	<u>\$ 1.74</u>	<u>\$ 1.66</u>
Diluted	<u>\$ 2.42</u>	<u>\$ 2.26</u>	<u>\$ 1.73</u>	<u>\$ 1.66</u>

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

(With Deloitte & Touche audit report dated February 26, 2011)

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Surplus							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	Retained Earnings			Cumulative Translation Adjustments	Net Loss not Recognized as Pension Cost	Unrealized Valuation Gains on Financial Instruments	Unrealized for Asset Revaluation Increment	Treasury Stock	
					Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2009	\$ 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 - NTS\$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
Appropriation of prior year's earnings:													
Legal reserve	-	-	-	-	193,278	-	(193,278)	-	-	-	-	-	-
Stock dividends - 2.5%	303,082	-	-	-	-	-	(303,082)	-	-	-	-	-	-
Cash dividends - NTS\$0.75 per share	-	-	-	-	-	-	(909,244)	-	-	-	-	-	(909,244)
Adjustment due to subsidiaries' disposal of parent's stocks	-	-	249,059	-	-	-	-	-	-	-	-	34,460	283,519
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(32,692)	-	-	-	-	(32,692)
Impairment loss on revaluation increment	-	-	-	-	-	-	-	-	-	-	(40,838)	-	(40,838)
Adjustment reported by equity-method investees	-	-	-	2	-	-	-	(480,887)	2,086	218,285	-	-	(260,514)
Adjustment arising from changes in percentage of ownership in investees	-	-	-	(8,704)	-	-	-	-	-	-	-	-	(8,704)
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	167,708	-	-	167,708
Net income in 2010	-	-	-	-	-	-	2,567,143	-	-	-	-	-	2,567,143
BALANCE, DECEMBER 31, 2010	<u>\$ 12,426,341</u>	<u>\$ 2,175,718</u>	<u>\$ 1,213,526</u>	<u>\$ 375,941</u>	<u>\$ 1,718,606</u>	<u>\$ 1,000,564</u>	<u>\$ 3,129,751</u>	<u>\$ (374,215)</u>	<u>\$ (8,300)</u>	<u>\$ 3,578,911</u>	<u>\$ 843,106</u>	<u>\$ (36,770)</u>	<u>\$ 26,043,179</u>

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

(With Deloitte & Touche audit report dated February 26, 2011)

FAR EASTERN DEPARTMENT STORES, LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,567,143	\$ 1,932,776
Depreciation	440,214	396,144
Amortization of deferred charges	5,061	6,940
Amortization of leasehold rights included in rental expense	74,822	74,822
Cash dividends from equity-method investees	1,269,073	1,027,241
Equity in earnings of equity-method investees, net	(1,669,760)	(1,316,910)
Impairment loss on financial assets carried at cost	12,470	39,927
Impairment loss on idle assets	32,931	-
(Gain) Loss on disposal of property and idle assets, net	(72,531)	3,201
Deferred income taxes	1,641	96,345
Increase in prepaid pension cost	(20,881)	(691)
Net changes in operating assets and liabilities		
Notes receivable	(2,196)	742
Accounts receivable	(924)	(12,081)
Accounts receivable - related parties	26,716	(27,683)
Other receivables	14,071	(25,476)
Inventories	8,719	79,913
Prepayments	(113,171)	(126,560)
Other current assets	1,429	48,040
Other payables	(1,378)	(2,087)
Advance receipts	242,058	68,085
Other current liabilities	160,737	(7,881)
Accounts payable - related parties	24,264	(20,767)
Accrued expenses	114,355	172,297
Income tax payable	198,220	-
Accounts payable	<u>93,092</u>	<u>412,234</u>
Net cash provided by operating activities	<u>3,406,175</u>	<u>2,818,571</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for by the equity method	(100,000)	(678,400)
Proceeds of the disposal of property	139,026	346
Proceeds of the disposal of idle assets	-	291
Real estate received in advance	-	36,000
Acquisition of property	(3,510,006)	(1,894,217)
Increase in refundable deposits	(115)	(200)
Increase in other assets	<u>(2,248)</u>	<u>(4,022)</u>
Net cash used in investing activities	<u>(3,473,343)</u>	<u>(2,540,202)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term debts	500,000	(300,000)
Decrease in short-term notes and bills payable	(149,478)	(345,300)
Repayments of bonds issued	(500,000)	-

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	<u>2010</u>	<u>2009</u>
Issuance of bonds	1,000,000	-
Increase in long-term borrowings	137,751	715,895
Decrease in deposits received	(923)	(501)
Cash dividends	<u>(909,276)</u>	<u>(358,533)</u>
Net cash (used in) provided by financing activities	<u>78,074</u>	<u>(288,439)</u>
NET (DECREASE) INCREASE IN CASH	10,906	(10,070)
CASH, BEGINNING OF YEAR	<u>278,918</u>	<u>288,988</u>
CASH, END OF YEAR	<u>\$ 289,824</u>	<u>\$ 278,918</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 169,332	\$ 192,730
Less: Capitalized interest	<u>139,495</u>	<u>165,808</u>
Interest paid, excluding capitalized interest	<u>\$ 29,837</u>	<u>\$ 26,922</u>
Income tax paid	<u>\$ 2</u>	<u>\$ 2</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends receivable from equity-method investees (classified as accounts receivable - related parties)	<u>\$ -</u>	<u>\$ 246,517</u>
Adjustment to advance receipts and depreciation	<u>\$ 95,151</u>	<u>\$ 101,306</u>
Adjustment to real estate received in advance and proceeds of the disposal of property	<u>\$ 36,000</u>	<u>\$ -</u>
Properties leased to others reclassified to noncurrent assets classified as held for sale	<u>\$ -</u>	<u>\$ 89,461</u>
Properties transferred to idle assets	<u>\$ 346,340</u>	<u>\$ -</u>
Leased assets transferred to properties	<u>\$ 223,150</u>	<u>\$ -</u>
Adjustment to impairment on revaluation increment, the reserve for land value increment tax and unrealized for asset revaluation increment	<u>\$ 107,609</u>	<u>\$ -</u>
Current portion of bonds issued	<u>\$ -</u>	<u>\$ 500,000</u>
Current portion of long-term borrowings	<u>\$ 995,898</u>	<u>\$ -</u>
Classification of credit balance in long-term investment to other liability	<u>\$ 14,589</u>	<u>\$ 7,743</u>
CASH PAID FOR ACQUISITION OF PROPERTY		
Acquisition of property	\$ 280,990	\$ 1,641,695
Acquisition of leasehold rights	2,008,010	414,503
Increase (decrease) in construction in progress and prepayments for equipment	1,068,732	(1,940)
Decrease (increase) in balance payable - property	170,149	(158,080)
Increase in balance payable - property - related parties	<u>(17,875)</u>	<u>(1,961)</u>
	<u>\$ 3,510,006</u>	<u>\$ 1,894,217</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 26, 2011)

(Concluded)

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, 2010 and 2009 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, 2010 and 2009, 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 Statement of Financial Accounting Standards No. 10, "Inventories."

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. The impact

on the rights of Far Eastern Department Stores, Ltd. and subsidiaries of ownership of Pacific Liu Tong Investment Co., Ltd. as well as 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, 2010 and have expressed a modified unqualified opinion thereon in our report dated February 26, 2011.

Deloitte & Touche

February 26, 2011

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.

3 Supervisors' audit report on 2010 business report and financial statements.

SUPERVISORS' REPORT

To the 2011 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 2010 and found them in order.

Charles Wang



Philby Chen



April 27th, 2011

4 Report of the amendment of certain provisions of the Company’s “Meeting Rules of Board of Directors”

Explanation:

- (1) It is proposed that the Company’s “Meeting Rules of Board of Directors” to be amended for Article 2, Article 5, Article 5-2 and Article 16 as underneath file:
 (2) Please review

Section	Proposed Changes	Current Articles
Article 2	<p>A meeting of board of directors shall be convened every three months. The directors and supervisors shall be notified with the subjects seven days before the meeting, however, in the case of emergency, the meeting may be convened at any time.</p> <p><u>The notice of meeting of board of directors could be served by way of writing document, e-mail or fax.</u></p>	<p>A meeting of board of directors shall be convened every three months. The directors and supervisors shall be notified with the subjects seven days before the meeting, however, in the case of emergency, the meeting may be convened at any time.</p>
Article 5	<p>The <u>General Affairs Division</u> shall prepare for the agendas and provide sufficient information for the meeting of board of directors. All the written information shall be sent along with the meeting notification to the directors.</p> <p>The director may ask <u>General Affairs Division</u> for complement if considers the information received is insufficient. The meeting shall be postponed based on the resolution form the board of directors if the directors consider the information insufficient for meeting.</p>	<p>The <u>Financial Division</u> shall prepare for the agendas and provide sufficient information for the meeting of board of directors. All the written information shall be sent along with the meeting notification to the directors.</p> <p>The director may ask <u>Financial Division</u> for complement if considers the information received is insufficient. The meeting shall be postponed based on the resolution form the board of directors if the directors consider the information insufficient for meeting.</p>
Article 5-2	<p>The following items shall be submitted for discussion over the meeting of board of directors:</p> <ol style="list-style-type: none"> 1) Operation plans of the company 2) Annual and biannual financial statement reports 3) Adoption or amendment of internal control system pursuant to Article 14-1 of the Securities and Exchange Act. 4) Adoption or amendment pursuant to 	<p>The following items shall be submitted for discussion over the meeting of board of directors:</p> <ol style="list-style-type: none"> 1) Operation plans of the company 2) Annual and biannual financial statement reports 3) Adoption or amendment of internal control system pursuant to Article 14-1 of the Securities and Exchange Act. 4) Adoption or amendment pursuant to

	<p>article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, endorsements or guarantees for others.</p> <p>5) The offering, issuance or private placement of any equity-type securities.</p> <p>6) Employment and discharge of a financial, accounting or internal audit officer.</p> <p>7) Pursuant to article 14-3 of the Securities and Exchange Act, other governing laws or articles of incorporations, important items which shall be effected by resolutions of the stockholders' meeting, be submitted to the board of directors or regulated by competent authority.</p> <p><u>Pursuant to article 14-3 of the Securities and Exchange Act, each independent director shall attend in person any meeting concerning any matter that requires a resolution by the board of directors, or shall appoint another independent director to attend as his or her proxy. If an independent director objects to or expresses reservations about the matter, it shall be recorded in the board meeting minutes; an independent director intending to express objection or reservations but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.</u></p> <p><u>The first item</u> shall be listed along with meeting notification and shall not be raised as extemporary motion except in the case of emergency or with good cause shown.</p>	<p>article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, endorsements or guarantees for others.</p> <p>5) The offering, issuance or private placement of any equity-type securities.</p> <p>6) Employment and discharge of a financial, accounting or internal audit officer.</p> <p>7) Pursuant to article 14-3 of the Securities and Exchange Act, other governing laws or articles of incorporations, important items which shall be effected by resolutions of the stockholders' meeting, be submitted to the board of directors or regulated by competent authority.</p> <p><u>The preceding items</u> shall be listed along with meeting notification and shall not be raised as extemporary motion except in the case of emergency or with good cause shown.</p>
<p>Article 16</p>	<p>Resolutions adopted at a directors' meeting shall be recorded in the minutes of the meeting and shall contain detailed description of the followings:</p> <p>1) Meeting number (or year), time and location of meeting</p> <p>2) Name of chairperson</p> <p>3) Attendance status of directors (including</p>	<p>Resolutions adopted at a directors' meeting shall be recorded in the minutes of the meeting and shall contain detailed description of the followings:</p> <p>1) Meeting number (or year), time and location of meeting</p> <p>2) Name of chairperson</p> <p>3) Attendance status of directors (including</p>

<p>the numbers and names of directors that are, present, absent and on leave)</p> <p>. Names and Titles of the attendees</p> <p>4) Name of record keeper</p> <p>5) Items reported</p> <p>6) Items discussed: including the resolution method and result of each proposal, the brief statements of the directors, supervisors, experts and others, and any records or written statement of any objection or reservation.</p> <p>7) Extemporary Motions: including the name of proponent, the resolution method and result of each proposal, the brief statements of the directors, supervisors, experts and others, and any records or written statement of any objection or reservation <u>and any written statement made by independent director should be in accordance with Article 5-2 rules 2.</u></p> <p>8) Other items required to be recorded</p> <p>The meeting minutes shall consist of the attendance book. The minutes shall be signed or sealed by the chairperson and record keeper. The minutes shall be sent, within 20 days of meeting, to all the directors, supervisors and other attendees. The minutes shall also be kept as important files for as long as the Company remain in existence. The creation and distribution of the minutes can be done in the electronic format.</p> <p>9) Other matters required to be recorded.</p> <p><u>Any matter that requires a resolution by the board of directors, if any independent director has any records or written statement of any objection or reservation, shall be not only recorded in the meeting minutes, but also published or reported to the web-site appointed by the competent authority within two days after the Board of Director's meeting.</u></p> <p>Other items required to be recorded</p> <p>The meeting minutes shall consist of the attendance book. The minutes shall be signed or sealed by the chairperson and</p>	<p>the numbers and names of directors that are, present, absent and on leave)</p> <p>. Names and Titles of the attendees</p> <p>4) Name of record keeper</p> <p>5) Items reported</p> <p>6) Items discussed: including the resolution method and result of each proposal, the brief statements of the directors, supervisors, experts and others, and any records or written statement of any objection or reservation.</p> <p>7) Extemporary Motions: including the name of proponent, the resolution method and result of each proposal, the brief statements of the directors, supervisors, experts and others, and any records or written statement of any objection or reservation.</p> <p>8) Other items required to be recorded</p> <p>The meeting minutes shall consist of the attendance book. The minutes shall be signed or sealed by the chairperson and record keeper. The minutes shall be sent, within 20 days of meeting, to all the directors, supervisors and other attendees. The minutes shall also be kept as important files for as long as the Company remain in existence. The creation and distribution of the minutes can be done in the electronic format.</p> <p>9) Other matters required to be recorded</p> <p>Other items required to be recorded</p> <p>The meeting minutes shall consist of the attendance book. The minutes shall be signed or sealed by the chairperson and</p>
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	record keeper. The minutes shall be sent, within 20 days of meeting, to all the directors, supervisors and other attendees. The minutes shall also be kept as important files for as long as the Company remain in existence. The creation and distribution of the minutes can be done in the electronic format.	record keeper. The minutes shall be sent, within 20 days of meeting, to all the directors, supervisors and other attendees. The minutes shall also be kept as important files for as long as the Company remain in existence. The creation and distribution of the minutes can be done in the electronic format
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Note *In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

5 Report on offering of corporate bond

Explanation:

(1) The Company offered the following corporate bond in 2010 and 2011

Name		21 st secured ordinary corporate bond	1 st convertible corporate bond
Amount		NT \$ 1.0 billion	NT \$ 2.5 billion
Interest rate		Annual fixed interest rate 1.38%	Coupon rate 0.00 %
Duration		5 years	3 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.	In accordance with issuance of bonds and conversion of bonds, unless the bonds have been previously redeemed, repurchased and canceled or converted, holders of bonds have the right to cash the bonds at 100% of the outstanding principal amount at maturity.
Guaranteeing bank		Mega International commercial bank	Unsecured
Approver	Entity	Financial Supervisory Commission, Executive Yuan	Financial Supervisory Commission, Executive Yuan
	Date	August 25, 2010	January 14, 2010
	Approval letter No.	Ching-Kuan-Cheng-1-Tze No. 0990044818	Ching-Kuan-Cheng-1-Tze No. 0990073507
Cause		To repay bank loans	To repay bank loans
Note		Offering completed	Offering completed, as of 2011 March 31, there has been NT \$ 0 convertible corporate bond being convert.

- (2) Pursuant to the Article 246 of Company Law, the information about the issuance of such corporate bond is disclosed above:

III. Matters to be Approved:

1. To approve the 2010 financial statements

The Board of Directors proposes and recommends that each shareholder votes FOR the acceptance of 2010 business report and financial statements.

Explanatory Notes:

(1) FEDS's 2010 financial report, including balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, has been audited by independent auditors, Ms. Yeh Shu-Chuan and Mr. Shih Ching-Pin of Deloitte & Touche (please refer to P.10-P.15), and has been examined by and determined to be correct and accurate by Supervisors of FEDS. We thereby submit this report.

(2) The 2010 business report, independent auditors' audit report, and the above-mentioned financial statements are attached within "Matters to be reported".

(3) Please approve the above-mentioned business report and financial statements.

2. To approve the proposal for the distribution of 2010 surplus earning.

The Board of Directors proposes and recommends that each shareholder votes FOR the distribution of 2010 surplus earning.

Explanatory Notes:

(1) All the closing transactions as of December 31, 2010 have been completely closed, and have been audited by the accounting firm, Deloitte and Touche. We thereby submit the proposal for distribution of 2010 profits:

1. Net Income of 2010	N.T\$ 2,567,143,311
2. 10% legal reserve (1*10%)	(256,714,331)
3. Undistributed profits of previous years	562,609,641
4. Earnings available for distribution (4=1-2+3)	2,873,038,621

(2) The earnings available for distribution are allocated as the following:

1. Dividend (60%)	N.T\$ 1,282,718,929
2. Cash bonus to shareholders (33%)	705,495,411
3. Total Distribution	1,988,214,340

Note: To distribute employee bonus of NT 85,514,595 and compensation of directors and supervisors of NT 64,135,946.

(3) Undistributed earnings after distribution N.T\$ 884,824,281

(4) The major items of the Distribution of 2010 Dividend :

1. Cash dividends to holders of common share (NT\$ 1.00 per share)	N.T\$ 1,242,633,960
2. Stock dividends to holders of common share (NT\$ 0.60 per share at par value)	745,580,380
3. Total amount of 1.60 per share	1,988,214,340

(5) The distribution of 2010 dividends composes of 2010 surplus earning in priority and the undistributed profit from 1998 to 2009 in case 2010 surplus earning are insufficient to cover 2010 dividends.

(6) After being approved at the annual General Shareholders' meeting (2011), 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.

- (7) Please approve the above-mentioned proposal for the distribution of 2010 profits.

IV. Discussion

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

Explanatory Notes:

- (1) We propose to amend Article 3, Article 7, Article 8, Article 17, Article 20 and Article 30 of the Company's "Articles of Incorporation". The amended provisions are shown in the attached comparison table.
- (2) All provisions will take effect after approval at the Shareholder's meeting, except Article 17 of the rules for independent director shall be applied in 2012 when reelection of all the directors takes place.
- (3) Please approve the proposed resolutions.

Resolution:

Section	Proposed Changes	Current Articles
Article 3	The Corporation may provide guarantee <u>in accordance to the regulations set out in the "Procedure for Endorsements and Guarantees"</u>	The Company may, where its businesses require, provide guarantee.
Article 7	The Company's total capital shall be Seventeen Billion and Five hundred Million New Taiwan Dollar (NT\$17,500,000,000) divided <u>into 1,750,000,000 shares of NT\$10 each.</u> 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.	The Company's total capital shall be <u>Thirteen Billion and Five hundred Million New Taiwan Dollar (NT\$13,500,000,000)</u> divided into <u>1,350,000,000 shares of NT\$10 each.</u> 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		<u>The Company's shares shall be numbered and issued following the signatures or seals by</u>

	<p>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</p> <p>The Company can issue special shares.</p> <p>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.</p>	<p><u>3Directors or more and the authentication by the relevant authorities or the registration organizations as approved by the authorities in compliance with law.</u></p> <p>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. <u>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.</u></p> <p><u>The Company may issue shares in large denominations upon demand by Securities Central Depository Enterprises.</u></p> <p>The Company can issue special shares.</p> <p>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.</p>
Article 17	<p>There shall be <u>7 to 9 Directors</u> 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".</p> <p><u>Independent directors shall not be less than two in number and not less than one-fifth of the total number of directors.</u></p> <p><u>In accordance with Article 192-1 of the Company Act, the Company shall adopt a candidates nomination system for election of the independent directors, and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates. Independent and non-independent directors shall be elected at the same time but on separate ballots.</u></p>	<p>There shall be <u>7 Directors</u> 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".</p>
Article 20	<p>Meetings of the Board of Directors, which shall be <u>held quarterly</u>, 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</p>	<p>Meetings of the Board of Directors, which shall be <u>held every three month</u>, shall be convened by the Chairman. Unless otherwise stipulated by the Company Law, a quorum shall be present at the</p>

	<p>is attended by more than half of the Directors, and a resolution passed if approved by a majority of the Directors in attendance. The Chairman may, in case of emergency, convene meetings of the Board at any time.</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><u>The notice of meeting of board of directors could be served by way of writing document, e-mail or fax.</u></p>	<p>Board of Directors if it is attended by more than half of the Directors, and a resolution passed if approved by a majority of the Directors in attendance. The Chairman may, in case of emergency, convene meetings of the Board at any time.</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>
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; 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;</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; 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;</p>

<p>Thirty-first amendment on April 15, 1995; Thirty-second amendment on May 10, 1996; Thirty-third amendment on May 9, 1997; Thirty-fourth amendment on May 18, 1998; Thirty-fifth amendment on May 12, 1999; Thirty-sixth amendment on May 10, 2000; Thirty-seventh amendment on May 9, 2001; Thirty-eighth amendment on May 31, 2002; Thirty-ninth amendment on June 10, 2003; Fortieth amendment on June 2, 2006; Forty-first amendment of June 9, 2010 <u>Forty-second amendment of June 23, 2011</u></p>	<p>Thirty-first amendment on April 15, 1995; Thirty-second amendment on May 10, 1996; Thirty-third amendment on May 9, 1997; Thirty-fourth amendment on May 18, 1998; Thirty-fifth amendment on May 12, 1999; Thirty-sixth amendment on May 10, 2000; Thirty-seventh amendment on May 9, 2001; Thirty-eighth amendment on May 31, 2002; Thirty-ninth amendment on June 10, 2003; Fortieth amendment on June 2, 2006; Forty-first amendment of June 9, 2010</p>
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Note *In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

2. To approve the capitalization of 2010 stock dividends

The Board of Directors proposes and recommends that each shareholder votes FOR the capital increase of 2010 stock dividends.

Please vote.

Board of Directors proposes:

Explanatory Notes:

- (1) 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\$ 745,580,380. A total number of 74,558,038 common shares, at par value of NT\$ 10 each share, shall be issued for such capital increase.
- (2) 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 60 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 2011 and the same rights & obligation as the previous issued common shares.
- (3) Should FEDS subsequently repurchase its common shares or issue new common shares according to Article 28-2 of the ROC Securities and Exchange Law's regulations of conversion of bonds 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.

(4) Please approve the proposal for the capitalization of 2010 stock dividends.

Resolution:

3. Proposal to amend certain provisions of the “Election Procedures of Directors and Supervisors”

(1) We propose to amend Article 3 and Article 6 of the Company’s “Election Procedures of Directors and Supervisors”. The amended provisions are shown in the attached comparison table.

(2) Please approve the proposed resolutions.

Resolution:

Section	Proposed Changes	Current Articles
Article 3	<p>The election of directors and supervisors shall be pursued according to the number of position required. <u>The independent directors, non-independent directors and supervisors shall be elected at the same election with the number of selectees calculated separately; those candidates receiving more voting rights shall be elected as</u> Directors. The same applies to the election of Supervisor(s). 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.</p> <p><u>The Company, in accordance with Article 192-1 of the Company Act, shall adopt a candidates nomination system for election of the independent directors. Besides, their qualifications, independent condition, and other conditions should adhere to the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and other regulation.</u></p>	<p>The election of directors and supervisors shall be pursued according to the number of position required and the candidates that <u>obtain more number of votes shall be elected.</u> 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.</p>
Article 6	<p>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 <u>international identification number or passport number</u> of the candidate. If the candidate is the government or juristic stockholder, the ballot shall be</p>	<p>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 <u>identification number</u> of the candidate. If the candidate is the government or juristic stockholder, the ballot shall be filled out with the number, the</p>

	filled out with the number, the name of government or juristic person and the representative name. If there are more than one representative, all the representative names shall be listed.	name of government or juristic person and the representative name. If there are more than one representative, all the representative names shall be listed.
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Note *In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

V. Extemporary motion

VI Rules and Regulations

1. Articles of Incorporation

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; 31

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;

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

- 1) The stockholders’ meeting of the Company shall be held according to the rules herein.
- 2) The location for stockholders’ meeting shall be the Company’s place of business or a place convenient for attendance by stockholders (or by proxies) that is suitable to holding of this meeting. The meeting shall be held between 9:00AM and 3:00PM. 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 extemporaneous 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.

VII. Appendices

1. Shareholding of Directors and Supervisors

Book closure date (April 25, 2011)

Title	Name	Representative	Shareholdings	Ratio of Shareholding %	
Chairman	Douglas Tong Hsu	-	1,536,751	0.12	
Directors	Ding Ding Management Consultant Corp.	Nancy Hsu	63,040	0.01	
	Far Eastern New Century Corporation	Alex Ro	208,749,420	16.80	
		C. S. Yeh			
		Nicole Hsu			
	Asia Cement Corporation	Virginia Shao	69,119,527	5.56	
		Jin Lin Liang			
	Total shares owned by all Directors			279,468,738	22.49
The total legal registered shares owned by all Directors			40,000,000	3.00	
Supervisors	YDT Technology International Co. LTD	Charles Wang	2,386,394	0.19	
	Yu Ming Trading Co.	Philby Chen	3,858,781	0.31	
	Total shares owned by all Supervisors			6,245,175	0.50
	The total legal registered shares owned by all Supervisors			4,000,000	0.30

Note 1: The total issued and outstanding shares on the book closure date: 1,242,633,960 shares.

Note 2: The shareholding of all directors and supervisors meet the minimum required combined shareholding.

Note 3: The shares held by each individual representative appointed are not counted in the calculation of the combined shareholding of all directors and supervisors.

2. Effects on Business Performance and EPS Resulting From Stock Dividend Distribution Proposed by 2011 Regular Shareholders' Meeting

Unit: NT \$

Item		Year	2011 (Estimate)
Paid-in Capital (beginning of the year)			12, 426, 339, 600
Stock & Cash Dividend Distribution	Cash Dividend (NT\$/per share)		1. 00
	Stock Dividend from Retained Earnings		0. 06
	Stock Dividend from Capital Surplus		0. 00
Variance in Business Performance	Operating Income		not applicable (note)
	% Change in Operating Income		
	Net Income		
	% Change in Net Income		
	Earnings Per Share		
	% Change in EPS		
	Average Return on Investment (%)(Reciprocal of Average P/E Ratio)		
Pro Forma EPS & P/E Ratio	If Retained Earnings Pro Forma Earnings Per Share Distributed in Cash Dividend	Pro Forma Earnings Per Share	not applicable (note)
		Pro Forma Average Yearly Return on Investment	
		Pro Forma Earnings Per Share	
	If Capital Surplus not Distributed in Stock Dividend	Pro Forma Average Yearly Return on Investment	
		Pro Forma Earnings Per Share	
	If Retained Earnings & Capital Surplus Distributed in Cash Dividend rather than Stock Dividend	Pro Forma Average Yearly Return on Investment	
Pro Forma Earnings Per Share			

Note: * As we do not disclose our financial forecast information of 2011, in compliance with relevant Government regulations, there is no need to provide this information.

3. Employees Bonus and Remuneration of Directors and Supervisors

The bonus of employees and compensation of Directors and Supervisors were resolved by the Board of Directors on 23 March 2011. The relevant information is disclosed below:

(1) Cash bonus to employees: NT\$85,514,595, Cash compensation to Directors and Supervisors: NT\$64,135,946 and Bonus and compensation in shares, options, warranties, and other equity-linked forms: None

(2) After the Shareholders' Meeting resolving the actual distribution amount, the difference would be regarded as accounting estimation adjustment and recognized to the profit and loss of 2011.

Note: Pursuant to the rule issued by Financial Supervisory Commission (Letter No. FSC6-0960013218) on 30 March 2007,