

Stock Code: 2903

Far Eastern Department Stores LTD.

**Handbook for the 2012 Annual Meeting of
Shareholders**

MEETING TIME: 09:00 a.m. (Thursday), June 21, 2012

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 2012 Annual Meeting of Shareholders

Call the Meeting to Order

Chairman Takes Chair

Chairman Remarks

Matters to be Reported

Matters to be Approved

Discussion and Election

Extemporaneous Motion

Adjournment

II . Matters to be Reported

1. 2011 Messages to shareholders.

Explanation:

The 2011 Messages to Shareholders is attached as page 4-10.

Preface

Reflecting on 2011, though with various delightful celebration activities to mark the nation's 100th founding anniversary, Taiwan registered a slightly lower growth rate of 4.64% than that of 2010 while under the global impact of European debt crisis and stagnant economic growth in China. On the other hand, due to a large growth of 20.3% in the exports of 3C and optical products, the nation's gross export volume surged 12.3% to reach a record high of US\$308.3 billion. As to domestic spending, Department of Statistics, Ministry of Economic Affairs, indicated increasingly higher employment and registered in end 2011 unemployment rate of 4.39%, lowest within the past three years. Thanks to higher employment together with salary increase which served to enhance steady growth of domestic spending, total revenues of department stores grew 7.6% to NT\$270.2 billion.

From the perspective of the department stores, with tangible domestic economic recovery in 2011 Taiwan's department stores welcomed many new competitors located at the major commercial districts around the Island such as the FEDS Taichung TOP CITY shopping mall with glamorous outlook, world-class brand names, fun interactive high-tech facility and unique theme restaurants opened on December 29, 2011, plus another heavy-weight FEDS Panchiao MEGA CITY shopping mall which was soft opened on December 29, 2011 and then inaugurated on January 5, 2012. Its merchandise mix includes fashion boutiques, exotic theme gourmet food, exclusive recreational enjoyment, state-of-the-art architectural design and scenic space – Venetian Square. While the addition of these new stores intensified existing market competition, the new concept and creative idea shopping mall will encourage consumers to spend more and increase the market size.

It is worth mentioning that under the joint efforts from our colleagues, Far Eastern Department Stores (FEDS) recorded revenues of NT\$27.641 billion at a growth rate of 12.3% (if including all subsidiaries in cross straits, the consolidated revenues were NT\$114.75 billion, up 6.1% year-on-year). Our anniversary sales exceeded NT\$7.1 billion, up 4% year on year, both marked new highs for the past 44 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 Hsinchu, FE21' Taoyuan and FE21' Panchiao Stores are going through merchandise upgrade

this year to maintain growth momentum of our current stores.

Looking into 2012, Ministry of Economic Affairs predicted steady economic growth, coupled with Taiwan stock index is likely to top 9,000 point, all contributing to creating wealth and stimulating 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 2.7% growth in private consumption. 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 this year. They are ready and well prepared to embrace better opportunities. The Far Eastern Retail Group system shall benefit from these favorable factors, in particular after the opening of Taichung TOP CITY and Panchiao MEGA CITY shopping malls, the Company would expect to top revenues in historical highs.

Operations Report for 2011

During the year 2011, total FEDS revenues were recorded at NT\$27.641 billion, up 12.3% year-on-year. Net income after tax was NT\$2.143 billion and earnings per share was NT\$1.64. According to the 15th Board Meeting of FEDS, total dividend payout for 2011 was NT\$1.4 per share, which included NT\$1.0 in cash and NT\$0.4 in stock dividends from capital surplus. The performance of Far Eastern Retail Group in 2011 is summarized as follows:

(1) Far Eastern Department Stores Ltd.

1. After several years of joint efforts from FEDS colleagues, two mega malls were finally open in Q4. The FEDS Taichung TOP CITY (54,000 pings/178,513 square meters) was the first of the mega malls to make its debut in the newly Taichung redeveloped area, following by FEDS Panchiao MEGA CITY (40,000 pings/132,232 square meters) grand opening in New Taipei City. The openings of these two new mega malls are viewed as exceptional to the Taiwan retail market and offer new charming shopping experience for customers that would contribute significant growth in revenue.
2. FE21' MegA Hsinchu Store continued to review and readjust their merchandise mix and introduced several new boutique brands to serve customers. Additionally, the women's shoes section was moved from first floor to the second floor and was expanded in order to create a comfortable and luxurious environment for ladies to enjoy pleasant shoe shopping experience.
3. FE21' MegA Kaohsiung Store introduced Thai Town Restaurant in June

and readjusted merchandize in B1. The FEDS Kaohsiung continued its lead in Sanduo commercial district and is one of the few department stores in the competitive Kaohsiung area that achieves revenue growth.

4. FE21' MegA Tainan Store expanded the most popular 3C merchandize section and introduced popular brands, such as Apple, HTC, and Samsung to satisfy customer needs.
5. FE21' Hualien Store introduced mini playgrounds for children which are popular among our young customers.
6. In supporting to Ministry of the Interior's "Mid-Autumn Full Moon and Full Life" policy, FEDS purchased mid-autumn moon cakes prepared by physically and mentally disabled charities and distributed them to single parent families, lonely elders, and orphanage under the designated cities of different FEDS districts. The beneficiaries all feel the warmth and love brought by FEDS.
7. FEDS continues to reach out to local businesses and promote local culture. During the eight days promotion of "Chiayi Products Week" from August 18th to 25th held by FEDS throughout Taiwan, the customers were able to experience Chiayi culture and exquisite varieties of cuisine, such as the exclusive Alishan products, the seasonal agricultural products, and special local gifts.
8. In responding to the rapid changes in the market place and store expansion, FEDS plans to establish cloud computing center to transfer back-end billing operation system to cloud computing mainframe in order to integrate and store related database promptly.

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

1. 2011 revenues were NT\$40.4 billion, up 5% year-on-year. Net income after tax was NT\$1.532 billion, down 28% from that of 2010.
2. With comfortable and spacious shopping environment plus continuous strengthening of merchandise mix, revenues of SOGO Fuxing Store were NT\$10.3 billion, up 10% year-on-year. Fuxing Store became the third largest single store in Taiwan that surpassed NT\$10 billion in revenue.
3. Chungli Store continued to readjust its merchandise mix and enhance its customer service in 2011. Despite the closure of Chungli Central New Hall Store on February 28, 2011, Chungli Yuan Hua Store's revenue continued to grow consistently and registered significant growth in profits after closing the other unprofitable store.
4. Under the European debt crisis and depressed stock market, the Pacific SOGO was able to drive 24th anniversary sales revenue up to 3% year-on-year using creative and flexible marketing strategies despite the

sale days were shortened from the usual 16 days to 12 days throughout Chungli, Hsinchu, and Kaoshiung Stores.

5. The continuation of rapid store expansion in China's south west region has been the Company's core strategy. The new international boutique brands and supermarket were introduced to FEDS Chengdu Store at Tienfu Plaza on May 25, 2011 which opened a new chapter in Chengdu retail market.
6. In order to enhance e-operational efficiency, the Tienmu Store has completed B2C e-receipts process in 2011. Moreover, in compliance with the International Financial Reporting Standards (IFRS) Pacific SOGO Department Stores has completed the convergence in both Taiwan and then China the TW GAAP and PRC GAAP for the fully consolidated reporting purpose in Taiwan's parent company.
7. In addition, Pacific SOGO Department Stores has completed BPC consolidated reporting system to expedite accounting reporting process in order to comply with the international standards.

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

1. 2011 revenues were NT\$20.777 billion, up 9.5% from that of 2010.
2. Operating Income was NT\$76 million with net income of NT\$131 million in 2011.
3. The 18th Far Eastern A-mart store was opened in January 2011 in Fongyuan City, which is the forth A-mart hypermarket store in Taichung area.
4. Since March 1, 2011, the Far Eastern A-mart became the sole provider to Taiwan Sugar according to Taiwan Sugar's "centralized purchase of food and retail merchandize" policy. This business is valued at NT\$1.168 billion in 2011.

Operations Report for 2012

(1) Far Eastern Department Stores Ltd.

1. To maintain market competitive edge in 2012 by continuing the success story of its two new BIG shopping malls in planning and solicit for counters, the Company will proceed with brand upgrade, floor renovation and refreshed image of the existing branch stores to ensure continuous providing to the customers the latest and most complete fashion news and shopping experience.
2. Hsinchu Branch is going through partial renovation in May to provide more comfortable shopping space to serve its customers; also will adjust

the floors of men's and children's wears to offer better quality merchandise.

3. In order to adopt to the need of the National Chen Kung University commercial district, Tainan Branch will add Kingstone Book Store.
4. Kaohsiung Branch will continue with the adjustment of its merchandise mix to elevate product mix and attract more and wider customer groups.
5. Taoyuan Branch is going through major renovations in May of its teenage girls and lady's wear, women's wear, underwear and lingerie counters. During 4th quarter will add UNIQLO store which surely will stimulate upsurge of consumption in the Taoyuan area.
6. Panchiao Branch is targeted to open in early June the very popular gourmet food paradise, also go through with major adjustment of its merchandise on the B1 floor during 2nd half year, hopefully to join hands and enjoy prosperity with the newly opened Panchiao MEGA CITY Shopping Mall.
7. Paoching Branch will adjust flow planning of lady's wears on the 4th floor, also to replace food counters and increase restaurants catering to local tastes to lure more guests.
8. Hualien Branch will continue to proceed with the elevation and adjustment of its brands, increase American style sports and casual wear products and light meal counters, hopefully to satisfy customers with more exquisite and diversified merchandise.

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

1. After thorough design planning and renovations, Far Eastern SOGO BIG CITY Shopping Mall incorporating SOGO Department Store, A-mart, Citysuper, international brand boutique, food court, cinemas and playground was presented in the end of April 2012 to serve customers in the greater Hsinchu, Taoyuan and Miaoli areas.
2. To cope with the opening of Far Eastern SOGO BIG CITY Shopping Mall, SOGO Hsinchu Store will proceed to renovate, enhance its merchandise to create segmentation and differentiation.
3. Pacific SOGO Taipei Store has been operated for 24 years, always ranks top in terms of customer number and per customer transaction among Taiwan's department stores. Many of its hardware facilities already went through major renovations in 2011. In 2012, this Store will

continue with the remaining unfinished refurbishing to further improve customer service.

4. SOGO Fuxing Store has already been operated for 5 years. Its hardware facility would require improvements, and some floors are ready for major transformation. With annual revenues exceeding NT\$10 billion, aside from seeking gross profit, this Store shall focus on improving gross profit margin.
5. After Chungli New Hall ceased to operate in 2011, Chungli Yuan Hua Store merged and welcomed its major customers. Yuan Hua store will continue to readjust the merchandise mix and environment of its food court and supermarket, and also will introduce internationally renowned brands on other floors and expand sales space to provide best services and maintain growth in revenues and profit.
6. To Continue to promote various e-operations. Expect to complete within this year electronic sales invoice, voucher and free gift campaign, establish electronic sign-off and self-run single merchandise management system, cashier system was changed to one-counter-one-cashier machine operation to enhance efficiency and cut down personnel cost.

(3) Far Eastern Ai-Mai Co., Ltd.

1. To Cultivate database, increase member stickiness, and create higher marketing benefits.
2. With short-term promotion periods and theme activities plus long-term cultivation of unique merchandises to establish distinguished features and market segmentation, allowing customers to experience our sales space and promote brand awareness.
3. To Promote Power Zone Concept meaning to strengthen space planning, enhance personnel training and development, and expedite the selection of merchandise categories, brands and display.
4. Continued Expansion: Plan to add Hsinchu BIG CITY Store (the 19th store) by end of April 2012.

In summary, 2011 was an extremely fruitful year for FEDS, achieving all-time highs in both new store scale and revenues within the past 44 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 customers and shareholders for their continuous support and recognition.

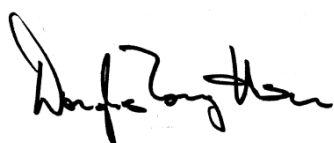
After 44 glamorous years, FEDS is the department store in Taiwan with the longest history. The Far Eastern Retail Group now operates with 47 stores

across both sides of the Taiwan Straits comprising department stores, hypermarkets, and shopping malls. This year we are expanding new stores and further cultivating the Greater China market. Added with 3 new stores including Hsinchu FE SOGO BIG CITY Shopping Mall and A-mart BIG CITY Store, total number of stores will increase to 50. It is not only Taiwan's only listed department-store-chain company, but also will become the largest retail group in Taiwan.

The Far Eastern Retail Group has consecutively written "success stories" in the three newly opened CITY Shopping Malls in Taichung, Panchiao and Hsinchu which all received warm welcome and excellent recognition illustrating that FEDS is fully equipped with comprehensive knowhow to develop world-class mega malls, and further upgrade and transform Taiwan's retail business. We firmly believe that the Company is capable of expanding with more flexibility across the Taiwan Strait the needed heavy-weight large chain department stores and shopping malls to provide the newest shopping experience for consumers in both Taiwan and China.

Reflecting back, we are not satisfied with our past achievements; looking forward, we are confident to welcome a bright future. 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 outstanding management team shall continue to enhance customer satisfaction and create the highest value for our shareholders.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Douglas Tong Hsu', written in a cursive style.

Douglas Tong Hsu
Chairman

2. Financial report of 2011.

Explanation:

The 2011 Financial Statements are attached as page 12-17.

1. Balance sheets (December 31, 2011)
2. Income statements (January 1, 2011 ~ December 31, 2011)
3. Statements of changes in stockholders' equity (January 1, 2011 ~ December 31, 2011)
4. Statements of cash flows (January 1, 2011 ~ December 31, 2011)
5. Independent auditor's report by Deloitte & Touche is attached as page 18-19.

FAR EASTERN DEPARTMENT STORES, LTD.

BALANCE SHEETS
DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2011		2010		LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 566,057	1	\$ 289,824	1	Short-term debts	\$ 4,400,000	8	\$ 3,150,000	6
Available-for-sale financial assets - current	233,559	-	291,224	1	Short-term notes and bills payable	1,699,268	3	1,299,456	3
Notes receivable	38,768	-	15,516	-	Notes and accounts payable	3,132,810	5	2,331,803	5
Accounts receivable, net of allowance for doubtful accounts of \$3,550 thousand	432,266	1	181,765	-	Related parties - accounts payable	82,106	-	61,385	-
Related parties - notes and accounts receivable	52,118	-	41,090	-	Related parties - other payable	101,598	-	130,918	-
Related parties - other receivable	306,523	-	272,246	1	Income tax payable	38,262	-	198,220	-
Other receivables	136,105	-	100,659	-	Other payables	3,837,025	7	1,000,890	2
Inventories	372,957	1	207,597	-	Advance receipts	1,679,299	3	1,541,631	3
Prepayments	323,090	1	262,435	-	Current portion of long-term borrowings	-	-	995,898	2
Deferred tax assets - current	4,024	-	30,654	-	Other current liabilities	855,765	1	744,721	2
Other current assets	17,363	-	15,004	-					
Total current assets	2,482,830	4	1,708,014	3	Total current liabilities	15,826,133	27	11,454,922	23
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Investments accounted for by the equity method	19,356,620	33	18,884,849	38	Bonds issued	4,616,958	8	2,200,000	4
Available-for-sale financial assets - noncurrent	2,577,430	5	2,682,262	6	Long-term borrowings	9,696,646	17	9,220,000	19
Financial assets carried at cost - noncurrent	62,570	-	102,540	-					
Total long-term investments	21,996,620	38	21,669,651	44	Total long-term liabilities, net of current portion	14,313,604	25	11,420,000	23
PROPERTIES					RESERVES				
Cost					Reserve for land revaluation increment tax	508,719	1	508,719	1
Land	6,995,873	12	4,318,667	9	OTHER LIABILITIES				
Buildings and equipment	14,081,814	24	7,570,780	15	Deposits received	40,632	-	37,949	-
Furniture and equipment	5,815,882	10	3,418,045	7	Deferred tax liabilities - noncurrent	201,548	-	106,894	-
Total cost	26,893,569	46	15,307,492	31	Deferred credits - gains on related-party transactions	11,366	-	11,366	-
Revaluation increment	1,408,269	3	1,408,269	3	Miscellaneous	-	-	14,589	-
Cost and appreciation	28,301,838	49	16,715,761	34					
Less: Accumulated depreciation	5,270,671	9	4,857,633	10	Total other liabilities	253,546	-	170,798	-
	23,031,167	40	11,858,128	24	Total liabilities	30,902,002	53	23,554,439	47
Construction in progress and prepayments for equipment	1,822,511	3	7,433,833	15	STOCKHOLDERS' EQUITY				
Leasehold rights, net	7,584,367	13	5,971,805	12	Capital stock NT\$10.00 par value				
Net properties	32,438,045	56	25,263,766	51	Authorized - 1,750,000 thousand shares				
OTHER ASSETS					Issued and outstanding - 1,317,192 thousand shares in 2011 and 1,242,634 thousand shares in 2010	13,171,921	23	12,426,341	25
Idle assets, net	567,439	1	574,918	1	Capital surplus:				
Refundable deposits	163,565	-	159,143	-	Additional paid-in capital - share issuance in excess of par	2,175,718	4	2,175,718	4
Prepaid pension costs	245,449	1	215,728	1	Treasury stock transactions	1,213,526	2	1,213,526	3
Miscellaneous	45,127	-	6,398	-	Long-term investments	364,937	1	375,941	1
Total other assets	1,021,580	2	956,187	2	Stock options	108,930	-	-	-
					Total capital surplus	3,863,111	7	3,765,185	8
TOTAL	\$57,939,075	100	\$49,597,618	100	Retained earnings:				
					Legal reserve	1,975,319	3	1,718,606	4
					Special reserve	1,069,595	2	1,000,564	2
					Unappropriated earnings	3,027,939	5	3,129,751	6
					Total retained earnings	6,072,853	10	5,848,921	12
					Other equity adjustments				
					Cumulative translation adjustments	(14,294)	-	(374,215)	(1)
					Net loss not recognized as pension costs	(20,949)	-	(8,300)	-
					Unrealized valuation gains on financial instruments	3,157,896	5	3,578,911	7
					Unrealized asset revaluation increment	843,305	2	843,106	2
					Treasury stock - 7,511 thousand shares in 2011 and 7,086 thousand shares in 2010	(36,770)	-	(36,770)	-
					Total other equity adjustments	3,929,188	7	4,002,732	8
					Total stockholders' equity	27,037,073	47	26,043,179	53
					TOTAL	\$57,939,075	100	\$49,597,618	100

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 22, 2012)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
REVENUES				
Sales	\$27,339,765	99	\$24,320,923	99
Other operating revenues	<u>300,884</u>	<u>1</u>	<u>282,195</u>	<u>1</u>
Total revenues	<u>27,640,649</u>	<u>100</u>	<u>24,603,118</u>	<u>100</u>
COSTS				
Cost of goods sold	22,115,164	80	19,592,662	80
Other operating costs	<u>59,269</u>	<u>-</u>	<u>59,820</u>	<u>-</u>
Total costs	<u>22,174,433</u>	<u>80</u>	<u>19,652,482</u>	<u>80</u>
GROSS PROFIT	<u>5,466,216</u>	<u>20</u>	<u>4,950,636</u>	<u>20</u>
OPERATING EXPENSES				
Selling	1,140,866	4	970,771	4
General and administrative	<u>3,135,861</u>	<u>11</u>	<u>2,995,888</u>	<u>12</u>
Total operating expenses	<u>4,276,727</u>	<u>15</u>	<u>3,966,659</u>	<u>16</u>
OPERATING INCOME	<u>1,189,489</u>	<u>5</u>	<u>983,977</u>	<u>4</u>
NONOPERATING INCOME AND GAINS				
Equity in earnings of equity-method investees, net	1,148,081	4	1,669,760	7
Dividend income	146,820	1	122,387	1
Gain on disposal of investments, net	4,962	-	-	-
Interest income	1,605	-	1,212	-
Gain on disposal of property and idle assets, net	-	-	72,531	-
Other income	<u>98,475</u>	<u>-</u>	<u>97,335</u>	<u>-</u>
Total nonoperating income and gains	<u>1,399,943</u>	<u>5</u>	<u>1,963,225</u>	<u>8</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	79,401	1	50,913	-
Impairment loss on financial assets carried at cost	38,500	-	12,470	-
Impairment loss on idle assets	-	-	32,931	-
Loss on disposal of property and idle assets, net	6,619	-	-	-
Other expenses	<u>78,662</u>	<u>-</u>	<u>83,883</u>	<u>1</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
Total nonoperating expenses and losses	<u>203,182</u>	<u>1</u>	<u>180,197</u>	<u>1</u>
INCOME BEFORE INCOME TAX	2,386,250	9	2,767,005	11
INCOME TAX EXPENSE	<u>243,135</u>	<u>1</u>	<u>199,862</u>	<u>1</u>
NET INCOME	<u>\$ 2,143,115</u>	<u>8</u>	<u>\$ 2,567,143</u>	<u>10</u>
	2011		2010	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (New Taiwan dollars)				
Basic	<u>\$ 1.82</u>	<u>\$ 1.64</u>	<u>\$ 2.12</u>	<u>\$ 1.97</u>
Diluted	<u>\$ 1.82</u>	<u>\$ 1.63</u>	<u>\$ 2.12</u>	<u>\$ 1.97</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:

	2011		2010	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (New Taiwan dollars)				
Basic	<u>\$ 1.81</u>	<u>\$ 1.63</u>	<u>\$ 2.29</u>	<u>\$ 2.14</u>
Diluted	<u>\$ 1.81</u>	<u>\$ 1.62</u>	<u>\$ 2.29</u>	<u>\$ 2.13</u>

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

(With Deloitte & Touche audit report dated March 22, 2012)

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Surplus					Retained Earnings			Other Equity Adjustments					Total Stockholders' Equity
	Capital Stock	Additional Paid-in Capital	Treasury Stock	Long-term	Stock Options	Legal Reserve	Special Reserve	Unappropri- ated Earnings	Cumulative	Net Loss not	Gains on	Unrealized	Unrealized	
	Issued and Outstanding	Share Issuance in Excess of Par	Transactions	Investments					Translation	Recognized as Pension Cost	Financial Instruments	Valuation	Asset Revaluation	
BALANCE, JANUARY 1, 2010	\$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)	-	-	-	-	-	-
Cash dividends - NT\$0.75 per share	-	-	-	-	-	-	-	(909,244)	-	-	-	-	-	(909,244)
Stock dividends - 2.5%	303,082	-	-	-	-	-	-	(303,082)	-	-	-	-	-	-
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	12,426,341	2,175,718	1,213,526	375,941	-	1,718,606	1,000,564	3,129,751	(374,215)	(8,300)	3,578,911	843,106	(36,770)	26,043,179
Appropriation of prior year's earnings:														
Legal reserve	-	-	-	-	-	256,713	-	(256,713)	-	-	-	-	-	-
Cash dividends - NT\$1.0 per share	-	-	-	-	-	-	-	(1,242,634)	-	-	-	-	-	(1,242,634)
Stock dividends - 6%	745,580	-	-	-	-	-	-	(745,580)	-	-	-	-	-	-
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	40,702	-	-	-	-	40,702
Embedded conversion options derived from convertible bonds	-	-	-	-	108,930	-	-	-	-	-	-	-	-	108,930
Adjustment reported by equity-method investees	-	-	-	(185)	-	-	69,031	-	319,219	(12,649)	(261,963)	199	-	113,652
Adjustment arising from changes in percentage of ownership in investees	-	-	-	(10,819)	-	-	-	-	-	-	-	-	-	(10,819)
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(159,052)	-	-	(159,052)
Net income in 2011	-	-	-	-	-	-	-	2,143,115	-	-	-	-	-	2,143,115
BALANCE, DECEMBER 31, 2011	\$13,171,921	\$ 2,175,718	\$ 1,213,526	\$ 364,937	\$ 108,930	\$ 1,975,319	\$ 1,069,595	\$ 3,027,939	\$ (14,294)	\$ (20,949)	\$ 3,157,896	\$ 843,305	\$ (36,770)	\$27,037,073

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 22, 2012)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,143,115	\$ 2,567,143
Depreciation	403,283	440,214
Amortization of deferred charges	3,204	5,061
Amortization of leasehold rights included in rental expense	74,822	74,822
Equity in earnings of equity-method investees, net	(1,148,081)	(1,669,760)
Cash dividends from equity-method investees	1,166,581	1,269,073
Impairment loss on financial assets carried at cost	38,500	12,470
Gain on disposal of investments, net	(4,962)	-
Recognized interest of bonds payable	31,199	-
Impairment loss on idle assets	-	32,931
(Gain) loss on disposal of property and idle assets, net	6,619	(72,531)
Deferred income taxes	122,315	1,641
Increase in prepaid pension cost	(29,721)	(20,881)
Net changes in operating assets and liabilities		
Notes receivable	(23,252)	(2,196)
Accounts receivable	(250,501)	(924)
Related parties - notes and accounts receivable	(11,028)	(4,474)
Related parties - other receivable	(34,277)	31,190
Other receivables	(35,446)	14,071
Inventories	(165,360)	8,719
Prepayments	(60,655)	(113,171)
Other current assets	(2,359)	1,429
Notes and accounts payable	801,007	93,092
Related parties - accounts payable	20,721	6,830
Related parties - other payable	(9,484)	17,434
Income tax payable	(159,958)	198,220
Other payables	43,193	112,977
Advance receipts	214,658	242,058
Other current liabilities	<u>111,044</u>	<u>160,737</u>
Net cash provided by operating activities	<u>3,245,177</u>	<u>3,406,175</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for by the equity method	(361,325)	(100,000)
Proceeds of the disposal of available-for-sale financial assets	8,407	-
Proceeds of the disposal of property and idle assets	598	139,026
Acquisition of property	(4,955,966)	(3,510,006)
Increase in refundable deposits	(4,422)	(115)
Increase in other assets	<u>(40,463)</u>	<u>(2,248)</u>
Net cash used in investing activities	<u>(5,353,171)</u>	<u>(3,473,343)</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term debts	1,250,000	500,000
Increase (decrease) in short-term notes and bills payable	399,812	(149,478)
Repayments of bonds issued	-	(500,000)
Issuance of bonds	2,493,658	1,000,000
Increase (decrease) in long-term borrowings	(519,252)	137,751
Increase (decrease) in deposits received	2,683	(923)
Cash dividends	<u>(1,242,674)</u>	<u>(909,276)</u>
Net cash provided by financing activities	<u>2,384,227</u>	<u>78,074</u>
NET INCREASE IN CASH	276,233	10,906
CASH, BEGINNING OF YEAR	<u>289,824</u>	<u>278,918</u>
CASH, END OF YEAR	<u>\$ 566,057</u>	<u>\$ 289,824</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 418,675	\$ 169,332
Less: Capitalized interest	183,265	139,495
Interest paid, excluding capitalized interest	<u>\$ 235,410</u>	<u>\$ 29,837</u>
Income tax paid	<u>\$ 282,875</u>	<u>\$ 2</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Adjustment to advance receipts and depreciation	<u>\$ 76,990</u>	<u>\$ 95,151</u>
Adjustment to real estate received in advance and proceeds of the disposal of property	<u>\$ -</u>	<u>\$ 36,000</u>
Properties transferred to idle assets	<u>\$ -</u>	<u>\$ 346,340</u>
Adjustment to impairment on revaluation increment, reserve for land value increment tax and unrealized asset revaluation increment	<u>\$ -</u>	<u>\$ 107,609</u>
Current portion of long-term borrowings	<u>\$ -</u>	<u>\$ 995,898</u>
Reclassification of the credit balance on the carrying value of long-term investments to other liability	<u>\$ -</u>	<u>\$ 14,589</u>
CASH PAID FOR ACQUISITION OF PROPERTY		
Acquisition of property	\$ 143,330	\$ 280,990
Acquisition of leasehold rights	1,687,384	1,712,316
Increase in construction in progress and prepayments for equipment	5,898,398	1,364,426
(Increase) decrease in balance payable - property	(2,792,982)	170,149
(Increase) decrease in balance payable - property - related parties	19,836	(17,875)
	<u>\$ 4,955,966</u>	<u>\$ 3,510,006</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 22, 2012)

(Concluded)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Far Eastern Department Stores, Ltd. (the "Company") as of December 31, 2011 and 2010, 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, 2011 and 2010, 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, 2011, Far Eastern Department Stores, Ltd. changed its method for calculating depreciation expenses of the fixed assets obtained until 1998 from the fixed-percentage-of- declining method to the straight- line method.

As stated in Note 28 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 and of the ownership of Pacific Liu Tong Investment Co., Ltd. as well as the settlement of this case will depend on the court's final judgment.

As stated in Note 29 to the financial statements, on February 13, 2012, the Taiwan Taipei District Court assigned Chen-Rong Chuan, Wang-Gong and Jian-Min Qiu as the temporary receivers of Pacific Liu Tong Investment Co. Ltd. Far Eastern Department Stores, Ltd., along with a number of other interested parties, have appealed against the ruling made by the Taiwan Taipei District Court of Taiwan. On February 29, 2012, the Department of Commerce completed the registration of the temporary receivership of Pacific Liu Tong Investment Co., Ltd.

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, 2011 and have expressed a modified unqualified opinion thereon in our report dated March 22, 2012.



March 22, 2012

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. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

3. Supervisors' audit report on 2011 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 2011 and found them in order.

Charles Wang



Philby Chen



March 28th, 2012

III .Matters to be Approved:

1. To accept the 2011 financial statements.

The Board of Directors proposes and recommends that each shareholder votes FOR the acceptance of 2011 business report and financial statements.

Explanatory Notes:

- (1) FEDS's 2011 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.12-P.17**), and has been examined by and determined to be correct and accurate by Supervisors of FEDS. We thereby submit this report.
- (2) The 2011 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 2011 surplus earning.

The Board of Directors proposes and recommends that each shareholder votes FOR the distribution of 2011 surplus earning.

Explanatory Notes:

- (1) All the closing transactions as of December 31, 2011 have been completely closed, and have been audited by the accounting firm, Deloitte and Touche. We thereby submit the proposal for distribution of 2011 profits:

1. Net Income of 2011	N.T\$ 2,143,114,566
2. 10% legal reserve (1*10%)	(214,311,457)

3. Undistributed profits of previous years	884,824,281
4. Earnings available for distribution (4=1-2+3)	2,813,627,390

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

1. Dividend (60%)	N.T\$ 1,189,721,805
2. Cash bonus to shareholders (33%)	654,346,993
3. Total Distribution	1,844,068,798

Note: To distribute employee bonus of NT 79,314,787 and compensation of directors and supervisors of NT 59,486,090.

(3) Undistributed earnings after distribution N.T\$ 969,558,592

(4) The major items of the Distribution of 2011 Dividend :

1. Cash dividends to holders of common share (NT\$ 1.00 per share)	N.T\$ 1,317,191,998
2. Stock dividends to holders of common share (NT\$ 0.40 per share at par value)	526,876,800
3. Total amount of 1.40 per share	1,844,068,798

(5) The distribution of 2011 dividends composes of 2011 surplus earning in priority and the undistributed profit from 1998 to 2010 in case 2011 surplus earning are insufficient to cover 2011 dividends.

(6) After being approved at the annual General Shareholders' meeting (2012), 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 2011 profits.

IV. Discussion and Election

1. To approve the capitalization of 2011 stock dividends.

The Board of Directors proposes and recommends that each shareholder votes FOR the capital increase of 2011 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 shareholders of NT\$ 526,876,800. A total number of 52,687,680 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 40 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 2012 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 & 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 2011 stock dividends.

Resolution:

2. Proposal to amend certain provisions of the Company’s “Rules of Procedure of Stockholders Meeting”.

The Board of Directors proposes and recommends that each shareholder votes FOR the amendments of certain provisions of the Company’s “Rules of Procedure of Stockholders Meeting”.

Please vote.

Board of Directors proposes:

Explanatory Notes:

- (1) Pursuant to the Article 177, paragraph1 of Company Act, Financial Supervisory Commission, Executive Yuan under Ching-Kuan-Cheng-Jiao-Tze No. 1010005306 dated February 20, 2012, coerces the listed companies with more than 10 billion of paid-in capital and more than ten thousands shareholders on the shareholders’ roster of the Company on the latest book closure date into adopting the electronic transmission as one of the methods for exercising the voting power at the shareholders’ meeting.
- (2) In order to co-operate the implementation of voting power by electronic transmission, we propose to amend Article 2 and Article 11 of the Company’s “Rules of Procedure of Stockholders Meeting”. The amended provisions are shown in the attached comparison table.
- (3) Please approve the proposed resolutions.

Resolution:

Section	Proposed Changes	Current Articles
Article 2	<p>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.</p> <p>The stockholders (or proxies) when attending the meeting shall wear admission badge and hand in signed attendance form</p> <p><u>The Company at a stockholders’ meeting shall adopt the electronic transmission as one of the methods for exercising the voting power. The method for exercising the voting power shall be described in the shareholders’ meeting notice to be given to the shareholders. A shareholder who exercises his/her/its voting power at a shareholders meeting by way of</u></p>	<p>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.</p> <p>The stockholders (or proxies) when attending the meeting shall wear admission badge and hand in signed attendance form <u>to be used to calculate the number of attending shares.</u></p>

	<p><u>electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respect of any extemporary motion(s) and/or the amendment(s) and /or substitute to the contents of the original proposal(s) at the said shareholders' meeting.</u></p> <p><u>The attendance to a shareholders' meeting shall be determined subject to shares. The present shares shall be calculated based on the attendance cards as furnished, in addition to the shares exercising voting right in electronic form.</u></p>	<p>The Company may appoint lawyers, accountants or related personnel to attend the stockholders' meeting.</p> <p>The personnel in charge of handling the affairs of the meeting shall wear identification badge or armband.</p> <p>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.</p> <p>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.</p>
Article 11	<p>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.</p> <p><u>The proposal for a resolution shall be deemed approved if the shareholder(s) present(s) no</u></p>	<p>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. <u>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.</u></p>

	<p><u>objection by exercising voting in electronic form and the chairperson inquires and received no objection at a shareholders meeting, the validity of such approval has the same effect as if the resolution has been put to vote.</u></p> <p><u>If the shareholder object the proposal(s), the resolution of proposal(s) should been put to vote. The Chairman can decide that the resolution of proposal(s) should been put to vote one by one, or the resolution of proposals including the proposal to re-elect the directors and supervisors should been put to vote several times or one time with counting of votes by each proposal.</u></p> <p>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.</p>	<p>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.</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.

3. Proposal to amend certain provisions of the Company’s “Procedures for Acquisition and Disposition of Assets”

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

Please vote.

Board of Directors proposes:

Explanatory Notes:

(1) We propose to amend Article 6, Article 7 and Article 8, Article 9 , Article 11, Article 12 and Article 14 and Article 16 and add Article 9-1 of the Company’s “Procedures for Acquisition and Disposition of Assets” pursuant to the official letter of Financial Supervisory Commission, Executive Yuan under Ching-Kuan-Cheng-Fa-Tze No. 1010004588 dated February 13, 2012. The amended provisions are shown in the attached comparison table.

(2) Please approve the proposed resolutions.

Resolution:

Section	Proposed Changes	Current Articles
Article 6	<p>Acquisition or Disposition of Securities</p> <p>1) Evaluation process</p> <p>a) For investments in securities, the Finance Department or other relevant units shall undertake the relevant financial analysis and projection of potential returns as well as evaluation of potential investment risks in relation to the said investment.</p> <p>b) Investments by the Company in securities traded on centralized exchange markets or over the counter markets shall be decided by the responsible unit in accordance with the prevailing market conditions; investments by the Company in securities not traded on centralized exchange markets or over the counter markets shall require the latest audited or reviewed financial reports of the target company as reference for the evaluation of transaction price, taking into consideration the net asset value per share, profitability and future potential, etc.</p> <p>2) Experts' opinions</p> <p>a) The Company acquiring or disposing of securities shall, <u>prior to the date of occurrence of the event</u>, first obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is twenty per cent (20%) of the Company's paid-in capital or NT\$300 million or more, the Company shall also engage a certified public accountant <u>prior to the date of occurrence of the event</u> to provide an opinion regarding the reasonableness of the transaction price. <u>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u> This requirement does not apply, however, to publicly quoted price of securities that have an active market, or where otherwise provided by regulations of Competent Authorities.</p> <p>b) Where assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Process in determining authorized investment limit and responsible units</p> <p>Prior to the Company acquiring or disposing</p>	<p>Acquisition or Disposition of Securities</p> <p>1) Evaluation process</p> <p>a) For investments in securities, the Finance Department or other relevant units shall undertake the relevant financial analysis and projection of potential returns as well as evaluation of potential investment risks in relation to the said investment.</p> <p>b) Investments by the Company in securities traded on centralized exchange markets or over the counter markets shall be decided by the responsible unit in accordance with the prevailing market conditions; investments by the Company in securities not traded on centralized exchange markets or over the counter markets shall require the latest audited or reviewed financial reports of the target company as reference for the evaluation of transaction price, taking into consideration the net asset value per share, profitability and future potential, etc.</p> <p>2) Experts' opinions</p> <p>a) The Company acquiring or disposing of securities shall first obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is twenty per cent (20%) of the Company's paid-in capital or NT\$300 million or more, the Company shall also engage a certified public accountant to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted price of securities that have an active market, or where otherwise provided by regulations of Competent Authorities.</p> <p>b) Where assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Process in determining authorized investment limit and responsible units</p> <p>Prior to the Company acquiring or disposing</p>

	<p>securities, the Finance Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	<p>securities, the Finance Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>
Article 7	<p>Acquisition or disposition of real property or other fixed assets</p> <p>1) Evaluation process</p> <p>a) For investments in real property and fixed assets, the Accounting Department or other relevant units shall undertake the projection of potential returns as well as evaluation of potential investment risks in relation to the said investment based on the current operation and financial conditions and future development plan.</p> <p>b) The proposed acquisition or disposition of real property shall require analysis reports taking reference to their current published value, appraised values and transactions prices for neighboring real properties, etc., along with suggested transaction conditions and prices.</p> <p>c) The proposed acquisition or disposition of other fixed assets shall carry out by way of any of the following: price inquiry; price comparison; negotiated prices or tender.</p> <p>2) Valuation reports for real property or other fixed assets.</p> <p>In the case of real property or other fixed assets acquired or disposed by the Company other than as a result of transactions with the government, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipments and facilities for business operation purposes, where their transaction value is the amount equivalent to twenty per cent (20%) of the Company's paid-in capital or NT\$ 300 million or above, the Company shall firstly require</p>	<p>Acquisition or disposition of real property or other fixed assets</p> <p>1) Evaluation process</p> <p>a) For investments in real property and fixed assets, the Accounting Department or other relevant units shall undertake the projection of potential returns as well as evaluation of potential investment risks in relation to the said investment based on the current operation and financial conditions and future development plan.</p> <p>b) The proposed acquisition or disposition of real property shall require analysis reports taking reference to their current published value, appraised values and transactions prices for neighboring real properties, etc., along with suggested transaction conditions and prices.</p> <p>c) The proposed acquisition or disposition of other fixed assets shall carry out by way of any of the following: price inquiry; price comparison; negotiated prices or tender.</p> <p>2) Valuation reports for real property or other fixed assets.</p> <p>In the case of real property or other fixed assets acquired or disposed by the Company other than as a result of transactions with the government, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipments and facilities for business operation purposes, where their transaction value is the amount equivalent to twenty per cent (20%) of the Company's paid-in capital or NT\$ 300 million or above, the Company shall firstly require</p>

	<p>professional appraiser <u>prior to the date of occurrence of the event</u> to furnish their valuation report (which report shall specify the matters set out in Appendix from the Regulations Governing the Acquisition and Disposal of Assets by Public Companies); furthermore, the following provisions shall be complied with:</p> <p>a) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>b) Where the transaction amount is NT\$ 1 billion or more, two (2) or more professional appraiser shall be engaged to provide their appraisals.</p> <p>c) Where the appraisal prices from professional appraiser come under one of the following, <u>unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount,</u> accountants shall be engaged to handle the matter pursuant to the provisions of Auditing Standards No. 20 promulgated by ARDF; furthermore the said accountants shall be required to provide their opinions in respect of the reasons for such discrepancy and the fairness of the transaction price:</p> <p style="padding-left: 40px;">i) The appraisal results differ from the transaction amount by twenty per cent (20%) or greater;</p> <p style="padding-left: 40px;">ii) The difference between the appraisal result provided by two or more professional appraisers and the transaction price is ten per cent (10%) or greater.</p> <p>d) <u>A professional appraiser</u> shall not be dated beyond three (3) months prior to the date of the contract; however where an appropriate value published during the same period but not</p>	<p>professional appraiser to furnish their valuation report (which report shall specify the matters set out in Appendix from the Regulations Governing the Acquisition and Disposal of Assets by Public Companies); furthermore, the following provisions shall be complied with:</p> <p>a) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>b) Where the transaction amount is NT\$ 1 billion or more, two (2) or more professional appraiser shall be engaged to provide their appraisals.</p> <p>c) Where the appraisal prices from professional appraiser come under one of the following, accountants shall be engaged to handle the matter pursuant to the provisions of Auditing Standards No. 20 promulgated by ARDF; furthermore the said accountants shall be required to provide their opinions in respect of the reasons for such discrepancy and the fairness of the transaction price:</p> <p style="padding-left: 40px;">i) The appraisal results differ from the transaction amount by twenty per cent (20%) or greater;</p> <p style="padding-left: 40px;">ii) The difference between the appraisal result provided by two or more professional appraisers and the transaction price is ten per cent (10%) or greater.</p> <p>d) <u>Pre-contract appraisal</u> shall not be dated beyond three (3) months prior to the date of the contract; however where an appropriate value published during the same period but not</p>
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	<p>exceeding six (6) months, the original professional appraiser may issue its opinion in respect of the said value.</p> <p>e) Where real property or other fixed assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> <p>3) Process in determining authorized investment limit and responsible units</p> <p>Prior to the Company acquiring or disposing real property or other fixed assets, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	<p>exceeding six (6) months, the original professional appraiser may issue its opinion in respect of the said value.</p> <p>e) Where real property or other fixed assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> <p>3) Process in determining authorized investment limit and responsible units</p> <p>Prior to the Company acquiring or disposing real property or other fixed assets, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>
Article 8	<p><u>Related Parties Transaction</u></p> <p>1) When a public company <u>engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of this Article.</u> In deciding whether the other party to the transaction is a related party, in addition to the forms as provided by law, the Company shall also consider the substantive relationship.</p> <p>2) Evaluation and Procedures</p> <p>The Company <u>intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than</u></p>	<p><u>Acquisition of Real Property from Related Parties</u></p> <p>1) Where the Company <u>acquires real property from related parties by way of sale or exchange, without prejudice to the applicability of the aforesaid articles in respect of real property, the Company shall pursuant to the provisions of this Article undertake the relevant resolution and appraisal of the fairness of transaction conditions, etc.</u> In deciding whether the other party to the transaction is a related party, in addition to the forms as provided by law, the Company shall also consider the substantive relationship.</p> <p>2) Evaluation and Procedures</p> <p>The Company <u>shall, if it acquires real property from related parties, submit the Board of Directors for approval and Supervisors for recognition the</u></p>

<p><u>real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</u></p> <p>a) The purpose, necessity and anticipated benefit of the acquisition <u>or disposal of the asset.</u></p> <p>b) Reasons for transacting with related parties;</p> <p>c) <u>With respect to the acquisition of real property from a related party,</u> information relating to the appraisal of the fairness of the proposed transaction conditions pursuant to items 3) a) and d) herein;</p> <p>d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>e) Forecast of monthly cash income within one (1) year from the date of the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use of fund; and</p> <p>f) <u>An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Article 8, paragraph 1 herein</u></p> <p>g) <u>Restrictions on this transaction and other key contractual issues.</u></p> <p><u>Where the position of independent director has been created by the Company, when a matter is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</u></p>	<p><u>following information prior to proceeding with the transaction:</u></p> <p>a) The purpose, necessity and anticipated benefit of the acquisition of <u>the said real property,</u></p> <p>b) Reasons for transacting with related parties;</p> <p>c) Information relating to the appraisal of the fairness of the proposed transaction conditions pursuant to items 3) a) and d) herein;</p> <p>d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>e) Forecast of monthly cash income within one (1) year from the date of the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use of fund; and</p> <p>f) Restrictions on this transaction and other key contractual issues.</p>
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	<p>3) Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p>i) Addition to the related party's transaction price the necessary interest on funding and the costs to be borne by the purchaser. "Necessary interest on funding" shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p> <p>ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for the purposes of the extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy per cent (70%) of the appraised value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not apply where the said financial institution and the party to the transaction are themselves related parties.</p> <p>b) Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for both the land and the buildings shall be separately evaluated using either of the abovementioned methods.</p> <p>c) In the case of the Company acquiring real property from related parties, in addition to the appraisal of the costs of the said real property in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p> <p>d) Under any one of the following circumstances in which the Company acquires real property from related parties, it need only undertake items 1)</p>	<p>3) Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p>i) Addition to the related party's transaction price the necessary interest on funding and the costs to be borne by the purchaser. "Necessary interest on funding" shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p> <p>ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for the purposes of the extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy per cent (70%) of the appraised value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not apply where the said financial institution and the party to the transaction are themselves related parties.</p> <p>b) Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for both the land and the buildings shall be separately evaluated using either of the abovementioned methods.</p> <p>c) In the case of the Company acquiring real property from related parties, in addition to the appraisal of the costs of the said real property in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p> <p>d) Under any one of the following circumstances in which the Company acquires real property from related parties, it need only undertake items 1)</p>
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	<p>and 2) herein; the evaluation of fairness of transaction cost as provided for in items a), b) and c) hereunder shall not apply:</p> <p>i) The related party having obtained the real property by way of inheritance or gift;</p> <p>ii) The time lapse between the related party's contract for acquisition of the real property and this transaction exceeds five(5) years; or</p> <p>iii)The Company obtaining the real property by way of joint development contract entered with the related party.</p> <p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f) and g) hereunder; however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p> <p>A. The undeveloped land being valued in the methods provided hereinabove, and the buildings being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. Successful transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one</p>	<p>and 2) herein; the evaluation of fairness of transaction cost as provided for in items a), b) and c) hereunder shall not apply:</p> <p>i) The related party having obtained the real property by way of inheritance or gift;</p> <p>ii) The time lapse between the related party's contract for acquisition of the real property and this transaction exceeds five(5) years; or</p> <p>iii)The Company obtaining the real property by way of joint development contract entered with the related party.</p> <p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f) and g) hereunder; however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p> <p>A. The undeveloped land being valued in the methods provided hereinabove, and the buildings being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. Successful transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one</p>
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	<p>(1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the practice for sale and purchase of real property.</p> <p>C. Successful rental cases by non-related parties involving other floors of the subject matter within the past one (1) year and with non-related parties, their conditions being comparable to those of rental agreements in which there are estimates of acceptable difference between floor levels in accordance with the practice for rental of real property.</p> <p>ii) The Company providing evidence that the transaction conditions of its purchase of real property from related party are comparable with those successful cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. "Successful cases within the neighboring areas" shall in principle include those in the same or adjacent street and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar. "Approximately similar space" shall in principle include the spaces of those transacted cases between non-related parties that are not less than fifty per cent (50%) of that of the subject matter.</p> <p>f) Where the appraisal results pursuant to the preceding items are all lower than the transaction price, the Company shall undertake the following:</p> <p>i) With respect to the difference between the transaction price for the real property and the evaluated costs, set aside special profit/loss reserve, in compliance with Article 41(1) of the Securities and Exchange Law, which shall not be distributed or allocated in the form of stock dividends. Where investors of the Company that adopt</p>	<p>(1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price difference between floor levels or areas in accordance with the practice for sale and purchase of real property.</p> <p>C. Successful rental cases by non-related parties involving other floors of the subject matter within the past one (1) year and with non-related parties, their conditions being comparable to those of rental agreements in which there are estimates of acceptable difference between floor levels in accordance with the practice for rental of real property.</p> <p>ii) The Company providing evidence that the transaction conditions of its purchase of real property from related party are comparable with those successful cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. "Successful cases within the neighboring areas" shall in principle include those in the same or adjacent street and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar. "Approximately similar space" shall in principle include the spaces of those transacted cases between non-related parties that are not less than fifty per cent (50%) of that of the subject matter.</p> <p>f) Where the appraisal results pursuant to the preceding items are all lower than the transaction price, the Company shall undertake the following:</p> <p>i) With respect to the difference between the transaction price for the real property and the evaluated costs, set aside special profit/loss reserve, in compliance with Article 41(1) of the Securities and Exchange Law, which shall not be distributed or allocated in the form of stock dividends. Where investors of the Company that adopt</p>
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	<p>the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special profit/loss reserve for the amount according to their respective shareholding;</p> <p>ii) The Supervisors shall undertake measures in compliance with Article 218 of the Company Law;</p> <p>iii) The Shareholders' Meeting shall be informed of measures under items i) and ii) hereinabove, with details of the transaction to be disclosed in the Company's annual report or prospectus.</p> <p>g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at premium, or they have been disposed of, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>h) When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arm's- length transaction.</p> <p><u>4) The deciding procedure and the units responsible for implementation about the degree of authority delegated.</u></p> <p><u>Prior to the acquisition or disposal of business-use machinery and equipment between the Company and its subsidiaries, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. The Chairman shall have the authority to approve/disapprove investments which amount is below NT\$ 300 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</u></p>	<p>the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special profit/loss reserve for the amount according to their respective shareholding;</p> <p>ii) The Supervisors shall undertake measures in compliance with Article 218 of the Company Law;</p> <p>iii) The Shareholders' Meeting shall be informed of measures under items i) and ii) hereinabove, with details of the transaction to be disclosed in the Company's annual report or prospectus.</p> <p>g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at premium, or they have been disposed of, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>h) When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arm's- length transaction.</p>
Article 9	Acquisition of Club Membership or Intangible Assets 1) Evaluation and Process a) Acquisition or disposition of club memberships	Acquisition of Club Membership or Intangible Assets 1) Evaluation and Process a) Acquisition or disposition of club memberships

	<p>shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration fair market price, and compiled into analysis report. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>b) Acquisition or disposition of intangible assets shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration expert's valuation report or fair market price, and compiled into analysis reports for approval by the Board of Directors before proceeding with the same.</p> <p>2) Expert's Valuation Report on Club Membership or Intangible Assets</p> <p>a) Expert's valuation report shall be required in the case of acquisition or disposition of intangible assets.</p> <p>b) Where the transaction amount for acquisition or disposition of club membership or intangible assets exceeds twenty per cent (20%) of the Company's paid-in capital or NT\$300 million, accountants shall, <u>prior to the date of occurrence of the event</u>, be engaged to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Implementation</p> <p>The Company may only proceed with the acquisition or disposition of club membership or intangible assets after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>	<p>shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration fair market price, and compiled into analysis report. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>b) Acquisition or disposition of intangible assets shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration expert's valuation report or fair market price, and compiled into analysis reports for approval by the Board of Directors before proceeding with the same.</p> <p>2) Expert's Valuation Report on Club Membership or Intangible Assets</p> <p>a) Expert's valuation report shall be required in the case of acquisition or disposition of intangible assets.</p> <p>b) Where the transaction amount for acquisition or disposition of club membership or intangible assets exceeds twenty per cent (20%) of the Company's paid-in capital or NT\$300 million, accountants shall be engaged to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Implementation</p> <p>The Company may only proceed with the acquisition or disposition of club membership or intangible assets after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>
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<p>Article 9-1</p>	<p><u>The calculation of transaction amount refer to Article 6, Article7, Article 8 1) and Article9 shall be done in accordance with Article 12 1) f) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</u></p> <p><u>The calculation of transaction amount refer to Article 8 2) shall be done in accordance with Article 12 1) f) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.</u></p>	
<p>Article 11</p>	<p>Mergers, Demergers, Acquisitions or Transfer of Shareholding</p> <p>1) Evaluation and Process</p> <p>a) The Company shall, prior to the Board of Directors' meeting to approve propose mergers, demergers, acquisitions or transfer of shareholding by way of its resolution, require the Accounting Department to seek opinions from accountants, lawyers or securities underwriters in respect of the share swap ratio, acquisition price or distribution of cash to shareholders or the propriety for other assets, the said opinions to be forwarded to the Board of Directors for their discussion.</p> <p>b) Public companies involved in the merger, demerger or acquisition shall, prior to their respective Shareholders' Meeting, compile public documents addressed to their shareholders, which documents shall set out the key contractual terms of the said merger, demerger or acquisition as well as relevant issues including experts' opinions abovementioned as reference, forwarded to their shareholders along with the notices of Shareholders' Meeting to vote for or against the said merger, demerger or acquisition. Without prejudice to the aforesaid, it shall not apply where pursuant to other laws and regulations, shareholders' resolutions are not required in respect of mergers, demergers or mergers.</p>	<p>Mergers, Demergers, Acquisitions or Transfer of Shareholding</p> <p>1) Evaluation and Process</p> <p>a) The Company shall, prior to the Board of Directors' meeting to approve propose mergers, demergers, acquisitions or transfer of shareholding by way of its resolution, require the Accounting Department to seek opinions from accountants, lawyers or securities underwriters in respect of the share swap ratio, acquisition price or distribution of cash to shareholders or the propriety for other assets, the said opinions to be forwarded to the Board of Directors for their discussion.</p> <p>b) Public companies involved in the merger, demerger or acquisition shall, prior to their respective Shareholders' Meeting, compile public documents addressed to their shareholders, which documents shall set out the key contractual terms of the said merger, demerger or acquisition as well as relevant issues including experts' opinions abovementioned as reference, forwarded to their shareholders along with the notices of Shareholders' Meeting to vote for or against the said merger, demerger or acquisition. Without prejudice to the aforesaid, it shall not apply where pursuant to other laws and regulations, shareholders' resolutions are not required in respect of mergers, demergers or mergers.</p>

	<p>c) Where there is insufficient quorum, votes or other legal restrictions for convening Shareholders' Meetings of any of the companies involved in the merger, demerger or acquisition, such that the Shareholders' Meeting or resolutions cannot be convened or passed or where the proposal has been voted against, the said companies shall immediately publicly disclose the occurrence, reasons, subsequent measures and projected dates for Shareholders' Meetings.</p> <p>2) Other Issues of Note</p> <p>a) Dates of Board of Directors' meeting and Shareholders' Meeting: A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the Competent Authorities is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call board of directors meeting on the day of the transaction, unless another act provides otherwise or the Competent Authorities is notified in advance of extraordinary circumstances and grants consent.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for five (5) years for reference:</p> <p>i) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</p> <p>ii) Date of material events: Including the signing of any letter of intent or</p>	<p>c) Where there is insufficient quorum, votes or other legal restrictions for convening Shareholders' Meetings of any of the companies involved in the merger, demerger or acquisition, such that the Shareholders' Meeting or resolutions cannot be convened or passed or where the proposal has been voted against, the said companies shall immediately publicly disclose the occurrence, reasons, subsequent measures and projected dates for Shareholders' Meetings.</p> <p>2) Other Issues of Note</p> <p>a) Dates of Board of Directors' meeting and Shareholders' Meeting: A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the Competent Authorities is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call board of directors meeting on the day of the transaction, unless another act provides otherwise or the Competent Authorities is notified in advance of extraordinary circumstances and grants consent.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for five (5) years for reference:</p> <p>i) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</p> <p>ii) Date of material events: Including the signing of any letter of intent or</p>
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	<p>memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>iii) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall, <u>within two (2) days commencing immediately from the date of</u> passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out at preceding paragraph "basic identification data for personnel" and "Date of material events" to the Competent Authorities for recordation.</p> <p>Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the later is required to abide by the previous provisions.</p> <p>b) Undertaking to maintain confidentiality prior to public disclosure: All persons involved in or aware of the proposals relating to the merger, demerger or acquisition of their companies or transfer of shareholding shall furnish in writing their undertaking to maintain confidentiality, and shall not, prior to the information being publicly disclosed, not disclose the contents of the said proposal, or on their own names or in the names of other persons, trade in the shares and other securities of an equity nature, of all the companies involved in the said merger,</p>	<p>memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>iii) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall, <u>within two (2) days of</u> passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out at preceding paragraph "basic identification data for personnel" and "Date of material events" to the Competent Authorities for recordation.</p> <p>Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the later is required to abide by the previous provisions.</p> <p>b) Undertaking to maintain confidentiality prior to public disclosure: All persons involved in or aware of the proposals relating to the merger, demerger or acquisition of their companies or transfer of shareholding shall furnish in writing their undertaking to maintain confidentiality, and shall not, prior to the information being publicly disclosed, not disclose the contents of the said proposal, or on their own names or in the names of other persons, trade in the shares and other securities of an equity nature, of all the companies involved in the said merger,</p>
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	<p>demerger, acquisition or transfer of shareholding.</p> <p>c) Principles regarding determination of and amendment to share-swap ratio or acquisition price: Except under the following circumstances, which circumstances shall be also stipulated in the contracts for merger, demerger, acquisition or shareholding transfer for the purposes of variations to the terms therein, the Company shall not change the share swap ratio or acquisition price:</p> <p>i) Increase in share capital by way of new issues; issuance of convertible bonds; distribution of stock dividends without consideration; issuance of corporate bonds attached with warrants; issuance of special shares attached with warrants; issuance of warrants or other securities of equity nature;</p> <p>ii) Disposal of the Company's major assets such that the Company's finances and businesses will be affected;</p> <p>iii) Occurrence of major disasters and major transformation in technology such that the shareholders' equity or the price of its stock will be affected;</p> <p>iv) Adjustments by any of the companies involved in the said merger, demerger, acquisition or shareholding transfer resulting from treasury stock in accordance with law;</p> <p>v) Changes in the corporate entity or number of companies involved in the said merger, demerger, acquisition or shareholding transfer; and</p> <p>vi) Other terms stipulated in the contracts as being variable, and which have already been publicly disclosed.</p> <p>d) Items to be stipulated in the contracts: Other than in conformity with Article 317-1 of the Company Law and Article 22 of Corporate Merger and Acquisition Act, the contracts for merger, demerger, acquisition or shareholding transfer shall stipulate the following items:</p>	<p>demerger, acquisition or transfer of shareholding.</p> <p>c) Principles regarding determination of and amendment to share-swap ratio or acquisition price: Except under the following circumstances, which circumstances shall be also stipulated in the contracts for merger, demerger, acquisition or shareholding transfer for the purposes of variations to the terms therein, the Company shall not change the share swap ratio or acquisition price:</p> <p>i) Increase in share capital by way of new issues; issuance of convertible bonds; distribution of stock dividends without consideration; issuance of corporate bonds attached with warrants; issuance of special shares attached with warrants; issuance of warrants or other securities of equity nature;</p> <p>ii) Disposal of the Company's major assets such that the Company's finances and businesses will be affected;</p> <p>iii) Occurrence of major disasters and major transformation in technology such that the shareholders' equity or the price of its stock will be affected;</p> <p>iv) Adjustments by any of the companies involved in the said merger, demerger, acquisition or shareholding transfer resulting from treasury stock in accordance with law;</p> <p>v) Changes in the corporate entity or number of companies involved in the said merger, demerger, acquisition or shareholding transfer; and</p> <p>vi) Other terms stipulated in the contracts as being variable, and which have already been publicly disclosed.</p> <p>d) Items to be stipulated in the contracts: Other than in conformity with Article 317-1 of the Company Law and Article 22 of Corporate Merger and Acquisition Act, the contracts for merger, demerger, acquisition or shareholding transfer shall stipulate the following items:</p>
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	<p>i) Measures for breach of contract;</p> <p>ii) Principles for handling shares or securities of an equity nature that have been issued by extinguished companies as a result of merger or companies prior to their demerger or shares that have been acquired following a buyback program;</p> <p>iii) The principles for handling treasury stock by the companies involved and the quantity associated therewith in accordance with law subsequent to the record date on which the share-swap ratio is set;</p> <p>iv) Measures to be taken where there are changes in the corporate entity or number of companies involved;</p> <p>v) Projected progress of implementation of proposal and projected completion date;</p> <p>vi) Where the proposal could not be completed in time, the relevant measures to be taken such as the date of Shareholders' Meeting to be convened in accordance with law.</p> <p>e) Where, following the public disclosure of information relating to the merger, demerger, acquisition or shareholding transfer, any of the companies involved proposes to undergo merger, demerger, acquisition or shareholding transfer with other companies, the completed processes or legal proceeding relating to the original merger, demerger, acquisition or shareholding transfer shall be re-instituted by all of the companies involved (re-acted upon), except where there is a reduction in the number of companies involved, and the Shareholders' Meeting had resolved and authorized the Board of Directors to undertake variations, in which case the companies involved shall not be required to convene another Shareholders' Meeting for new resolutions.</p> <p>f) Where the companies involved in the merger, demerger, acquisition or shareholding transfer are not public companies, the Company shall execute contracts with the same, and shall</p>	<p>i) Measures for breach of contract;</p> <p>ii) Principles for handling shares or securities of an equity nature that have been issued by extinguished companies as a result of merger or companies prior to their demerger or shares that have been acquired following a buyback program;</p> <p>iii) The principles for handling treasury stock by the companies involved and the quantity associated therewith in accordance with law subsequent to the record date on which the share-swap ratio is set;</p> <p>iv) Measures to be taken where there are changes in the corporate entity or number of companies involved;</p> <p>v) Projected progress of implementation of proposal and projected completion date;</p> <p>vi) Where the proposal could not be completed in time, the relevant measures to be taken such as the date of Shareholders' Meeting to be convened in accordance with law.</p> <p>e) Where, following the public disclosure of information relating to the merger, demerger, acquisition or shareholding transfer, any of the companies involved proposes to undergo merger, demerger, acquisition or shareholding transfer with other companies, the completed processes or legal proceeding relating to the original merger, demerger, acquisition or shareholding transfer shall be re-instituted by all of the companies involved (re-acted upon), except where there is a reduction in the number of companies involved, and the Shareholders' Meeting had resolved and authorized the Board of Directors to undertake variations, in which case the companies involved shall not be required to convene another Shareholders' Meeting for new resolutions.</p> <p>f) Where the companies involved in the merger, demerger, acquisition or shareholding transfer are not public companies, the Company shall execute contracts with the same, and shall</p>
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	furthermore be in compliance with items a), b) and e) herein	furthermore be in compliance with items a), b) and e) herein
Article 12	<p>Procedure for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p> <p>a) <u>Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements.</u></p> <p>b) <u>Undertaking merger, demerger, merger or shareholding transfer;</u></p> <p>c) <u>Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) f);</u></p> <p>d) <u>Transactions relating to assets other than those stipulated hereinabove or investments in the mainland China area, where their transaction amounts reach twenty per cent (20%) of the Company's paid-in capital or equal or greater than NT\$ 300 million, with the following exceptions:</u></p> <p>i) Sale and purchase of government bonds;</p> <p>ii) Sale and purchase of bonds with call or put options;</p> <p>iii) The assets so acquired or disposed are equipments for business purposes and in which the counterparties are not related parties, and that the transaction amount less than NT\$ 500 million;</p> <p>iv) Real property obtained by way of entrusted construction on own land, <u>engaging others to build on rented land</u>, division of property or profits deriving from sale of property following joint-development, where the projected amount to be invested in the</p>	<p>Procedure for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p> <p>a) <u>Real property obtained from related parties;</u></p> <p>b) <u>Undertaking investments in the Mainland;</u></p> <p>c) <u>Undertaking merger, demerger, merger or shareholding transfer;</u></p> <p>d) <u>Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) f);</u></p> <p>e) <u>Transactions relating to assets other than those stipulated hereinabove, where their transaction amounts reach twenty per cent (20%) of the Company's paid-in capital or equal or greater than NT\$ 300 million, with the following exceptions:</u></p> <p>i) Sale and purchase of government bonds;</p> <p>ii) Sale and purchase of bonds with call or put options;</p> <p>iii) The assets so acquired or disposed are equipments for business purposes and in which the counterparties are not related parties, and that the transaction amount less than NT\$ 500 million;</p> <p>iv) Real property obtained by way of entrusted construction on own land, division of property or profits deriving from sale of property following joint-development, where the projected amount to be invested in the transaction less than NT\$ 500</p>

	<p>transaction less than NT\$ 500 million;</p> <p><u>e)</u> The calculation of transaction amount for <u>a)</u> to <u>d)</u> above as follows:</p> <p>i) Each single transaction amount;</p> <p>ii) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature;</p> <p>iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property under the same development project within one (1) year;</p> <p>iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year.</p> <p><u>f) "Within the preceding year" as used in e) refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</u></p> <p>2) Time Limit for Public Announcement and Reports Public announcement and submission of report in respect of acquisition or disposition of assets by the Company under items a) to <u>d)</u> above, shall be undertaken <u>within two (2) days of commencing immediately from the date of occurrence of the event.</u></p> <p>3) Procedure for Public Announcement</p> <p>a) The Company shall undertake public announcement and report at the web-site appointed by the FSC;</p> <p>b) The Company shall on a monthly basis, and before the 10th day of each month, enter at the information and reporting web-site appointed by the FSC, all derivative trades undertaken for the preceding month by the Company and its non-public subsidiaries;</p>	<p>million;</p> <p><u>f)</u> The calculation of transaction amount <u>for e)</u> above as follows:</p> <p>i) Each single transaction amount;</p> <p>ii) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature;</p> <p>iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property under the same development project within one (1) year;</p> <p>iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year.</p> <p>2) Time Limit for Public Announcement and Reports Public announcement and submission of report in respect of acquisition or disposition of assets by the Company under items a) to <u>e)</u> above, shall be undertaken <u>within two (2) days of the event.</u></p> <p>3) Procedure for Public Announcement</p> <p>a) The Company shall undertake public announcement and report at the web-site appointed by the FSC;</p> <p>b) The Company shall on a monthly basis, and before the 10th day of each month, enter at the information and reporting web-site appointed by the FSC, all derivative trades undertaken for the preceding month by the Company and its non-public subsidiaries;</p>
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	<p>c) Where there are errors and omissions for which corrections are required in the Company's public announcement and reports in conformity with regulations, the Company shall cause all of the items to be re-published;</p> <p>d) Where any of the following events has occurred following the Company's public announcement and reports in respect of its transactions pursuant to regulations, the Company shall <u>within two (2) days of commencing immediately from the date of occurrence of</u> the said events undertake public announcement and report in respect of the relevant information at the web-site appointed by FSC:</p> <p>i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p>ii) Failure of merger, demerger, acquisition or shareholding transfer to be completed at the prescribed dates.</p> <p>iii) <u>Change to the originally publicly announced and reported information.</u></p> <p>4) Format of Pubic Announcement</p> <p>The matters to be announced and the format for public announcement by the Company in respect of acquisition or disposition of assets pursuant to these Procedures shall be as those in Appendix from the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>	<p>c) Where there are errors and omissions for which corrections are required in the Company's public announcement and reports in conformity with regulations, the Company shall cause all of the items to be re-published;</p> <p>d) Where any of the following events has occurred following the Company's public announcement and reports in respect of its transactions pursuant to regulations, the Company shall <u>within two (2) days of</u> the said events undertake public announcement and report in respect of the relevant information at the web-site appointed by FSC:</p> <p>i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p>ii) Failure of merger, demerger, acquisition or shareholding transfer to be completed at the prescribed dates.</p> <p>4) Format of Pubic Announcement</p> <p>The matters to be announced and the format for public announcement by the Company in respect of acquisition or disposition of assets pursuant to these Procedures shall be as those in Appendix from the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>
Article 14	<p>Subsidiaries of the Company shall comply with the following:</p> <p>1) The subsidiaries shall also formulate <u>and implement</u> their respective "Procedures for Acquisition or Disposition of Assets" in accordance with the provisions of "Regulations Governing Acquisition or Disposition of Assets by Public Companies", after the approval of their respective Board of Directors and Shareholders' Meeting, a copy of the said procedure shall be submitted to the accounting department of the Company and the subsidiary shall be listed and summarized by the</p>	<p>Subsidiaries of the Company shall comply with the following:</p> <p>1) The subsidiaries shall also formulate their respective "Procedures for Acquisition or Disposition of Assets" in accordance with the provisions of "Regulations Governing Acquisition or Disposition of Assets by Public Companies", after the approval of their respective Board of Directors and Shareholders' Meeting, a copy of the said procedure shall be submitted to the accounting department of the Company and the subsidiary shall be listed and summarized by the accounting</p>

	<p>accounting department of the Company to the Company's Board of Directors for approval. The aforesaid shall also apply to amendments to the said procedures.</p> <p>2) The Board of Directors of the respective subsidiaries shall formulate the limits in respect of the said subsidiaries' acquisition of real property that are not for business use or the aggregate amount of securities or individual securities it may invest.</p> <p>3) The subsidiaries of the Company shall on their own examine whether the Procedure of acquisition or disposition of assets formulated by them conform with the provisions of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies", and the relative matters in respect of the acquisition or disposition of assets conform with the Procedure of acquisition or disposition of assets formulated by them. The Auditing Office of the Company shall reexamine the reports of the subsidiaries.</p> <p>4) Where the subsidiaries are not local public companies, the Company shall undertake the public announcement and report in respect of the said subsidiaries' acquisition or disposal of assets, where the same are required to be disclosed pursuant to the provisions of "Regulations Governing Acquisition or Disposition of Assets by Public Companies".</p> <p>5) For public announcement and reports of subsidiaries, "twenty per cent (20%) of the companies' paid-in capital <u>or ten percent (10%) of the total assets</u> " shall mean the paid-in capital <u>or total assets</u> of the Company.</p>	<p>department of the Company to the Company's Board of Directors for approval. The aforesaid shall also apply to amendments to the said procedures.</p> <p>2) The Board of Directors of the respective subsidiaries shall formulate the limits in respect of the said subsidiaries' acquisition of real property that are not for business use or the aggregate amount of securities or individual securities it may invest.</p> <p>3) The subsidiaries of the Company shall on their own examine whether the Procedure of acquisition or disposition of assets formulated by them conform with the provisions of " Regulations Governing the Acquisition and Disposal of Assets by Public Companies", and the relative matters in respect of the acquisition or disposition of assets conform with the Procedure of acquisition or disposition of assets formulated by them. The Auditing Office of the Company shall reexamine the reports of the subsidiaries.</p> <p>4) Where the subsidiaries are not local public companies, the Company shall undertake the public announcement and report in respect of the said subsidiaries' acquisition or disposal of assets, where the same are required to be disclosed pursuant to the provisions of "Regulations Governing Acquisition or Disposition of Assets by Public Companies".</p> <p>5) For public announcement and reports of subsidiaries, "twenty per cent (20%) of the companies' paid-in capital <u>or ten percent (10%) of the total assets</u> " shall mean the paid-in capital <u>or total assets</u> of the Company.</p>
Article 16	<p>Following the approval by the Board of Directors of these Procedures, the same shall be forwarded to the respective Supervisors and shall furthermore be submitted for approval at the Shareholders' Meeting. The same procedure shall apply in the case of amendments. The directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to the Supervisors.</p> <p><u>Where the position of independent director has been created by the Company, when a matter is submitted for discussion by the board of directors pursuant to the</u></p>	<p>Following the approval by the Board of Directors of these Procedures, the same shall be forwarded to the respective Supervisors and shall furthermore be submitted for approval at the Shareholders' Meeting. The same procedure shall apply in the case of amendments. The directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to the Supervisors.</p>

	<p><u>preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting</u></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.

4. Proposal to re-elect the Company's Directors/Supervisors.

The Board of Directors proposes and recommends that each shareholder votes FOR the re-election of the Company's Directors/Supervisors.

Please vote.

Board of Directors proposes:

Explanatory Notes:

- (1) Pursuant to the Article 17 and Article 18 of the Company's Articles of Incorporation, there shall be 7 to 9 Directors and 2 Supervisors of the Company, who are elected and appointed from the persons with legal capacity at the shareholders' meeting. The Independent Directors shall include not less than two members of Independent Director and not less than one-fifth of total number of Directors. The Company shall adopt a candidate nomination system for election of the Independent Directors, and the shareholders shall elect the Directors from among the nominees listed in the slate of the Director candidates. The respective appointments of Directors and Supervisors are for a period of 3 years. They may be reappointed following their re-election.
- (2) The Company's Directors of 15th term and Supervisors of 18th term were elected in the general shareholders' meeting on June 12, 2009. The term of office for the Directors/Supervisors will expire on June 11, 2012. Therefore, the Directors/Supervisors shall re-elect in the general shareholders' meeting in 2012 in accordance with Article 18 of the Company's Articles of Incorporation.
- (3) The Company proposes to elect 7 Directors including 2 Independent Directors and 2 Supervisors. The term of office for the Directors/Supervisors will be from June 21, 2012 to June 20, 2015.
- (4) Pursuant to relative provisions, the Board of Directors or a shareholder holding one percent or more of the total number of issued shares of the Company may present a slate of Independent Director Candidates. The period for receiving nominations of Independent Director Candidates will be from April 13, 2012 to April 23, 2012. During

the period, the Company received two Independent Director Candidates nominated by the Company's shareholder, Far Eastern New Century Corporation, and these two Director candidates will be submitted for discussion by the 16th meeting of 15th term of Board of Directors. After the Board of Directors reviewed the qualifications of these two Director candidates, all candidates so nominated are qualified Independent Director Candidates, The Company announces the slate of Independent Director Candidates in accordance with relative provisions.

- (5) Please approve the proposed resolutions.

Resolution:

The slate of Independent Director Candidates

Nominee	Education	Experience	Present position	Shareholding
<p>CHIEN YOU HSIN</p>	<p>Ph.D., Aeronautics and Astronautics, New York University, USA.</p> <p>Bachelor of Mechanical Engineering, National Taiwan University.</p>	<p>The first Minister, Department of the Environmental Protection Administration, Executive Yuan, R.O.C. (Taiwan)</p> <p>Minister, Ministry of Transportation and Communications</p> <p>Minister, Ministry of Foreign Affairs</p> <p>Senior Advisor, National Security Council</p> <p>Representative, Taipei Representative office in the U.K.</p> <p>National Policy Advisor, Office of the President, R.O.C. (Taiwan)</p> <p>Deputy Secretary General , Office of the President, R.O.C. (Taiwan)</p> <p>Legislator, Legislative Yuan (Member of Parliament)</p> <p>Chairman, International Cooperation and Development Fund</p> <p>Program Advisors, European Bank for Reconstruction and Development</p> <p>Professor and Dean, College of Engineering, Tamkang University</p>	<p>Chairman, Taiwan Institute for Sustainable Energy</p> <p>Chairman, Taiwan Institute for Climate change and Energy</p>	<p>0</p>

Nominee	Education	Experience	Present position	Shareholding
EDWARD YUNG DO WAY	Bachelor of Commerce in Accounting, Soochow University MBA, University of Georgia CPA (Taiwan) CPA (Georgia, USA) Certified Internal Auditor (CIA, USA)	1972–1978 University System of Georgia <ul style="list-style-type: none"> ● Accounting Manager, Armstrong State College, Savannah ● Acting Director of Internal Audit, Board of Regents 1979-1981 Deloitte Haskins & Sells, Atlanta <ul style="list-style-type: none"> ● Senior Auditor, 1981-2002 T N Song & Co (member of Arthur Anderson) <ul style="list-style-type: none"> ● Auditor Division Head ● Chairman & CEO ● Audit Managing Partner, Greater China 2003-2007 Deloitte Taiwan <ul style="list-style-type: none"> ● Managing Partner & CEO ● Director, Deloitte Global Board ● Director, Deloitte Greater China Board ● CEO Emeritus Chairman, United Way of Taiwan, R.O.C. Director, The Child Welfare League Foundation	President, Yong Qin Xing Ye Limited Co. Independent Director, DelSolar Co., Ltd.. Independent Director, Apex Biotechnology Corp. Supervisor, Sercomm Corp. Supervisor, Chilisin Electronics Corp. Independent Director, Citibank Taiwan Ltd. Director, Vanguard International Semiconductor Corp. Director, MITAC International Corp. Director, Wowprime Corp.	0

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

The Board of Directors proposes and recommends that each shareholder votes FOR lifting the restriction on non-competition of directors as defined in Article 209 of the Company Law.

Please vote.

Board of Directors proposes:

Explanatory Notes:

- (1) 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.
- (2) 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.

Resolution:

V. Extemporary Motion

VI Rules and Regulations

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

Chapter 1 General Provisions

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

Article 2 The Company's businesses are as follows :

1. General merchandise 、 silk nylon 、 cotton cloth 、 candies cookies 、 cans 、 entertainment appliances 、 hardware 、 furniture 、 decorations 、 hand-made local products 、 stationery 、 library appliances 、 CD/DVD 、 camera appliances 、 children toys (excluding gambling 、 porn game and air-soft gun) 、 shoe/ hat/ raining garment 、 medicine/medical equipment 、 cigarette /wine 、 rice/corn 、 salt 、 the import and export of beverage 、 clocks/watches/glasses/camera's business & maintenances 、 electronic business & maintenances 、 Children's entertainment playground/facility business (excluding gambling 、 porn game and play gun) 、 restaurants 、 food courts 、 beverage stores 、 film developer shop 、 and advertisement business(permitted business);
2. To operate gourmet grocery market, fresh food business, frozen vegetable, frozen meat/fish, dry food, and all kinds of flavoring sources;
3. To operate all kinds of product distribution, product classification and storage business;
4. The import and sales of vendor machines and measurement devices;
5. Authorizing a construction companies to build , commercial buildings and residential buildings for leasing and selling;
6. The business of gold and jewelry;
7. The business of tape recorder, radar CD player, and lets and sales of film tape, and CD/DVD;
8. The sales, import and export business, and dealer business of vehicles and vehicles parts (for example, seats, vehicles refresher, wax, car accessories and etc);
9. Vehicles repair and the operation and management of parking lot;
10. To operate gas station to supply gasoline, diesel fuel, the food and beverages in automatic vendor machine;

11. The business of art gallery and the deal of its works and antiques;
12. The business of repair, bidding and import and export business of all kind of wire and wireless telecom appliances;
13. The business of hair salon and various kinds of beauty services;
14. The entrusted management business of department stores and the stores in international and general tourist hotels;
15. The business of computer & telecom instrument/services;
16. JZ99030 photo shooting industry;
17. JZ99090 various kind services of festivities;
18. J701040 Leisure and entertaining activities;
19. F401161 the import of tobacco;
20. F401171 the import of liquor;
21. Except where permits are required, to run operations not forbidden or limited by laws and regulations.

- Article 3 The Corporation may provide guarantee in accordance to the regulations set out in the "Procedure for Endorsements and Guarantees"
- 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 Seventeen Billion and Five hundred Million New Taiwan Dollar (NT\$17,500,000,000) divided into 1,750,000,000 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 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.

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 to 9 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".

Independent directors shall not be less than two in number and not less than one-fifth of the total number of directors.

In accordance with Article 192-1 of the Company Act, the Company shall adopt a candidate 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.

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, in case of emergency, 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.

The notice of meeting of board of directors could be served by way of writing document, e-mail or fax.

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;
Forty-first amendment of June 9, 2010
Forty-Second amendment of June 23, 2011

2. 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 seconds 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.

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

- 1) The election of directors and supervisors shall be pursued in accordance with the procedures herein
.
- 2) The election of directors and supervisors adopts the method of accumulated vote-counts. The attendance card number of the voters shall be used on the ballot instead of the name of the voters. The ballots shall be prepared by the board of directors, numbered according to the attendance card numbers and noted with share number represented for voting.
- 3) The election of directors and supervisors shall be pursued according to the number of position required. 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 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.

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.

- 4) In the beginning of the election, the chairperson shall assign two personnel for vote overseeing and vote counting respectively. The personnel for vote overseeing shall be of the stockholder status.
- 5) The responsibility of the vote-overseeing personnel's responsibility shall be as follows:
 - Check and seal the ballot box in public before ballot casting.
 - Maintain the order and check for any negligence and illegality for voting.
 - Unseal the ballot box and check the ballot number after ballot casting.
 - Check for any invalid ballots and hand in the valid ballots to the vote-counting personnel.
 - Oversee the vote-counting personnel recording the ballot numbers received by each candidate.
- 6) If the candidate is a natural person with the stockholder status, the voters shall fill out the ballot with the name and stockholder number of the candidate. If the candidate is not of the stockholder status, the ballot shall be filled out with the name and international identification number or passport number of the candidate. If the candidate is the government or juristic stockholder, the ballot shall be filled out with the number, the name of government or juristic person and the representative name. If there are more than one representative, all the representative names shall be listed.
- 7) The ballot shall be considered invalid in any of the following situations:
 - Not the ballot provided under the rules herein
 - One ballot with more than two candidate names listed
 - Blank ballot
 - Ballot not filled out according to article 6 or ballot with unrelated writing to this election
 - Written characters blurred and not legible
 - Incorrect candidate information on the ballot
- 8) There shall be one ballot box for director and supervisor elections respectively. The ballot counting shall be pursued separately for the two elections.

- 9) When all the ballots are cast in the box, the personnel of vote overseeing and counting shall simultaneously unseal the ballot boxes.
- 10) The vote-overseeing personnel shall be present for vote counting.
- 11) If there is any question about the ballot, the vote-overseeing personnel shall check whether it is invalid. The invalid ballots shall be collected and kept separately. The vote-overseeing personnel shall designate them as the invalid with signature and seal after ballot counting.
- 12) For the results of ballot counting, the vote-overseeing personnel shall make sure of correctness of the total ballot number after combining the numbers of the valid and invalid ballots. The numbers of the valid and invalid ballots shall be recorded separately and the chairperson shall announce the elected.
- 13) The elected directors and supervisors shall be given the election notification by the board of directors.
- 14) The rules herein take effect after approval at the stockholders' meeting. The same apply for any amendments.

VII. Appendices

1. Shareholding of Directors and Supervisors.

Book closure date (April 23, 2012)

Title	Name	Representative	Shareholdings	Ratio of Shareholding %	
Chairman	Douglas Tong Hsu	-	1,628,956	0.12	
Directors	Ding Ding Management Consultant Corp.	Nancy Hsu	66,822	0.01	
	Far Eastern New Century Corporation	Alex Ro	221,274,385	16.80	
		C. S. Yeh			
		Nicole Hsu			
	Asia Cement Corporation	Virginia Shao	73,266,698	5.56	
		Jin Lin Liang			
	Total shares owned by all Directors			296,236,861	22.49
	The total legal registered shares owned by all Directors			40,000,000	3.00
Supervisors	YDT Technology International Co. LTD	Charles Wang	2,529,577	0.19	
	Yu Ming Trading Co.	Philby Chen	4,090,307	0.31	
	Total shares owned by all Supervisors			6,619,884	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: 1,317,191,998 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 2012 Regular Shareholders' Meeting.

Unit: NT \$

Item		Year	2012 (Estimate)
Paid-in Capital (beginning of the year)			13,171,919,980
Stock & Cash Dividend Distribution	Cash Dividend (NT\$/per share)		1.00
	Stock Dividend from Retained Earnings		0.04
	Stock Dividend from Capital Surplus		0.00
Variance in Business Performance	Operating Income		
	% Change in Operating Income		
	Net Income		
	% Change in Net Income		
	Earnings Per Share		
	% Change in EPS		
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	
	If Capital Surplus not Distributed in Stock Dividend	Pro Forma Earnings Per Share	
		Pro Forma Average Yearly Return on Investment	
	If Retained Earnings & Capital Surplus Distributed in Cash Dividend rather than Stock Dividend	Pro Forma Earnings Per Share	
		Pro Forma Average Yearly Return on Investment	

Note: * As we do not disclose our financial forecast information of 2012, 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 22 March 2012. The relevant information is disclosed below:

- (1) Cash bonus to employees: NT\$79,314,787, Cash compensation to Directors and Supervisors: NT\$59,486,090 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 2012.

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