

Stock Code: 2903

Far Eastern Department Stores LTD.

**Handbook for the 2013 Annual Meeting of
Shareholders**

MEETING TIME: 09:00 a.m. (Thursday), June 20, 2013

PLACE: Auditorium in the Taipei Hero House

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

Table of Contents	
I. Procedure for the 2013 Annual Meeting of Shareholders	03
II. Matters to be Reported	04
(1) 2012 Messages to shareholders	04
(2) Financial report of 2012 (Attachment: independent auditors' report by Deloitte & Touche)	11
(3) Supervisors' audit report on 2012 business report and financial statements	20
(4) Report of the amendment of certain provisions of the Company's " Meeting Rules of Board of Directors"	21
(5) Report of the establishment of the Company's "Code of Ethics" and "Best Practice Principles of Ethical Corporate Management".	25
(6) The adjustments of Retained Earnings and Special Reserve in accordance with the adoption of International Financial Reporting Standards.	35
III. Matters to be Approved	36
(1) To accept 2012 financial statements	36
(2) To approve the proposal for the distribution of 2012 surplus earning	36
IV. Discussion	38
(1) Proposal to amend the certain provisions of the Company's "Articles of Incorporation".	38
(2) To approve the capitalization of 2012 stock dividends.	39
(3) Proposal to amend the certain provisions of the Company's "Procedures for Endorsements and Guarantees" and Company's "Procedures for Lending of Capital to Others".	40
(4) Proposal to amend the certain provisions of the" Election Procedures of Directors and Supervisors".	49
V. Extemporary Motion	51
VI. Rules and Regulations	52
(1) Articles of Incorporation	52
(2) Rules of Procedure of Shareholders Meeting	60
VII. Appendices	64
(1) Shareholding of Directors and Supervisors	64
(2) Effects on Business Performance and EPS Resulting From Stock Dividend Distribution Proposed by 2013 Regular Shareholders Meeting	65
(3) Employees Bonus and Remuneration of Directors and Supervisors	66

Far Eastern Department Stores LTD.

I . Procedure for the 2013 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

Extemporary Motion

Adjournment

II . Matters to be Reported

1. 2012 Messages to shareholders.

Explanation:

The 2012 Messages to Shareholders is attached as page 4-10.

Preface

Reflecting on 2012, under the impact and uncertainty of European debt crisis, US fiscal cliff issue, and the new Chinese leadership, coupled with domestic rising prices of fuel and electricity, Taiwan registered lower than expected but still a positive 1.16% economic growth. Thus, domestic spending tends to be more prudent as a result of Government stringency on budgets, reintroducing of capital gain tax, plus inflation pressure attributing to sense of insecurity.

Nevertheless, the launch of megastores has turned a new page in the retail industry in 2012 with the concurrent inaugurations of Taichung Top City, Banqiao Mega City, and Hsinchu Big City. Incorporated with theme restaurants, cinemas, high-end supermarkets, the mega stores have indeed become a revenue driver that contributed NT\$20.8 billion to the Far Eastern Retail Group and further expanded market size of Taiwan's department stores up to NT\$280 billion (3.6% growth). Apparently, the Far Eastern Retail Group's three large City series shopping malls have made considerable contribution to Taiwan's retail industry during the year of 2012.

On the other hand, under the pressure of rising fuel and electricity prices, though consumers have become more cautious in their spending, the all-important food concept has helped spur the food and beverage business. Hence, during meal time people always stand in a long queue at theme restaurants and exotic food court. As revenues of food and beverage account for as high as 20% to 30% of their total revenues in the said three City shopping malls, other local department stores operators have started to focus on this area of business which has not been the priority line of business in the past.

Given the above, with the joint efforts from our colleagues, Far Eastern Department Stores (FEDS) recorded in 2012 revenues of NT\$39.128 billion, a tremendous surge of 41.6% (if including all subsidiaries in cross straits, the consolidated revenues were NT\$126.063 billion, up 10.1% year-on-year). Our anniversary sales exceeded NT\$9.5 billion, also up a considerable 33.5% than the previous year, both marked historical new highs for the past 45 years. In particular, Banqiao Mega City began to make profit within the first year after its opening, which is the first breakthrough since the establishment of FEDS.

Aside from macro economy, the most important key factors of success can be attributed to the openings of two large shopping malls, Taichung Top City and Banqiao Mega City, solidifying each branch store's major customers, and the restructuring of existing brands portfolio.

Looking into 2013, Director-General of Budget, Accounting and Statistics, Executive Yuan estimated the gradual recovery of global and domestic economies to continue to grow uptrend in national export in the past 7-month as of February this year. Additionally, the combined business incomes from January and February also marked second highest during the past years. Furthermore, with Taiwan stock index likely to top 9,000 point, all contributing to creating wealth and stimulating private consumption, we hold optimistic view about increasing revenues of local department stores and are confident that the Far Eastern Retail Group shall benefit from these factors, boost revenues, reach new highs and achieve outstanding performance.

Operations Report for 2012

During the year 2012, total FEDS revenues were recorded at NT\$39.128 billion, surged 41.6% year-on-year. Net income after tax was NT\$1.693 billion and earnings per share was NT\$1.24. According to the 16th Board Meeting of FEDS, total dividend payout for 2012 was NT\$1.1 per share, which included NT\$0.8 in cash and NT\$0.3 in stock dividends from capital surplus.

The performance of Far Eastern Retail Group in 2012 is summarized as follows:

(1) Far Eastern Department Stores Ltd.

1. With record high annual revenues of NT\$39.1 billion, FEDS marked a historical year in 2012. The brand new Banqiao Mega City and Taichung Top City shopping malls were extremely well received, registered revenues of NT\$6.6 billion and NT\$9.2 billion respectively. The two FE21' and Mega City stores in Banqiao area recorded a combined revenues close to NT\$10.5 billion, which was beyond our expectation.
2. Banqiao Mega City co-sponsored the "Canadian Weeks" and "Spanish Weeks" with Citysuper in August and December 2012, respectively to display exotic and different food stuffs.
3. FEDS was the major sponsor for New Taipei City's Christmas celebrations. A variety of Christmas lighting, game plays, and concert performances not only brought fresh experience for local citizens, but also attracted crowds to our Banqiao Mega City and FE21' Banqiao Store located in Chung Shan Road.
4. After extensive efforts and negotiations, Taichung Top City shopping mall

- completed its world-class boutique stores in 2012, which served to ensure its high-end landmark position, enhance the overall image and help boost revenues.
5. Banqiao Mega City shopping mall also completed and opened in 2012 its international boutique stores, which not only elevated the commercial area's trendy fashion taste, but also brought synchronized shopping experience to local consumers.
 6. The Company's each branch store continued to readjust its merchandise mix and upgrade brands to include Fast Fashion, trendy 3C products, and exquisite cuisine counters which have gained wide recognition from island-wide consumers.
 7. To improve system interface, elevate operating efficiency, lower future implementation cost, and utilize the cloud computing center's processing, the IT department has already re-developed and drafted the new version of purchase-sale-storage system and launched on line in November at our affiliated Ya Tung Department Stores.

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

1. 2012 revenues were NT\$40.1 billion which is in line with 2011. Net income after tax was NT\$1.299 billion, down 15% from 2011.
2. Under the impact of European debt crisis, rising fuel and electricity prices, low domestic sentiment and slowdown of purchasing power of the "middle-tier" customers, the Company had to increase promotion and operating cost that led to low-margin era. Thanks to the joint efforts of our management team, Hsinchu Big City mall had its grand opening in May 2012, combining SOGO Department Stores, A-mart Hypermarket, Citysuper, international brand name boutiques, exquisite food courts, state-of-the-art cinema and amusement facilities to entertain the general public from Hsinchu, Taoyuan, and Miaoli areas.
3. To improve services, Taipei Chung Hsiao Store completed the renovations of its public area and restrooms. The ground floor sales space was also changed into marble floor tiles, first time ever since the store's opening.
4. Chungli Store continued to adjust and strengthen its merchandise mix and customer services. Three brand name stores were introduced into this branch store which implemented partial renovation.
5. Though facing with European debt crisis, depressed stock market and domestic economic recession, the Pacific SOGO was able to drive 25th anniversary sales revenues to grow slightly and reach NT\$8.615 billion.

6. To enhance e-operational efficiency, our island-wide branch stores have completed in 2012 the B2C e-receipts process, one-counter-one-cashier operation, bonus gift on line operation, e-invoice B2B on line system, Notes documentation on line, as well as the developments of other work flow application sheets.

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

1. 2012 revenues were NT\$20.727 billion, down 0.3% from 2011; net income was NT\$91 million.
2. The 19th Far Eastern A-mart store was opened in April 2012 in Hsinchu City, which is the second A-mart hypermarket store in Hsinchu area.

Operations Report for 2013

(1) Far Eastern Department Stores Ltd.

1. To differentiate FE21' Banqiao Store from Banqiao Mega City shopping mall, FE21' Banqiao Chung Shan Store was upgraded to include changes in merchandise mix, to increase new counters in order to enhance counter density and generate revenues. Additionally, it also completes its brand new VIP Room during 1Q 2013 to offer fresh shopping delight to the target customers.
2. After one year of operation, Banqiao Mega City and Taichung Top City shopping malls are undergoing partial adjustment with the aim to increase counter density, elevate operating efficiency, and ensure profit growth.
3. To provide more comfortable shopping environment, intensify customer loyalty, FE21' Taoyuan Store and FE21' MegA Hsinchu Store are scheduled to initiate partial renovation, sales space restructuring and brand upgrade so as to improve service standard and consolidate competitive edge in the area.
4. Continue to add new products, new brands, and introduce new counters to ensure that our customers experience the most up-to-date and trendy lifestyle.
5. To protect individual personal data, enhance information safety and web control, FEDS is targeted to replace and renew its firewall and other related facilities in 2Q 2013.
6. Committed to energy conservation and carbon reduction, cost saving as well as improving efficiency, FEDS will further expand the scope of its e-operations, and is scheduled to complete the introduction of its new version of purchase-sale-storage system during 3Q 2013.

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

1. While Taiwan's GDP growth is forecasted to exceed 3% in 2013, yet with the existing U. S. fiscal cliff issue, European debt crisis, and the reoccurrence of the Diaoyutai Island conflict, we have to remain cautiously optimistic and focus on raising revenues and profit margin, improving merchandise attraction and service quality.
2. Facing with long recession and the addition of new competitors, B1 and B2 of SOGO Fuxing Store will restructure its merchandise mix.
3. To cope with the opening of Far Eastern SOGO Big City shopping mall and the changes in the department store market of Hsinchu area, SOGO Hsinchu Store will not only proceed with renovations, but also adjust its merchandise mix to achieve differentiation from that of Big City shopping mall.
4. The management will focus on human resource optimization, strict operation control, marketing and management cost budget, establishment of information security, improvement of operational efficiency in China, and the adjustment of Dalian Store's operation model.
5. Continue to promote advanced e-operations, update smart phone web page (android app), develop the all-in-one combination of credit card and invoice machines to elevate credit card efficiency, together with the simplified integration of various e-portals system, upgrade the voucher sales/redemption management system, plus the establishment of free gifts and floor campaign systems.
6. Various e-operations in China including: Electronic sign-off system in the Chinese Branch Stores, establishment of one-counter-one-cashier operation to enhance efficiency and cut down personnel cost, integration of financial and accounting data, launch EAS system online to expedite cashing speed and reinforce profit and cost center's budget control, and complete the rewriting of Happy-Go dual membership program system.

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

1. Improve merchandise mix and sales model:
 - (1) With advantages in baking and delicacies to enrich our food section, then to heighten per customer spending, and increase revenues.
 - (2) Elevate shopping experiences and services in the home appliances section, trigger customers' purchasing desire, and also strengthen A-mart's brand image.

2. Develop e-commerce: In compliance with global retailers' focusing on "multi-format" operations, "coexisting of physical and virtual businesses" has become a world trend. A-mart will further integrate its physical and virtual channels, and dedicate to developing on-line shopping to serve as the 20th store of Far Eastern Ai-Mai.
3. Continue to seek new profit-making sites: Taiwan's hypermarkets have passed from growth to mature period. It is extremely difficult to open a store that may register profit. Therefore, we should select new locations more prudently so as to achieve steady growth.

In summary, 2012 was a remarkable year for FEDS, achieving all-time highs in both operating scale and revenues within the past 45 years of operation history. Of course, this is the result of the joint efforts from all our colleagues, and also demonstrates the recognition from our customers and support of our shareholders. For that we would like to express our congratulations and special thanks.

After 45 glamorous years, FEDS is the only department store in Taiwan with the longest history. The Far Eastern Retail Group now operates with 50 plus stores across both sides of the Taiwan Straits comprising department stores, hypermarkets, and shopping malls. It is not the only listed department-store-chain Company in Taiwan, but also will become the largest Retail Group in the Island.

Based in Taiwan, we will continue to cultivate the local market as well as the vast Chinese markets to achieve new highs. According to McKinsey & Company's report, with 1.3 billion of population, China's middle-class is expected to account for 40% of its total population in 2020. Therefore, its retail consumption may exceed that of the United States and become the world's largest economy. In particular, China is transforming from export-oriented economy to expanding domestic consumption. We feel optimistic about the growth potential of China's retail market and are currently evaluating the possibility of new store locations.

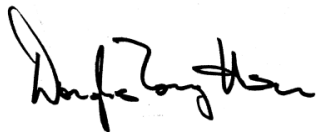
During the past year, we successfully opened three City shopping malls, demonstrating that the Far Eastern Retail Group is equipped with the comprehensive know-how to develop world-class mega malls. In future, we will remain responsive and flexible to focus on regional developments so as to elevate the operating efficiency across the Taiwan Straits.

Also worth mentioning is that the experience we gained from operating Top City and Mega City includes to simultaneously satisfy customers' two major needs with reference to "merchandise" and "space". Merchandise-wise, the top-niche luxury goods, theme restaurants, fashion 3C products and IMAX 3D cinemas have constituted the Power Zone of today's Far Eastern Department

Stores. The Company will also deploy various types of Power Zones in China when opening new stores in accordance with each commercial area's different specs. We will also increase the capital investment directly from FEDS to avoid rental disputes. Most importantly, we aim to provide Chinese consumers with the latest shopping delight.

Even though we are content about the operating result achieved in 2012, we are not easily satisfied. Looking forward, we are confident to embrace a brighter future. More importantly, Far Eastern Retail Group needs to grow, to be stronger and we would urge all colleagues to exert best efforts to gain consumer patronage. 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, added with constant innovation to create differentiation, enhance charm, attraction and exposure of our sales space to reach the most competitiveness, the Far Eastern Retail Group believes that its outstanding management team shall continue to enhance customer satisfaction and create the maximum 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 2012.

Explanation:

The 2012 Financial Statements are attached as page 12-17.

1. Balance sheets (December 31, 2012)
2. Income statements (January 1, 2012 ~ December 31, 2012)
3. Statements of changes in stockholders' equity (January 1, 2012 ~ December 31, 2012)
4. Statements of cash flow (January 1, 2012 ~ December 31, 2012)
5. Independent auditor's report by Deloitte & Touche is attached as page 18-19.

FAR EASTERN DEPARTMENT STORES, LTD.

BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

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

ASSETS	2012		2011		LIABILITIES AND SHAREHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 870,675	2	\$ 566,057	1	Short-term debts	\$ 2,500,000	4	\$ 4,400,000	8
Available-for-sale financial assets - current	254,779	-	233,559	-	Short-term notes and bills payable	1,699,455	3	1,699,268	3
Notes receivable	30,439	-	38,768	-	Notes and accounts payable	3,848,239	7	3,132,810	5
Accounts receivable, net of allowance for doubtful accounts of \$3,575 thousand in 2012 and \$3,550 thousand in 2011	495,705	1	469,848	1	Related parties - accounts payable	89,723	-	82,106	-
Related parties - notes and accounts receivable	14,187	-	52,118	-	Related parties - other payable	732,133	1	651,106	1
Related parties - other receivable	414,799	1	306,523	-	Income tax payable	-	-	38,262	-
Other receivables	118,471	-	98,523	-	Other payables	1,608,264	3	3,287,517	6
Inventories	430,141	1	372,957	1	Advance receipts	2,233,798	4	1,679,299	3
Prepayments	252,803	-	323,090	1	Bonds issued - current portion	1,200,000	2	-	-
Deferred tax assets - current	5,749	-	4,024	-	Long-term borrowings - current portion	600,000	1	-	-
Other current assets	5,720	-	17,363	-	Other current liabilities	712,792	1	855,765	1
Total current assets	2,893,468	5	2,482,830	4	Total current liabilities	15,224,404	26	15,826,133	27
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Investments accounted for by the equity method	19,634,717	33	19,356,620	33	Bonds issued	3,454,937	6	4,616,958	8
Available-for-sale financial assets - noncurrent	2,812,603	5	2,577,430	5	Long-term borrowings	11,696,733	19	9,696,646	17
Financial assets carried at cost - noncurrent	62,570	-	62,570	-	Total long-term liabilities, net of current portion	15,151,670	25	14,313,604	25
Total long-term investments	22,509,890	38	21,996,620	38	RESERVES				
PROPERTIES					Reserve for land revaluation increment tax				
Cost						508,719	1	508,719	1
Land	6,995,873	12	6,995,873	12	OTHER LIABILITIES				
Buildings and equipment	14,294,377	24	14,081,814	24	Deposits received	38,403	-	40,632	-
Furniture and equipment	6,179,105	11	5,815,882	10	Deferred tax liabilities - noncurrent	355,994	1	201,548	-
Total cost	27,469,355	47	26,893,569	46	Deferred credits - gains on related-party transactions	11,366	-	11,366	-
Revaluation increment	1,408,269	2	1,408,269	3	Total other liabilities	405,763	1	253,546	-
Cost and appreciation	28,877,624	49	28,301,838	49	Total liabilities	31,290,556	53	30,902,002	53
Less: Accumulated depreciation	6,252,880	11	5,270,671	9	STOCKHOLDERS' EQUITY				
	22,624,744	38	23,031,167	40	Capital stock NT\$10.00 par value				
Construction in progress and prepayments for equipment	2,764,099	5	1,822,511	3	Authorized - 1,750,000 thousand shares				
Leasehold rights, net	7,215,010	12	7,584,367	13	Issued and outstanding - 1,369,880 thousand shares in 2012 and 1,317,192 thousand shares in 2011	13,698,797	23	13,171,921	23
Net properties	32,603,853	55	32,438,045	56	Capital surplus:				
OTHER ASSETS					Additional paid-in capital - share issuance in excess of par	2,175,718	4	2,175,718	4
Idle assets, net	561,047	1	567,439	1	Treasury stock transactions	1,213,526	2	1,213,526	2
Refundable deposits	163,445	-	163,565	-	Long-term investments	364,937	1	364,937	1
Prepaid pension costs	262,930	1	245,449	1	Stock options	108,930	-	108,930	-
Miscellaneous	35,785	-	45,127	-	Total capital surplus	3,863,111	7	3,863,111	7
Total other assets	1,023,207	2	1,021,580	2	Retained earnings:				
TOTAL	\$ 59,030,418	100	\$ 57,939,075	100	Legal reserve	2,189,631	4	1,975,319	3
					Special reserve	1,069,595	2	1,069,595	2
					Unappropriated earnings	2,662,417	4	3,027,939	5
					Total retained earnings	5,921,643	10	6,072,853	10
					Other equity adjustments				
					Cumulative translation adjustments	(270,769)	-	(14,294)	-
					Net loss not recognized as pension costs	(64,589)	-	(20,949)	-
					Unrealized valuation gains on financial instruments	3,785,134	6	3,157,896	5
					Unrealized asset revaluation increment	843,305	1	843,305	2
					Treasury stock - 7,812 thousand shares in 2012 and 7,511 thousand shares in 2011	(36,770)	-	(36,770)	-
					Total other equity adjustments	4,256,311	7	3,929,188	7
					Total stockholders' equity	27,739,862	47	27,037,073	47
					TOTAL	\$ 59,030,418	100	\$ 57,939,075	100

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

(With Deloitte & Touche audit report dated March 25, 2013)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
REVENUES				
Sales	\$ 38,704,716	99	\$ 27,339,765	99
Other operating revenues	<u>423,349</u>	<u>1</u>	<u>300,884</u>	<u>1</u>
Total revenues	<u>39,128,065</u>	<u>100</u>	<u>27,640,649</u>	<u>100</u>
COSTS				
Cost of goods sold	31,772,333	81	22,115,164	80
Other operating costs	<u>140,617</u>	<u>1</u>	<u>59,269</u>	<u>-</u>
Total costs	<u>31,912,950</u>	<u>82</u>	<u>22,174,433</u>	<u>80</u>
GROSS PROFIT	<u>7,215,115</u>	<u>18</u>	<u>5,466,216</u>	<u>20</u>
OPERATING EXPENSES				
Selling	1,513,220	4	1,140,866	4
General and administrative	<u>4,557,394</u>	<u>11</u>	<u>3,135,861</u>	<u>11</u>
Total operating expenses	<u>6,070,614</u>	<u>15</u>	<u>4,276,727</u>	<u>15</u>
OPERATING INCOME	<u>1,144,501</u>	<u>3</u>	<u>1,189,489</u>	<u>5</u>
NONOPERATING INCOME AND GAINS				
Equity in earnings of equity-method investees, net	711,997	2	1,148,081	4
Dividend income	168,790	1	146,820	1
Interest income	3,616	-	1,605	-
Gain on disposal of investments, net	-	-	4,962	-
Other income	<u>118,819</u>	<u>-</u>	<u>98,475</u>	<u>-</u>
Total nonoperating income and gains	<u>1,003,222</u>	<u>3</u>	<u>1,399,943</u>	<u>5</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	201,005	1	79,401	1
Loss on disposal of property, net	4,438	-	6,619	-
Impairment loss on financial assets carried at cost	-	-	38,500	-
Other expenses	<u>63,774</u>	<u>-</u>	<u>78,662</u>	<u>-</u>
Total nonoperating expenses and losses	<u>269,217</u>	<u>1</u>	<u>203,182</u>	<u>1</u>
INCOME BEFORE INCOME TAX	1,878,506	5	2,386,250	9
INCOME TAX EXPENSE	<u>185,648</u>	<u>1</u>	<u>243,135</u>	<u>1</u>
NET INCOME	<u>\$ 1,692,858</u>	<u>4</u>	<u>\$ 2,143,115</u>	<u>8</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	<u>\$ 1.38</u>	<u>\$ 1.24</u>	<u>\$ 1.75</u>	<u>\$ 1.57</u>
Diluted	<u>\$ 1.38</u>	<u>\$ 1.24</u>	<u>\$ 1.75</u>	<u>\$ 1.57</u>

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

	2012		2011	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	<u>\$ 1.37</u>	<u>\$ 1.24</u>	<u>\$ 1.74</u>	<u>\$ 1.56</u>
Diluted	<u>\$ 1.37</u>	<u>\$ 1.23</u>	<u>\$ 1.74</u>	<u>\$ 1.56</u>

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

(With Deloitte & Touche audit report dated March 25, 2013) (Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Surplus					Retained Earnings			Other Equity Adjustments					Total Stockholders' Equity
	Capital Stock Issued and Outstanding	Additional Paid-in Capital - Share Issuance in Excess of Par	Treasury Stock Transactions	Long-term Investments	Stock Options	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Gains on Financial Instruments	Unrealized Asset Revaluation Increment	Treasury Stock	
BALANCE, JANUARY 1, 2011	\$ 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
Appropriation of prior year's earnings:														
Legal reserve	-	-	-	-	-	214,312	-	(214,312)	-	-	-	-	-	-
Cash dividends - NT\$1.0 per share	-	-	-	-	-	-	-	(1,317,192)	-	-	-	-	-	(1,317,192)
Stock dividends - 4%	526,876	-	-	-	-	-	-	(526,876)	-	-	-	-	-	-
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	(27,589)	-	-	-	-	(27,589)
Adjustment reported by equity-method investees	-	-	-	-	-	-	-	-	(228,886)	(43,640)	370,845	-	-	98,319
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	256,393	-	-	256,393
Net income in 2012	-	-	-	-	-	-	-	1,692,858	-	-	-	-	-	1,692,858
BALANCE, DECEMBER 31, 2012	<u>\$ 13,698,797</u>	<u>\$ 2,175,718</u>	<u>\$ 1,213,526</u>	<u>\$ 364,937</u>	<u>\$ 108,930</u>	<u>\$ 2,189,631</u>	<u>\$ 1,069,595</u>	<u>\$ 2,662,417</u>	<u>\$ (270,769)</u>	<u>\$ (64,589)</u>	<u>\$ 3,785,134</u>	<u>\$ 843,305</u>	<u>\$ (36,770)</u>	<u>\$ 27,739,862</u>

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

(With Deloitte & Touche audit report dated March 25, 2013)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,692,858	\$ 2,143,115
Depreciation	1,053,416	403,283
Amortization of deferred charges	10,028	3,204
Amortization of leasehold rights included in rental expense	175,063	74,822
Equity in earnings of equity-method investees, net	(711,997)	(1,148,081)
Cash dividends from equity-method investees	504,630	1,166,581
Impairment loss on financial assets carried at cost	-	38,500
Gain on disposal of investments, net	-	(4,962)
Recognized interest on bonds payable	37,979	31,199
Loss on disposal of property and idle assets, net	4,438	6,619
Deferred income taxes	152,721	122,315
Increase in prepaid pension cost	(17,481)	(29,721)
Net changes in operating assets and liabilities		
Notes receivable	8,329	(23,252)
Accounts receivable	(25,857)	(273,908)
Related parties - notes and accounts receivable	37,931	(11,028)
Related parties - other receivable	36,135	(34,277)
Other receivables	(19,948)	(12,039)
Inventories	(57,184)	(165,360)
Prepayments	70,287	(60,655)
Other current assets	11,643	(2,359)
Notes and accounts payable	715,429	801,007
Related parties - accounts payable	7,617	20,721
Related parties - other payable	143,274	(9,484)
Income tax payable	(38,262)	(159,958)
Other payables	(37,444)	43,193
Advance receipts	712,528	214,658
Other current liabilities	<u>(142,973)</u>	<u>111,044</u>
Net cash provided by operating activities	<u>4,323,160</u>	<u>3,245,177</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Related parties - other receivable	(144,411)	-
Acquisition of investments accounted for by the equity method	-	(361,325)
Proceeds of the disposal of available-for-sale financial assets	-	8,407
Proceeds of the disposal of property and idle assets	609	598
Acquisition of property	(3,254,930)	(4,955,966)
(Increase) decrease in refundable deposits	120	(4,422)
Increase in other assets	<u>(686)</u>	<u>(40,463)</u>
Net cash used in investing activities	<u>(3,399,298)</u>	<u>(5,353,171)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term debts	(1,900,000)	1,250,000

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
Increase in short-term notes and bills payable	\$ 187	\$ 399,812
Issuance of bonds	-	2,493,658
Increase (decrease) in long-term borrowings	2,600,087	(519,252)
Increase (decrease) in deposits received	(2,229)	2,683
Cash dividends	<u>(1,317,289)</u>	<u>(1,242,674)</u>
Net cash provided by (used in) financing activities	<u>(619,244)</u>	<u>2,384,227</u>
NET INCREASE IN CASH	304,618	276,233
CASH, BEGINNING OF YEAR	<u>566,057</u>	<u>289,824</u>
CASH, END OF YEAR	<u>\$ 870,675</u>	<u>\$ 566,057</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 242,766	\$ 387,476
Less: Capitalized interest	<u>73,388</u>	<u>183,265</u>
Interest paid, excluding capitalized interest	<u>\$ 169,378</u>	<u>\$ 204,211</u>
Income tax paid	<u>\$ 77,801</u>	<u>\$ 282,875</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Adjustment to advance receipts and depreciation	<u>\$ 158,029</u>	<u>\$ 76,990</u>
Adjustment to the cost of leasehold rights and other payables	<u>\$ 254,908</u>	<u>\$ -</u>
Bonds issued - current portion	<u>\$ 1,200,000</u>	<u>\$ -</u>
Long-term borrowings - current portion	<u>\$ 600,000</u>	<u>\$ -</u>
CASH PAID FOR THE ACQUISITION OF PROPERTY		
Acquisition of property	\$ 803,677	\$ 143,330
Acquisition of leasehold rights	60,614	1,687,384
Increase in construction in progress and prepayments for equipment	941,588	5,898,398
(Increase) decrease in balance payable - property	1,386,804	(2,243,474)
(Increase) decrease in balance payable - property - related parties	<u>62,247</u>	<u>(529,672)</u>
Cash paid	<u>\$ 3,254,930</u>	<u>\$ 4,955,966</u>

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

(With Deloitte & Touche audit report dated March 25, 2013) (Concluded)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Far Eastern Department Stores, Ltd. (the "Company") as of December 31, 2012 and 2011 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, 2012 and 2011, 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, on the fixed assets obtained until 1998 by Far Eastern Department Stores, Ltd., the method for calculating depreciation expenses was changed from the fixed-percentage-of- declining method to the straight- line method.

As stated in Note 28 (5) to the financial statements, the capital registration of a direct subsidiary of the company, Pacific Liu Tong Investment Co., Ltd., was revoked by the Ministry of Economic Affairs ("MOEA"). On November 29, 2012, (Court Reference Number:Year 99 Letter Su No. 1258 verdict),

the Taipei High Administrative Court (“THAC”) announced a verdict canceling MOEA’s revocation and rejecting any future appeals on this case afterwards. Nevertheless, on December 25, 2012, the MOEA appealed against the verdict made by THAC. As of December 31, 2012, the case was still pending. 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 also in Note 28 (6) to the financial statements, on May 11, 2012, pursuant to referencing Letter Kan No. 92 verdict, the Taiwan Taipei District Court assigned Min-Chiu Chien, Gong-Wang, Cheng-Hsiung Chiu, Ching-Yu Wu and Chih-Hsiung Chen as the temporary receivers of Pacific Liu Tong Investment Co., Ltd. However, the assignment made by the Taiwan Taipei District Court was revoked by Taiwan High Court on December 27, 2012.

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, 2012 have expressed a modified unqualified opinion thereon in our report dated March 25, 2013.



March 25, 2013

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 2012 business report and financial statements.

SUPERVISORS' REPORT

To the 2013 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 2012 and found them in order.

Charles Wang



Philby Chen



May 15th, 2013

4. Report of the amendment of certain provisions of the Company's "Meeting Rules of Board of Directors".

Explanation:

(1) We propose to amend Article 5-1, Article 5-2, Article 9, Article 11 and Article 16 of the Company's "Meeting Rules of Board of Directors" pursuant to the official letter of Financial Supervisory Commission under Ching-Kuan-Cheng-Fa-Tze No.1010034136 dated on 22 August, 2012. The amended provisions are shown in the attached comparison table.

(2) Please review.

Section	Proposed Changes	Current Articles
Article 5-1	<p>The content of the periodic meeting shall include at least the following:</p> <p>(a) Items to be reported: Minutes and execution status of last meeting Report of important financial business Report of internal audit business Other important report items (<u>including Q1, Q2 and Q3 financial reports</u>) .</p> <p>(b) Items to be discussed: Items remaining for discussion over the last meeting Items to be discussed at this meeting</p> <p>(c) Extemporaneous Motions</p>	<p>The content of the periodic meeting shall include at least the following:</p> <p>(a) Items to be reported: Minutes and execution status of last meeting Report of important financial business Report of internal audit business Other important report items</p> <p>(b) Items to be discussed: Items remaining for discussion over the last meeting Items to be discussed at this meeting</p> <p>(c) Extemporaneous Motions</p>
Article 5-2	<p>The following items shall be submitted for discussion over the meeting of board of directors:</p> <p>a) Operation plans of the company b) Annual financial statement reports c) Adoption or amendment of internal control system pursuant to Article 14-1 of the Securities and Exchange Act. d) Adoption or amendment pursuant to article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, endorsements or guarantees for others. e) The offering, issuance or private placement of any equity-type securities.</p>	<p>The following items shall be submitted for discussion over the meeting of board of directors:</p> <p>a) Operation plans of the company b) Annual <u>and biannual</u> financial statement reports c) Adoption or amendment of internal control system pursuant to Article 14-1 of the Securities and Exchange Act. d) Adoption or amendment pursuant to article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, endorsements or guarantees for others. e) The offering, issuance or private placement of any equity-type securities.</p>

<p>f) Employment and discharge of a financial, accounting or internal audit officer.</p> <p>g) <u>A donation to a related party or a major donation to a non-related party provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.</u></p> <p>h) Pursuant to article 14-3 of the Securities and Exchange Act, other governing laws or articles of incorporations, important items which shall be effected by resolutions of the stockholders' meeting, be submitted to the board of directors or regulated by competent authority.</p> <p><u>The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means any individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.</u></p> <p><u>The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.</u></p> <p>Pursuant to article 14-3 of the Securities and Exchange Act, each independent director shall attend in person any meeting concerning any matter that requires a resolution by the board of directors, or shall appoint another independent director to attend as his or her proxy. If an independent director objects to or expresses reservations about the matter, it shall be recorded in the board meeting minutes; an independent director intending to express objection or reservations but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.</p> <p>The first item shall be listed along with meeting notification and shall not be raised as extemporary</p>	<p>f) Employment and discharge of a financial, accounting or internal audit officer.</p> <p>g) Pursuant to article 14-3 of the Securities and Exchange Act, other governing laws or articles of incorporations, important items which shall be effected by resolutions of the stockholders' meeting, be submitted to the board of directors or regulated by competent authority.</p> <p>Pursuant to article 14-3 of the Securities and Exchange Act, each independent director shall attend in person any meeting concerning any matter that requires a resolution by the board of directors, or shall appoint another independent director to attend as his or her proxy. If an independent director objects to or expresses reservations about the matter, it shall be recorded in the board meeting minutes; an independent director intending to express objection or reservations but unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the meeting minutes.</p> <p>The first item shall be listed along with meeting notification and shall not be raised as extemporary</p>
--	---

	<p>motion except in the case of emergency or with good cause shown.</p>	<p>motion except in the case of emergency or with good cause shown.</p>
Article 9	<p>The chairman may appoint <u>personnel of relevant departments or subsidiaries</u> for attendance, based on requirements of the meeting content, to assist the directors to understand the company status and make appropriate decisions.</p> <p>The supervisors may attend the meeting and make statement but do not have the right to vote.</p> <p><u>When necessary, the company may also invite certificated public accounts, attorneys, or other professionals to attend as nonvoting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.</u></p>	<p>The chairman may appoint <u>relevant department managers</u> for attendance, based on requirements of the meeting content, to assist the directors to understand the company status and make appropriate decisions.</p> <p>The supervisors may attend the meeting and make statement but do not have the right to vote.</p>
Article 11	<p>The directors shall uphold high discipline such that a director may <u>state the important aspects of the interested party relationship at the respective meeting</u>, but shall not join discussion, or vote on that agenda item, and shall enter recusal during discussion of and voting on that item, and shall not exercise the voting right on behalf of another director for matter which he/she has a personal interest or concerns interest of which he/she represents for other legal entity which may impair the interest of the company.</p> <p>In passing a resolution at the directors meeting, the directors who cannot exert the voting rights pursuant to the preceding regulation, their votes shall not be counted in the number of votes of directors present at the meeting.</p>	<p>The directors shall uphold high discipline such that a director may <u>state opinions and answer questions</u>, but shall not join discussion, or vote on that agenda item, and shall enter recusal during discussion of and voting on that item, and shall not exercise the voting right on behalf of another director for matter which he/she has a personal interest or concerns interest of which he/she represents for other legal entity which may impair the interest of the company.</p> <p>In passing a resolution at the directors meeting, the directors who cannot exert the voting rights pursuant to the preceding regulation, their votes shall not be counted in the number of votes of directors present at the meeting.</p>
Article 16	<p>Resolutions adopted at a directors' meeting shall be recorded in the minutes of the meeting and shall contain detailed description of the followings:</p> <ol style="list-style-type: none"> 1) Meeting number (or year), time and location of meeting 2) Name of chairperson 3) Attendance status of directors (including the numbers and names of directors that are, present, absent and on leave) 4) Names and Titles of the attendees 5) Name of record keeper 6) Items reported 7) Items discussed: including the resolution method and result of each proposal, the brief statements of the directors, supervisors, experts and others; <u>the name of any director that is an interested party as referred to in paragraph 1 of the article 11, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to</u> 	<p>Resolutions adopted at a directors' meeting shall be recorded in the minutes of the meeting and shall contain detailed description of the followings:</p> <ol style="list-style-type: none"> 1) Meeting number (or year), time and location of meeting 2) Name of chairperson 3) Attendance status of directors (including the numbers and names of directors that are, present, absent and on leave) 4) Names and Titles of the attendees 5) Name of record keeper 6) Items reported 7) Items discussed: including the resolution method and result of each proposal, the brief statements of the directors, supervisors, experts and others, opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director under Article 5, paragraph 2, rule 2.

<p><u>enter recusal, and the status of their recusal</u>; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director under Article 5, paragraph 2, rule 4.</p> <p>8) Extemporary Motions: including the name of proponent, the resolution method and result of each proposal, the brief statements of the directors, supervisors, experts and others; <u>the name of any director that is an interested party as referred to in paragraph 1 of the article 11, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal</u>; opinions expressing objections or reservations at the meeting that were included in records or stated in writing.</p> <p>9) Other items required to be recorded The meeting minutes shall consist of the attendance book. The minutes shall be signed or sealed by the chairperson and record keeper. The minutes shall be sent, within 20 days of meeting, to all the directors, supervisors and other attendees. The minutes shall also be kept as important files for as long as the Company remain in existence. The creation and distribution of the minutes can be done in the electronic format.</p> <p>9) Other matters required to be recorded.</p> <p>Any matter that requires a resolution by the board of directors, if any independent director has any records or written statement of any objection or reservation, shall be not only recorded in the meeting minutes, but also published or reported to the web-site appointed by the competent authority within two days after the Board of Director's meeting.</p> <p>The meeting minutes shall consist of the attendance book. The minutes shall be signed or sealed by the chairperson and record keeper. The minutes shall be sent, within 20 days of meeting, to all the directors, supervisors and other attendees. The minutes shall also be kept as important files for as long as the Company remain in existence. The creation and distribution of the minutes can be done in the electronic format.</p>	<p>8)Extemporary Motions: including the name of proponent, the resolution method and result of each proposal, the brief statements of the directors, supervisors, experts and others, opinions expressing objections or reservations at the meeting that were included in records or stated in writing.</p> <p>9) Other items required to be recorded The meeting minutes shall consist of the attendance book. The minutes shall be signed or sealed by the chairperson and record keeper. The minutes shall be sent, within 20 days of meeting, to all the directors, supervisors and other attendees. The minutes shall also be kept as important files for as long as the Company remain in existence. The creation and distribution of the minutes can be done in the electronic format.</p> <p>9) Other matters required to be recorded</p> <p>Any matter that requires a resolution by the board of directors, if any independent director has any records or written statement of any objection or reservation, shall be not only recorded in the meeting minutes, but also published or reported to the web-site appointed by the competent authority within two days after the Board of Director's meeting.</p> <p>The meeting minutes shall consist of the attendance book. The minutes shall be signed or sealed by the chairperson and record keeper. The minutes shall be sent, within 20 days of meeting, to all the directors, supervisors and other attendees. The minutes shall also be kept as important files for as long as the Company remain in existence. The creation and distribution of the minutes can be done in the electronic format</p>
--	---

Note *In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

5. Report of the establishment of the Company’s “Code of Ethics” and “Best Practice Principles of Ethical Corporate Management”.

Explanation:

- (1) It is advisable that a TWSE or GTSM listed company shall establish a code of its directors’, supervisors’, and managerial officers’ ethical conduct reference to the “Guidelines for the Adoption of Codes of Ethical Conduct by TWSE/GTSM Listed Companies” published by Stock Exchange in 2004, and the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” published by Stock Exchange in 2010.
- (2) For the purpose of sustainable development of the Company and the creation of business culture to operate under sincerity, the Company adopts the “code of Ethics for Far Department Stores Ltd.” and “Principles of Ethical Corporate Management for Far Department Stores Ltd.” according to the Guidelines and Principles published by Stock Exchange.
- (3) Please review.

Attachment

Code of Ethics for Far Eastern Department Stores Ltd.

Article 1 (Purpose of establishment)

The purpose of the Code of Ethics (hereinafter referred to as the "Guidelines") is to provide Directors, Supervisors, managers, and all other employees of Far Eastern Department Stores Ltd. (hereinafter referred to as the "Company") with guidelines to comply with the ethical standards of the Company, and make such standards better understood by the affiliated persons of the Company.

Article 2 (Application scope)

The Guidelines enacted is applied to Directors, Supervisors, managers, and all other employees (hereinafter collectively referred to as "All Employees") of the Company.

Article 3 (Principle of prudent and ethical management)

With respect to behaviors in the corporate management, the Company and All Employees shall abide by the following guidelines with prudence and integrity.

Article 4 (Prevention of conflicts of interests)

All Employees shall act in an objective and efficient manner when exercising duties on behalf of the Company, preventing oneself, a spouse, direct family members, or extended family relatives from obtaining inappropriate benefit as a result of one's position and authority in the Company.

Should the Company provide loans, endorsements and guarantees to the companies owned or associated with persons mentioned in the preceding paragraph, or sell/purchase material assets, sell/purchase goods and services to/from companies owned or associated with persons mentioned in the preceding paragraph, the individuals involved shall proactively report to the Company and explain if conflicts of interests occur, and shall act abiding by the Guidelines and other rules of the Company, in order to prevent conflicts of interests.

Article 5 (Prohibition of inappropriate personal benefit)

All Employees are prohibited from wrong-doings listed in the followings:

1. Obtain inappropriate personal benefit at the cost of the assets and information of the Company or when one exercises his/her duties on behalf of the Company;
2. Compete with the Company within the scope of the Company business, provided that this restriction shall not apply to those who approved in Annual General Shareholders' meeting of the Company for lifting the restriction on non-competition.
3. Any act or behavior in violation of the Guidelines and other relevant rules of the Company.

All Employees who act as a capacity of sales of the Company (hereinafter referred to as "Sales") shall comply with the following rules:

1. Sales shall refrain from receiving and/or giving monetary payments with a cooperative company of the Company except in their capacity as employees of the Company, and shall refrain from conducting trades, dealings, and transactions consigned by outside entities.
2. Should direct family members of Sales own or operate a business within the similar or relevant scope of the

business department that the involved Sales serve, such Sales must receive official written permission from the President of the Company or the Vice President of the aforesaid department prior to execution of contracts made by the Sales to the entities or companies involved.

3. Sales shall refrain from soliciting business with entities or companies served or owned by former employees of the Company, and investing in such entities or companies by all means. If necessary, Sales must receive official written permission from the President of the Company or the Vice President of the department that involved Sales serve prior to any business activity being conducted, with the only exception that the former employees have left the Company for two years or more.
4. Except social activities perceived by the public as normal and ethically acceptable, Sales shall avoid any sorts of interactions, or appearance of interactions, with a cooperative company of the Company.

Article 6 (Preservation of confidentiality)

1. Unless authorized by the Company or required by laws to disclose, All Employees have obligations to safeguard confidential information, which, once released or used by outside entities, can cause damage to the Company and customers of the Company. The aforesaid confidential information includes, but not limited to, proprietary technology related information, non-technology related information, and data of vendors and customers.
2. All Employees shall abide by the relevant letters and agreements signed with the Company to safeguard the confidential Information.
3. All Employees are entrusted by the Company to protect the confidential information or other relevant business information. All written documents and accounting books are not allowed to be disclosed without the prior permission from the authorized management.
4. Sales are expected to be sophisticated in professional knowledge, pay attention to the changes and revisions of laws and regulations governing their business activities, and strictly safeguard the business confidential information of the Company.

Article 7 (Fair transactions and treatments)

1. With integrity and reasonable principle, All Employees shall treat customers, vendors, competitors, and employees of the Company in a fair manner. It is improper and, therefore, prohibited to obtain benefit by a) manipulating, concealing, and misusing the information which possessed by any individual acting in the capacity of employees of the Company; b) declaring fraudulent information about material events; c) any other transaction methods perceived as or appeared to be ethically unfair.
2. When offering or receiving entertainments and gifts, All Employees shall comply with the relative rules or policies of the Company.

Article 8 (Proper safeguard and use of the Company's assets)

All Employees shall safeguard the assets of the Company, and ensure aforesaid assets be used for the Company business in an efficiently and legitimate manner, for the purpose of preventing theft, negligence, and waste.

All Employees are prohibited from misusing the funds of the Company; and shall not waste and obliterate any sorts of assets belong to the Company.

All Employees are expected to bear thrift in mind. Non recurring payments or payments not being prepared in

the budget of the Company will be paid only after the permission is granted by the authorized management. Otherwise, the Company may reject such payments.

Article 9 (Compliance with laws and regulations)

All Employees shall comply with Securities and Exchange Act and other rules, regulations, and laws.

Article 10 (To blow the whistle)

The Company shall organize and enhance internal educational program to promote and reinforce the Guidelines to All Employees.

All Employees who discover any violation or appearance of violation of the Guidelines, laws, and regulations shall proactively report to Supervisors, Managers, Head of Internal Audit Department, or other properly authorized management, meanwhile provide sufficient information or evidences to make subsequent investigation and rectification possible.

All information and evidences being reported shall be kept confidential, and investigated by an independent third entity, in order to protect the whistle-blower.

Article 11 (Discipline and remedy)

All Employees violating the Guidelines shall be disciplined by the Company pursuant to relevant laws, regulations, or internal rules of the Company.

Any of All Employees obtains, or intends to obtain, improper benefit for oneself and others at the cost of the Company by using one's position or authority shall be dismissed, and shall unconditionally indemnify the Company for all losses occurred.

An appeal system is established in the Company. Any of All Employees being accused to violate the Guidelines may appeal for remedy via the system.

Article 12 (Disclosure)

The Guidelines, and the amendments of the Guidelines after promulgation, shall be disclosed on the website, annual reports, and the prospectus of the Company, and on the Market Observation Post System operated by the Taiwan Stock Exchange.

Article 13 (Implementation)

After receiving the approval from the Board of Directors, the Guidelines will be implemented, and a copy of the Guideline will be submitted to each Supervisor and the contents will be reported to the Annual General Shareholders' Meeting. The amendments of the Guidelines follow the same procedure.

*In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

Attachment.

Best Practice Principles of Ethical Corporate Management for Far Eastern Department Stores Ltd.

Article 1 (Purpose of establishment, entities and scope of implementation)

The purpose of the Best Practice Principles of Professional Corporate Management (hereinafter referred to as the “Principles”) is to cultivate an enterprise culture for Far Eastern New Century Corporation (hereinafter referred to as the “Company”) to sustain the development of the Company and ensure all businesses conducted with sincerity and integrity.

The Principles shall be abided by Directors, Supervisors, managers, other employees, and other entities with actual ability to control the Company (hereinafter referred to as the “Actual Controllers”). The aforementioned individuals and entities hereinafter are referred collectively to as the “Company Professionals”.

The Principles shall be applied to subsidiaries, charity foundations which have accumulatively received, directly or indirectly from the Company, 50% of their total funds or more, and institutions, juridical entities, enterprises, and organizations that the Company may control effectively.

Article 2 (Prohibition against business conduct without prudence and integrity)

Company Professionals are prohibited from, directly or indirectly, offering, promising to offer, requesting, or receiving improper benefits of any sort when conducting business with counterparties. Obtaining or sustaining benefits by conducting business without sincerity and integrity, in any illegal way, or in breach of fiduciary duty (hereinafter referred to as “Misconducts”) is also prohibited.

The counterparties mentioned in the preceding paragraph includes public servants, political campaign candidates, political parties and members and employees of political parties, and all other state-owned or private-owned enterprises or organizations and their directors, supervisors, managers, employees, Actual Controllers, and other interested persons/entities.

Article 3 (Definitions and scopes of benefits)

Benefits mentioned in the Principles are referred to as anything worth of a value, including but not limited to monetary payments, endowments, commissions, job positions, services, preferential treatments, kickbacks and so forth in any name or any mean. Those are perceived as normal social activity, occurs occasionally, and have no impact or have no concern to impact specific legal rights and obligations may be excluded.

Article 4 (Compliance with laws and regulations)

The first premise of conducting business with sincerity and integrity is that the Company shall comply with the Company Law, Securities and Exchange Act, Business Accounting Act, Political Donation Act, Anti-corruption Statue, Government Procurement Law, Act on Recusal of Public Servants Due to Conflicts of Interest, regulations governing security listings and all other business activities.

Article 5 (Policy)

With the managerial philosophy of anti-corruption, transparency, and responsibility, the policy of the Company is to ensure all business being conducted with sincerity and integrity. The Company shall also build a reliable mechanism for corporate governance, risk control, and risk management, in hopes of creating a business environment for sustainable development.

Article 6 (Prevention procedures and rules)

In accordance with the Principles, the Company shall establish procedures and rules to prevent Company Professionals from conducting business without prudence and integrity; meanwhile, specifically identify what Company Professionals must pay attention to while conducting business.

Article 7 (Scope of prevention procedures and rules)

The prevention procedures and rules established by the Company shall include, but not limited to, the following measures against Misconducts:

1. Offering and receiving bribery;
2. Making illegal political donations;
3. Making improper charity donations or improperly sponsoring charity;
4. Offering or receiving gifts, hospitality, or other improper benefits which are perceived as unacceptable in accordance with normal ethical standards.

Article 8 (Commitment and execution)

The policy of ethical corporate management with sincerity and integrity shall be disclosed explicitly in the website and annual reports of the Company. Board of Directors and the management shall have strong and rigorous commitment to the execution of such policy, and enforce the policy to the internal management and external commercial activities.

Article 9 (Ethical commercial activities)

The Company shall act with integrity and fairness when engaging in a commercial activity with counterparty.

Prior to engaging in a commercial transaction, the Company shall take into consideration the legitimacy and legality of the counterparty such as agents, vendors, customers, and other entities, and their Misconduct record, if any. The Company shall avoid engaging in business with counterparty with any record of Misconducts.

When entering into material contracts with counterparties, the Company shall include provisions in such contracts demanding the compliance of ethical corporate management policy. And such contracts shall also include clauses to terminate or cancel the contracts at any time by the Company, if Misconducts are performed, or suspected of being performed, by the counterparties.

Article 10 (Prohibition against offering and receiving bribery)

When conducting business, Company Professionals shall not directly or indirectly offer, promise to offer, request or accept any improper Benefits, including bribery, kickbacks, commissions, grease payments, or offer or accept improper Benefits in any way and any name to or from clients, agents, contractors, suppliers, public servants, or other interested parties, unless the laws of the territories where the companies operate permit so.

Article 11 (Prohibition against illegal political donations)

When directly or indirectly providing a donation to political parties or organizations or individuals participating in political activities, Company Professionals shall comply with the Political Donations Act and internal relevant procedures of the Company, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12 (Prohibition against improper charity donations and sponsorship)

When making or offering charity donations and sponsorship, Company Professionals shall comply with relevant laws, regulations, and internal procedures of the Company, and shall not surreptitiously engage in bribery.

Article 13 (Prohibition against improper gifts, hospitality, or other improper Benefits)

Company Professionals are prohibited from, directly or indirectly, requesting from those who have been conducting commercial transactions with the Company and those who seeks for opportunities to conducting transactions with the Company any gifts, preferential treatments, or other improper Benefits, including abnormal and super luxury banquet or other hospitality in any other means which are irrelevant to business activities and common social practices.

Company Professionals are prohibited from receiving gifts or kickbacks from any vendor and agent. A gift perceived as necessary in accordance with local practices and common good manner and the value of such gift is less than NT\$2,000 shall be excluded. Souvenirs and promotion products with a printed logo by the relevant counterparties shall also be excluded. Cash and other sorts of gifts shall be rejected in a delicate and polite way, after explaining the compliance rules of the Company. When delicate rejection fails, the gift received shall be turn into Human Resources Department to make proper arrangement.

Unless reporting to the authorized manager of the business group by writing, Company Professionals shall not accept prizes and gifts from their business related counterparties when the Company holds festivals and celebrating activities.

During the business trip, Company Professionals are prohibited from accepting hospitality in any sort during the trip from vendors, agents, and clients without the permission of the Company.

During the business trip, the travelling Company Professionals are prohibited from accepting feast or hospitality which may be perceived as improper or may make the involved Company Professionals breach their duties. During the business trip, the travelling Company Professionals are expected to realize their behavior represents the image of the Company; therefore, shall act in a particularly prudent manner at all times. Wrongdoings and whatever can indemnify the reputation of the Company will result in rigorous discipline of the involved Company Professionals.

Company Professionals shall not borrow money from, enter payable lease or non-payable lease arrangements, or arrange borrowing/lending in any kind and any name with vendors, agents, and clients.

Article 14 (Organization and responsibility)

The Board of Directors of the Company shall exercise the due care of good administrators to urge the Company to prevent Misconducts, review the results of the preventive procedures at any time, and continually make adjustments so as to ensure thorough implementation of the ethical corporate management policies.

To fulfill the best practices of the ethical corporate management, Human Resources Department of the Company is dedicated to be in charge of establishing and enforcing the ethical corporate management policies and prevention procedures, and shall report to the Board of Directors on a regular basis.

Article 15 (Compliance with laws and regulations)

Company Professionals shall comply with laws, regulations, and the prevention procedures of the Company when conducting business.

Company Professionals shall abide by all articles, rules, bylaws, operation procedures of the Company, and follow the orders from authorized superior management.

Article 16 (Prevention of conflicts of interests)

The Company shall promulgate policies for preventing conflicts of interests and offer appropriate means for Company Professionals to proactively explain if their interests would potentially conflict with those of the Company.

Directors of the Company shall exercise a high degree of self-discipline. A director may present his/her opinion and answer relevant questions but is prohibited from participating in discussion of or voting on any proposal where the director or the juristic person that the director represents is an interested party, and such participation is likely to prejudice the interests of the Company; neither shall a director vote on such proposal as a proxy of another director in such circumstances. The directors shall practice self-discipline and must not support one another in improper manner.

Company Professionals shall not take advantage of their positions in the Company to obtain improper Benefits for themselves, their spouses, parents, children or any other person.

Article 17 (Accounting and internal control)

For business activities which may be more likely than normal to be involved in Misconducts, the Company shall establish an effective accounting system and an internal control system, not have off-the-book accounts or keep secret accounts, and shall review the systems regularly so as to ensure that the design and enforcement of the systems are showing results.

Internal auditors of the Company shall periodically examine the results of compliance with the foregoing, and prepare audit reports submitted to the Board of Directors.

Article 18 (operational procedures and guidelines of behaviors)

The Company shall establish operational procedures and guidelines of behaviors in accordance with Article 6 hereof. The procedures and guidelines should at least contain the following matters:

1. Standards for determining if improper Benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and the standard amounts for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interests, and how such conflicts be reported and handled.
5. Rules for preserving confidentiality of trade secrets and business sensitive information obtained in the ordinary course of business.
6. Regulations and procedures for dealing with vendors, clients, and business transaction counterparties suspected of Misconducts.
7. Operational procedures for violations of the Principles.
8. Disciplinary measures on offenders.

Article 19 (Educational training and performance evaluating system)

The Company shall offer and enhance internal Company Professionals training programs to promote and reinforce the Principles, and shall be able to make the commitment, policy, prevention procedures of the Company to implement the Principles, and consequences of violating the Principles be informed and fully understood by their transaction counterparties.

The management of the Company shall at all times evaluate the educational proficiencies, behaviors, capabilities, compliance with the Principles, and working performance of subordinates, and the evaluation records shall be incorporated into the annual personal performance appraisal system.

Article 20 (Blow-the-whistle and discipline)

For any violation of the Principles being found, Company Professionals shall proactively report to Supervisors, the Management, Head of Internal Audit, Human Resources Department, and other appropriate authorized managers. The Company shall strictly preserve the identity of the whistle-blower and the content of the report.

The Company tolerates no violation. Any of the Company Professionals obtains, or intends to obtain, improper Benefits for oneself or others at the cost of the Company by using one's position and authority shall be dismissed, and unconditionally indemnify the Company for all losses, if occurred.

Any of the Company Professionals found to be in violation of the Principles shall be disciplined in accordance with the reward and disciplinary rules of the Company. Those who as a result of violation are dismissed by the Company will no longer be employed again by the Company or its affiliates.

An appeal system is established in the Company. Any of Company Professionals being accused to violate the Principles may appeal for remedy via the system.

Article 21 (Disclosure)

The Principles and the enforcement shall be disclosed on the website, annual reports, and prospectuses of the Company.

Article 22 (Review and amendments of the Principles)

The Company shall at all times monitor the development of relevant local and international regulations

concerning ethical corporate management, and Company Professionals to make recommendations so as to review and improve the Principles and achieve better results from implementing the Principles.

Article 23 (Implementation)

After receiving the approval from the Board of Directors, the Principles will be implemented, and a copy of the Principles will be submitted to each Supervisor and the contents will be reported to the Annual General Shareholders' Meeting. The amendments of the Guidelines follow the same procedure.

*In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

6. The adjustments of Retained Earnings and Special Reserve in accordance with the adoption of International Financial Reporting Standards.

Explanation

- (1)** According to the administrative interpretation #1010012865 issued by Financial Supervisory Commission on April 6, 2012, the Company shall report the adjustments of retained earnings and special reserve in accordance with the adoption of International Financial Reporting Standards (IFRSs) to the Shareholders' Meeting.
- (2)** The Company's unappropriated earnings that resulted from all IFRSs adjustments were increased by NT\$677,293 thousands on the date of transition to IFRSs on Jan 1, 2012, and were decreased by NT\$252,750 thousands during comparable period in 2012, respectively.
- (3)** On the first-time adoption of IFRSs, the Company adopted the exemptions under IFRS1 on January 1, 2012, and the unrealized revaluation gain of NT\$843,305 thousand and the cumulative translation adjustments of (NT\$14,294) thousand were transferred to retained earnings. The company appropriate to the special reserve NT\$ 843,305 thousand according to the above administrative interpretation.
- (4)** Please review.

III.Matters to be Approved:

1. To accept the 2012 financial statements.

The Board of Directors proposes and recommends that each shareholder votes FOR the acceptance of 2012 business report and financial statements.

Explanatory Notes:

- (1) FEDS's 2012 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 2012 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 2012 surplus earning.

The Board of Directors proposes and recommends that each shareholder votes FOR the distribution of 2012 surplus earning.

Explanatory Notes:

- (1) All the closing transactions as of December 31, 2012 have been completely closed, and have been audited by the accounting firm, Deloitte and Touche. We thereby submit the proposal for distribution of 2012 profits:

1. Net Income of 2012	N.T\$ 1,692,858,164
2. 10% legal reserve (1*10%)	(169,258,816)

3. Undistributed profits of previous years	969,558,592
4. Earnings available for distribution (4=1-2+3)	2,493,130,940

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

1. Dividend (60%)	N.T\$ 972,172,682
2. Cash bonus to shareholders (33%)	543,694,970
3. Total Distribution	1,560,867,642

Note: To distribute employee bonus of NT 64,811,511 and compensation of directors and supervisors of NT 46,608,643.

(3) Undistributed earnings after distribution N.T\$ 986,263,298

(4) The major items of the Distribution of 2012 Dividend :

1. Cash dividends to holders of common share (NT\$ 0.80 per share)	N.T\$ 1,095,903,742
2. Stock dividends to holders of common share (NT\$ 0.30 per share at par value)	410,963,900
3. Total amount of 1.40 per share	1,506,867,642

(5) The distribution of 2012 dividends composes of 2012 surplus earning in priority and the undistributed profit from 1998 to 2011 in case 2012 surplus earning are insufficient to cover 2012 dividends.

(6) After being approved at the annual General Shareholders' meeting (2013), 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 2012 profits.

IV. Discussion

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

The Board of Directors proposes and recommends that each shareholder votes FOR the amendments of certain provisions of the Company's "Articles of Incorporation".

Please vote.

Board of Directors proposes:

Explanatory Notes:

- (1) We propose to amend Article 14, Article 17 and Article 30 of the Company's "Articles of Incorporation". The amended provisions are shown in the attached comparison table.
- (2) Please approve the proposed resolutions.

Resolution:

Section	Proposed Changes	Current Articles
Article 14	<p>Shareholders may by way of power of attorney 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.</p> <p>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".</p>	<p>Shareholders may by way of power of attorney <u>stamped with the seal of the Company</u> 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.</p> <p>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".</p>
Article 17	<p>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".</p>	<p>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".</p>

	<p>Independent directors shall not be less than two in number and not less than one-fifth of the total number of directors.</p> <p>In accordance with Article 192-1 of the Company Act, the Company shall adopt a candidate nomination system for election of the <u>directors and supervisors</u>, and the shareholders shall elect the <u>directors and supervisors</u> from among the nominees listed in the roster of candidates. Independent and non-independent directors <u>and supervisors</u> shall be elected at the same time but on separate ballots.</p>	<p>Independent directors shall not be less than two in number and not less than one-fifth of the total number of directors.</p> <p>In accordance with Article 192-1 of the Company Act, the Company shall adopt a candidate nomination system for election of the <u>independent directors</u>, and the shareholders shall elect the independent directors from among the nominees listed in the roster of <u>independent director</u> candidates. Independent and non-independent directors shall be elected at the same time but on separate ballots.</p>
Article 30	<p>These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p><u>Forty-third amendment of June 20, 2013</u></p>	<p>These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p><u>Forty-second amendment of June 23, 2011</u></p>

Note *In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

2. To approve the capitalization of 2012 stock dividends.

The Board of Directors proposes and recommends that each shareholder votes FOR the capital increase of 2012 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\$ 410,963,900. A total number of 41,096,390 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 30 common shares for each 1,000 common shares held by such shareholders. If the stock dividends include any fractional shares which are less than one full share, in accordance with Article 204 of the Company Law, the distribution will be made in the form of cash rounded to the nearest dollar amount calculated at par value. Such fractional shares will be purchased by Far Eastern Recreation Center Employee's Welfare Committee of FEDS. The new issued common shares should have

the right to enjoy dividends of 2013 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 2012 stock dividends.

Resolution:

3. Proposal to amend the certain provisions of the Company’s “Procedures for Endorsements and Guarantees” and Company’s “Procedures for Lending of Capital to Others”.

The Board of Directors proposes and recommends that each shareholder votes FOR the amendments of certain provisions of the Company’s “Procedures for Endorsements and Guarantees” and Company’s “Procedures for Lending of Capital to Others”.

Please vote.

Board of Directors proposes:

Explanatory Notes:

- (1) We propose to amend Article 2, Article 3, Article 4, Article 6 and Article 8 of the Company’s “Procedures for Endorsements and Guarantees”, and amend Article 2, Article 3, Article 4, Article 5 and Article 8 of the Company’s “Procedures for Lending of Capital to Others” pursuant to the official letter of Financial Supervisory Commission under Ching-Kuan-Cheng-Shen-Tze No. 1010029874 dated on 6 July, 2012. The amended provisions are shown in the attached comparison table.
- (2) Please approve the proposed resolutions.

Resolution:

To amend certain provisions of the Company’s “Procedures for Endorsements and Guarantees ”.

Section	Proposed Changes	Current Articles
Article 2	The Company may make endorsements/guarantees	The Company may make endorsements/guarantees

	<p>for the following companies:</p> <ol style="list-style-type: none"> 1) companies with whom the Company has business relationships: 2) a company in which the Company directly and indirectly holds more than 50 percent of the voting shares ; and 3) a company that directly and indirectly holds more than 50 percent of the voting shares in the Company. <p>Companies in which the public company holds, directly or indirectly, 90% of the voting shares may make endorsements/guarantees for each other and the amount of an endorsement/guarantee shall not exceed 10% of <u>the Company's net worth as stated in its latest financial statement reviewed or audited by a CPA (the Company's latest net worth)</u>. However, Subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company shall not apply to the circumstances.</p> <p>The above restrictions in the preceding two paragraphs shall not apply to the circumstances where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry, or for the co-producers of the same project, for the purpose of construction project, or where all shareholders make endorsements/guarantees for their jointly invested companies in proportion to their shareholding percentages.</p> <p>Invested companies said in the preceding paragraph are those invested directly by the Company, or by the subsidiaries of which the Company owns 100% voting shares.</p> <p>Subsidiaries and holding company as referred to in these Procedures shall be those as determined under the <u>Regulations Governing the Preparation of Financial Reports by Securities Issuers</u>.</p>	<p>for the following companies:</p> <ol style="list-style-type: none"> 1) companies with whom the Company has business relationships: 2) a company in which the Company directly and indirectly holds more than 50 percent of the voting shares ; and 3) a company that directly and indirectly holds more than 50 percent of the voting shares in the Company. <p>Companies in which the public company holds, directly or indirectly, 90% of the voting shares may make endorsements/guarantees for each other and the amount of an endorsement/guarantee shall not exceed 10% of <u>the company's net worth</u>. However, Subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company shall not apply to the circumstances.</p> <p>The above restrictions in the preceding two paragraphs shall not apply to the circumstances where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry, or for the co-producers of the same project, for the purpose of construction project, or where all shareholders make endorsements/guarantees for their jointly invested companies in proportion to their shareholding percentages.</p> <p>Invested companies said in the preceding paragraph are those invested directly by the Company, or by the subsidiaries of which the Company owns 100% voting shares.</p> <p>Subsidiaries and holding company as referred to in these Procedures shall be those as determined under the <u>Statements of Financial Accounting Standards Nos. 5 and 7 announced by the Accounting Research and Development Foundation of the Republic of China</u>.</p>
Article 3	<p>The aggregate amount of endorsements and guarantees issued by the Company shall be no more than <u>the Company's latest net worth</u>. The total amount of the Company's endorsements and guarantees provided for any individual company shall be limited to 60% of <u>the Company's latest net worth</u>.</p> <p>The aggregate amount of endorsements and guarantees issued by the Company and its subsidiaries shall not exceed 150% of <u>the Company's</u></p>	<p>The aggregate amount of endorsements and guarantees issued by the Company shall be no more than <u>the Company's net worth at the time</u>. The total amount of the Company's endorsements and guarantees provided for any individual company shall be limited to 60% of <u>the prior Company's endorsements and guarantees' full amount</u>.</p> <p>The aggregate amount of endorsements and guarantees issued by the Company and its subsidiaries shall not exceed 150% of <u>the Company's</u></p>

	<p><u>latest net worth</u>. The balance of endorsements/guarantees provided by the Company for an individual company shall not exceed 60% of <u>the Company's latest net worth</u>. As the aggregate amount of endorsements and guarantees to others provided by the Company and its subsidiaries exceed more than 50% of <u>the Company's latest net worth</u>, the Company should state its necessity and reasonableness in the shareholder's meeting.</p> <p><u>Where the Company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p>	<p><u>net worth at the time</u>. The balance of endorsements/guarantees provided by the Company for an individual company shall not exceed 60% of <u>the Company's net worth at the time</u>. As the aggregate amount of endorsements and guarantees to others provided by the Company and its subsidiaries exceed more than 50% of <u>the Company's net worth</u>, the Company should state its necessity and reasonableness in the shareholder's meeting.</p>
Article 4	<p>Prior to the provision of endorsements or guarantees, the Company's finance department shall carefully evaluate its compliance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies ("Regulations"), these Procedures, including the following items and prepare and submit to the Board of Directors the evaluation report for approval; provided that, due to the time-constraints, the Board of Directors may authorize the Chairman to approve such provision subject to ratification by the Board of Directors in the upcoming meeting:</p> <ol style="list-style-type: none"> 1) necessity and rationale of the endorsements/guarantees; 2) credit standing and risk evaluation of the party to be secured under such endorsements/guarantees; 3) impact on the Company's operation, financial condition and shareholders' interests; and 4) whether collaterals are required and appraised values of such collaterals. <p>A company that directly and/or indirectly holds more than 90 % of the voting shares in the Company shall follow accordingly to Article 2, paragraph 2 to allow the Board of Directors to make any endorsements/guarantees to other parties. This, however, does not apply to any company that directly and/or indirectly holds 100% of the voting shares in this company.</p> <p>Where the Company provides endorsement and guarantees as a result of business transactions, it should separately assess whether the amount of endorsement and guarantee is comparable to the value involved in such business transactions. The value involved in the business transactions refers to the value represented by orders placed, sales or</p>	<p>Prior to the provision of endorsements or guarantees, the Company's finance department shall carefully evaluate its compliance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies ("Regulations"), these Procedures, including the following items and prepare and submit to the Board of Directors the evaluation report for approval; provided that, due to the time-constraints, the Board of Directors may authorize the Chairman to approve such provision subject to ratification by the Board of Directors in the upcoming meeting:</p> <ol style="list-style-type: none"> 1) necessity and rationale of the endorsements/guarantees; 2) credit standing and risk evaluation of the party to be secured under such endorsements/guarantees; 3) impact on the Company's operation, financial condition and shareholders' interests; and 4) whether collaterals are required and appraised values of such collaterals. <p>A company that directly and/or indirectly holds more than 90 % of the voting shares in the Company shall follow accordingly to Article 2, paragraph 2 to allow the Board of Directors to make any endorsements/guarantees to other parties. This, however, does not apply to any company that directly and/or indirectly holds 100% of the voting shares in this company.</p> <p>Where the Company provides endorsement and guarantees as a result of business transactions, it should separately assess whether the amount of endorsement and guarantee is comparable to the value involved in such business transactions. The value involved in the business transactions refers to the value represented by orders placed, sales or</p>

	<p>transactions contemplated by the parties during the year immediately prior to such provision of endorsements/guarantees.</p> <p>Where the Company proposes to provide an endorsement and/or guarantees as a result of business transactions which is in conformity with the conditions set out herein but exceed the limit as stipulated above as a result of business needs, it shall require the approval of the Board of Directors and the joint guarantee by more than half of the Directors in respect of the possible loss incurred by the excessive guarantee, as well as amendment to these Procedures subject to ratification by the Shareholders' Meeting. In the event that the Shareholders' Meeting raises objection, the Company shall formulate a proposal to cancel the excess within stipulated time limit.</p> <p>In the event that the Company has independent directors, the Board of Directors shall take into account the opinions of the independent directors and furthermore record in the minutes of such meetings the independent directors' consenting or dissenting opinions and the reasons in holding a meeting discussing the conditions above-mentioned, this Procedures or providing endorsements and/or guarantees.</p> <p>Where the parties secured by such endorsements/guarantees fail to comply with these Procedures or the amounts have exceeded the limits as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same to the Supervisors. Improvement shall be completed within the time limit stipulated in improvement plans.</p> <p>If the subsidiary which the Company and its subsidiaries make endorsements and guarantees to, and whose net worth is lower than half of its paid-up capital, the Company should pay attention to its financial, operational and other related credit conditions. If there are collaterals provided, attention should be paid to the collateral's value change. Endorsements/Guarantees should be ended when major, unfavorable condition occurs. <u>In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.</u></p>	<p>transactions contemplated by the parties during the year immediately prior to such provision of endorsements/guarantees.</p> <p>Where the Company proposes to provide an endorsement and/or guarantees as a result of business transactions which is in conformity with the conditions set out herein but exceed the limit as stipulated above as a result of business needs, it shall require the approval of the Board of Directors and the joint guarantee by more than half of the Directors in respect of the possible loss incurred by the excessive guarantee, as well as amendment to these Procedures subject to ratification by the Shareholders' Meeting. In the event that the Shareholders' Meeting raises objection, the Company shall formulate a proposal to cancel the excess within stipulated time limit.</p> <p>In the event that the Company has independent directors, the Board of Directors shall take into account the opinions of the independent directors and furthermore record in the minutes of such meetings the independent directors' consenting or dissenting opinions and the reasons in holding a meeting discussing the conditions above-mentioned, this Procedures or providing endorsements and/or guarantees.</p> <p>Where the parties secured by such endorsements/guarantees fail to comply with these Procedures or the amounts have exceeded the limits as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same to the Supervisors. Improvement shall be completed within the time limit stipulated in improvement plans.</p> <p>If the subsidiary which the Company and its subsidiaries make endorsements and guarantees to, and whose net worth is lower than half of its paid-up capital, the Company should pay attention to its financial, operational and other related credit conditions. If there are collaterals provided, attention should be paid to the collateral's value change. Endorsements/Guarantees should be ended when major, unfavorable condition occurs.</p>
Article 6	<p>The designated seals for the provision of endorsements and guarantees of the Company shall be handed to appointed persons for safekeeping; use of the said seals shall be in conformity with the Company's regulations.</p>	<p>The designated seals <u>and bills</u> for the provision of endorsements and guarantees of the Company shall be handed to appointed persons for safekeeping; use of the said seals and <u>issue of bills</u> shall be in conformity with the Company's regulations.</p>

	<p>The Board of Directors shall give its approval for the appointment of or changes to the person tasked with the safekeeping of bills and seals.</p> <p>Where the Company provides guarantees for foreign companies, its letter of guarantee shall be signed by a person authorized by the Board of Directors.</p>	<p>The Board of Directors shall give its approval for the appointment of or changes to the person tasked with the safekeeping of bills and seals.</p> <p>Where the Company provides guarantees for foreign companies, its letter of guarantee shall be signed by a person authorized by the Board of Directors.</p>
Article 8	<p>The Company shall before the 10th day of each month publish and report the endorsements/guarantees it and its subsidiaries provided and their balance amounts as of the end of last month.</p> <p>Where limits of the Company's endorsements/guarantees set below have occurred, the Company shall publish and report <u>within two days commencing immediately from the date of occurrence</u>:</p> <ol style="list-style-type: none"> 1) The aggregate balance of endorsements/guarantees provided by the Company and its subsidiaries has reached 50% or more of <u>the Company's latest net worth</u>; or 2) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached 20% or more of <u>the Company's latest net worth</u>; or 3) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached Ten Million New Taiwan Dollars (NT\$10,000,000) or more and the aggregate amount of all endorsements/guarantees, <u>investment of a long-term nature in</u>, and balance of loans to, such company has reached 30% of <u>the Company's latest net worth</u>; or 4) The additional individual endorsement/guarantee provided by the Company or its subsidiary has reached Thirty Million New Taiwan Dollars (NT\$30,000,000) or more and has reached 5% or more of <u>the Company's latest net worth</u>. <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any subparagraph of the preceding paragraph.</p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.</p>	<p>The Company shall before the 10th day of each month publish and report the endorsements/guarantees it and its subsidiaries provided and their balance amounts as of the end of last month.</p> <p>Where limits of the Company's endorsements/guarantees set below have occurred, the Company shall publish and report <u>within 2 days of the said events</u>:</p> <ol style="list-style-type: none"> 1) The aggregate balance of endorsements/guarantees provided by the Company and its subsidiaries has reached 50% or more of <u>the net worth of the Company as shown in its latest financial statement</u>; or 2) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached 20% or more of the net worth of the Company as shown in its latest financial statement; or 3) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached Ten Million New Taiwan Dollars (NT\$10,000,000) or more and the aggregate amount of all endorsements/guarantees, <u>long term investment</u> in, and balance of loans to, such company has reached 30% of <u>the net worth of the Company as shown in its latest financial statement</u>; or 4) The additional individual endorsement/guarantee provided by the Company or its subsidiary has reached Thirty Million New Taiwan Dollars (NT\$30,000,000) or more and has reached 5% or more of the <u>net worth of the Company as shown in the latest financial statement</u>. <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any subparagraph of the preceding paragraph.</p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission, <u>Executive Yuan</u> for reporting information.</p>

	<p><u>Date of occurrence in the Procedures refers to the date of contract signing, date of payment, dates of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.</u></p> <p>The Company shall assess the status of endorsements/guarantees provided and reserve an appropriate amount to offset against contingent loss. The Company shall furthermore disclose the relevant information in its financial statements and provide the certified accountants with relevant materials for them to carry out the necessary audit processes.</p>	<p>The Company shall, <u>in accordance with the Statements of Financial Accounting Standards No. 9,</u> assess the status of endorsements/guarantees provided and reserve an appropriate amount to offset against contingent loss. The Company shall furthermore disclose the relevant information in its financial statements and provide the certified accountants with relevant materials for them to carry out the necessary audit processes.</p>
--	---	---

Note *In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

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

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

	<p><u>Where the Company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p>	
Article 3	<p>(Reasons and Necessity for Lending)</p> <p>Loans extended to Companies Seeking Short-Term Financing shall be limited to the Subjects of Lending, as follows:</p> <p>(1) Companies which may be guaranteed by the Company and have the need for short-term financing facility:</p> <p>1) Company which is directly or indirectly invested with over fifty percents of shares with voting right; and</p> <p>2) Holding companies of the Company, which is holding more than fifty percents of shares with voting right.</p> <p>3) Other companies as approved by the Company's Board of Directors for such lending.</p> <p>(2) The reasons and situation that loan extended to Companies Seeking Short-Term Financing shall be limited to the following:</p> <p>(1) The demand of revolving fund for operation.</p> <p>(2) Redeeming a loan.</p> <p>(3) Acquiring assets.</p> <p>(4) Other good causes as approved by the Company's Board of Directors.</p> <p>Subsidiaries and holding companies referred to herein are defined in accordance with <u>Regulations Governing the Preparation of Financial Reports by Securities Issuers</u></p>	<p>(Reasons and Necessity for Lending)</p> <p>Loans extended to Companies Seeking Short-Term Financing shall be limited to the Subjects of Lending, as follows:</p> <p>(1) Companies which may be guaranteed by the Company and have the need for short-term financing facility:</p> <p>1) Company which is directly or indirectly invested with over fifty percents of shares with voting right; and</p> <p>2) Holding companies of the Company, which is holding more than fifty percents of shares with voting right.</p> <p>3) Other companies as approved by the Company's Board of Directors for such lending.</p> <p>(2) The reasons and situation that loan extended to Companies Seeking Short-Term Financing shall be limited to the following:</p> <p>(5) The demand of revolving fund for operation.</p> <p>(6) Redeeming a loan.</p> <p>(7) Acquiring assets.</p> <p>(8) Other good causes as approved by the Company's Board of Directors.</p> <p>Subsidiaries and holding companies referred to herein are defined in accordance with <u>the Statements of Financial Accounting Standards No. 5 and 7 published by the Accounting Research and Development Foundation of the Republic of China.</u></p>
Article 4	<p>(Procedure for Lending)</p>	<p>(Procedure for Lending)</p>

<p>When handling a loan by the Company, the Borrowers are required to present requisite financial information and the application to the Company's finance department for limits of loans. The finance department shall evaluate such application in accordance with <u>the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees ("Regulations")</u> as well as these Procedures including the following items and prepare and submit to the Board of Directors the evaluation report for approval without authorizing any other persons to undertake the above-mentioned procedure:</p> <ol style="list-style-type: none"> 1) necessity and rationale of the loan; 2) the Borrowers' credit standing and risk evaluation; 3) impact on the Company's operation, financial condition and shareholders' interests 4) whether collaterals are required and appraised values of such collaterals. <p>The lending of capital between the Company and its subsidiaries' or between the company's subsidiaries' should be proposed to the Board of Directors for approval.</p> <p>The Board of Directors could authorize the Chairman to lend the same party at separate appropriations for several times within one year period subject to the approved fixed revolving credit line as approved by the Board of Directors.</p> <p>The fixed revolving credit line mentioned as previous paragraph shall not exceed ten percent (10%) of the lender's net worth. However this does not apply to any company that directly and/or indirectly holds 100% of the voting share in this company.</p> <p>The Borrower should, upon the loan amount being approved, fill in an application form and apply to the finance department. The loan amount may only be disbursed after the person-in-charge of the Company or a person as designated by the Board of Directors has signed and approved. Subsequent to drawdown, the finance department shall report to the Board of Directors.</p> <p>Borrowers who apply for short-term financing facility in accordance with the aforesaid item shall provide the Company with bills or collaterals or guarantors as the Company approved as security securing such financing.</p> <p>In the event that the Company has independent directors, the Board of Directors shall take into account the opinions of the independent directors and furthermore record in the minutes of such meetings the</p>	<p>When handling a loan by the Company, the Borrowers are required to present requisite financial information and the application to the Company's finance department for limits of loans. The finance department shall evaluate such application in accordance with <u>the Regulations</u> as well as these Procedures including the following items and prepare and submit to the Board of Directors the evaluation report for approval without authorizing any other persons to undertake the above-mentioned procedure:</p> <ol style="list-style-type: none"> 1) necessity and rationale of the loan; 2) the Borrowers' credit standing and risk evaluation; 3) impact on the Company's operation, financial condition and shareholders' interests 4) whether collaterals are required and appraised values of such collaterals. <p>The lending of capital between the Company and its subsidiaries' or between the company's subsidiaries' should be proposed to the Board of Directors for approval.</p> <p>The Board of Directors could authorize the Chairman to lend the same party at separate appropriations for several times within one year period subject to the approved fixed revolving credit line as approved by the Board of Directors.</p> <p>The fixed revolving credit line mentioned as previous paragraph shall not exceed ten percent (10%) of the lender's net worth. However this does not apply to any company that directly and/or indirectly holds 100% of the voting share in this company.</p> <p>The Borrower should, upon the loan amount being approved, fill in an application form and apply to the finance department. The loan amount may only be disbursed after the person-in-charge of the Company or a person as designated by the Board of Directors has signed and approved. Subsequent to drawdown, the finance department shall report to the Board of Directors.</p> <p>Borrowers who apply for short-term financing facility in accordance with the aforesaid item shall provide the Company with bills or collaterals or guarantors as the Company approved as security securing such financing.</p> <p>In the event that the Company has independent directors, the Board of Directors shall take into account the opinions of the independent directors and furthermore record in the minutes of such meetings the</p>
---	--

	<p>independent directors' consenting or dissenting opinions and the reasons in holding a meeting discussing these Procedures or extending loans hereunder.</p> <p>Where the balance of loans has exceeded the limits, or the Borrower fails to comply with these Procedures, as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same to the Supervisors. Improvement shall be completed within the time limit stipulated in improvement plans.</p>	<p>independent directors' consenting or dissenting opinions and the reasons in holding a meeting discussing these Procedures or extending loans hereunder.</p> <p>Where the balance of loans has exceeded the limits, or the Borrower fails to comply with these Procedures, as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same to the Supervisors. Improvement shall be completed within the time limit stipulated in improvement plans.</p>
Article 5	<p>(Loan Term and Interest Calculation)</p> <p>The term of loans extended by the Company shall not exceed 1 year. For Companies seeking short-term financing with a business operation cycle exceeding 1 year, the term of loans can be extended to the business operating cycle.</p> <p>The term of loans extended by the Company to any overseas subsidiary, over which the Company owns directly or indirectly 100% voting shares, <u>depends on the necessity but shall not exceed 3 years.</u></p> <p>Interest for short term financing shall be calculated on a floating rate basis which rate is subject to adjustment depending on the costs of fund of the Company. Adjustments in interest rate shall be implemented after the finance department has submitted the application to the General Manager for approval. Interest receivable shall be settled once a month.</p>	<p>(Loan Term and Interest Calculation)</p> <p>The term of loans extended by the Company shall not exceed 1 year. For Companies seeking short-term financing with a business operation cycle exceeding 1 year, the term of loans can be extended to the business operating cycle.</p> <p>The term of loans extended by the Company to any overseas subsidiary, over which the Company owns directly or indirectly 100% voting shares, <u>is exempted from the limits of the preceding paragraph.</u></p> <p>Interest for short term financing shall be calculated on a floating rate basis which rate is subject to adjustment depending on the costs of fund of the Company. Adjustments in interest rate shall be implemented after the finance department has submitted the application to the General Manager for approval. Interest receivable shall be settled once a month.</p>
Article 8	<p>(Procedure for Public Notices and Announcement)</p> <p>The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month.</p> <p>When limits of the Company's loans extended set below have occurred, the Company shall publish and report them <u>within two days commencing immediately from the date of occurrence:</u></p> <ol style="list-style-type: none"> 1) The balance of any and all loans extended by the Company and its subsidiaries has reached 20% or more of <u>the Latest Net Worth of the Company;</u> or 2) The balance of loans extended by the Company and its subsidiaries to an individual company has reached 10% of <u>the Latest Net Worth of the Company;</u> or 3) Any additional individual loan extended by the Company or its subsidiary exceeds NT\$10 	<p>(Procedure for Public Notices and Announcement)</p> <p>The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month.</p> <p>When limits of the Company's loans extended set below have occurred, the Company shall publish and report them <u>within 2 days of the said events:</u></p> <ol style="list-style-type: none"> 1) The balance of any and all loans extended by the Company and its subsidiaries has reached 20% or more of <u>the net worth of the Company as shown in its latest financial statement;</u> or 2) The balance of loans extended by the Company and its subsidiaries to an individual company has reached 10% of <u>the net worth of the Company as shown in its latest financial statement;</u> or 3) Any additional individual loan extended by the

	<p>million and has reached 2 % or more of <u>the Latest Net Worth of the Company</u>.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.</p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission, Executive Yuan for reporting information.</p> <p><u>Date of occurrence in the Procedures refers to the date of contract signing, date of payment, dates of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.</u></p> <p>The Company shall assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the necessary audit processes.</p>	<p>Company or its subsidiary exceeds NT\$10 million and has reached 2 % or more of <u>the net worth of the Company as shown in its latest financial statement</u>.</p> <p>The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.</p> <p>The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission, Executive Yuan for reporting information.</p> <p>The Company shall, <u>in accordance with Generally Accepted Accounting Principles</u>, assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the necessary audit processes.</p>
--	---	--

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

The Board of Directors proposes and recommends that each shareholder votes FOR the amendments of certain provisions of the Company’s “Election Procedures of Directors and Supervisors”.

Please vote.

Board of Directors proposes:

Explanatory Notes:

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

Resolution:

Section	Proposed Changes	Current Articles
Article3	<p>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.</p> <p>The Company, in accordance with Article 192-1 of the Company Act, shall adopt a candidate nomination system for election of <u>the directors and supervisors</u>. Besides, <u>the qualifications of independent directors</u>, independent condition, and other conditions should adhere to the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and other regulation.</p>	<p>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.</p> <p>The Company, in accordance with Article 192-1 of the Company Act, shall adopt a candidate nomination system for election of <u>the independent directors</u>. 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.</p>

Note *In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

V. Extemporaneous 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

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 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.

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.

- 3) The chairperson shall announce starting of the meeting when the attending stockholders (or proxies) represent more than half of the total shares issued in public. The chairperson may announce postponement of meeting if the legal quorum is not present after the designated meeting time. Such postponement is limited to two times and the aggregated postponed time shall not exceed one hour. If quorum is still not present after two postponements but the attending stockholders (or proxies) represent more than one third of the total shares issued in public, tentative resolution/s may be passed with respect to ordinary resolution/s by a majority of those present. After proceeding with the aforesaid tentative resolutions, the chairperson may put the tentative resolutions for re-voting over the meeting if and when the shares represented by the attending stockholders (or proxies) reached the legal quorum.
- 4) If the stockholders’ meeting is convened by the board of directors, the agenda shall be designated by the board of directors. The meeting shall proceed in accordance with the designated agenda and shall not be amended without resolutions. If the meeting is

convened by person, other than the board of directors, having the convening right, the provision set out in the preceding paragraph shall apply mutatis mutandis. Except with stockholders' resolution, the chairperson shall not declare adjournment of the meeting before the first two matters set out in the agendas (including extemporary motions) are concluded. During the meeting, if the chairperson declares adjournment of the meeting in violation of the preceding rule, a new chairperson may be elected by a resolution passed by majority of the attending stockholders to continue the meeting. When the meeting is adjourned by resolution, the stockholders shall not elect another chairperson to continue the meeting at the same location or another venue.

- 5) The stockholders (or proxies) shall complete statement slip setting out the number of his/her attendance card, name and statement brief before speaking, and the chairperson will designate the order in which each person is to speak during the session. No statement will be considered to have been made if the stockholders (or proxies) merely complete the statement slip without speaking at the meeting. If there are any discrepancies between the content of the statement slip and the speech made, the statement to be adopted shall be the statement confirmed.
- 6) Any proposal for the agendas shall be submitted in written form. Except for the proposals set out in the agenda, any proposal by the stockholders (or proxies) to amend, substitute or to initiate extemporary motions with respect to the original proposal shall be seconded by other stockholders (or proxies). The same rule shall apply to any proposal to amend the agenda and motion to adjourn the meeting. The shares represented by the proponents and the seconders shall reach 100,000.
- 7) The explanation of proposal shall be limited to 5 minutes. The statement of inquiry and reply shall be limited to 3 minutes per person. The time may be extended for 3 minutes with the chairperson's permission. The chairperson may restrain stockholders (or proxies) from speaking if that stockholders (or proxies) speak overtime, speak beyond the allowed frequency or content of the speech is beyond the scope of the proposal. When a stockholder (or proxy) is speaking, other stockholder (or proxy) shall not interrupt without consent of the chairperson and the speaking stockholder (or proxy). Any disobedient of the preceding rule shall be prohibited by the chairperson.

Article 15 of this meeting rule shall apply if the disobedient do not follow the chairperson's instructions.

- 8) For the same proposal, each person shall not speak more than 2 times. When a juristic person is a stockholder, only one representative shall be appointed to attend the meeting, if

more than two representatives were appointed to attend the meeting, only one representative is allowed to speak.

- 9) After speaking by the attending stockholder (or proxy), the chairperson may reply in person or assign relevant officer to reply. Over the proposal discussion, the chairperson may conclude the discussion in a timely manner and where necessary announce discussion is closed.
- 10) For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting. No discussion or voting shall proceed for matters unrelated to the proposals. The personnel responsible for overseeing and counting of the votes for resolutions shall be appointed by the chairperson with the consent of the stockholders (or proxies). The person responsible for vote overseeing shall be of the stockholder status.
- 11) In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or Company's articles of incorporation, resolution shall be passed by a majority of the voting rights represented by the stockholders (or proxies) attending the meeting.

The proposal for a resolution shall be deemed approved if the shareholder(s) present(s) no 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.

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.

If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson. If one of the two proposals has been approved, the other proposal shall be deemed rejected without requirement to put it to vote. The results of voting shall be reported on the spot and kept for records.

- 12) During the meeting, the chairperson may at his/her discretion declare time for break.
- 13) The meeting shall be adjourned if encountering an air-raid alarm during the meeting. The meeting shall resume one hour after the alarm is lifted.
- 14) The chairperson may maintain the meeting order by instructing the security guards. The security guards shall wear the armband for identification when helping maintaining the venue order.

- 15) The stockholders (or proxies) shall obey the instructions of the chairperson and security guards in terms of maintaining the order. The chairperson or security guards may exclude the persons disturbing the stockholders' meeting from the meeting.
- 16) For matters not governed by the rules specified herein, shall be governed according to Company Law, Stock Exchange Law and the other related laws and regulations.
- 17) The rules herein take effect after approval at the stockholders' meeting; the same apply for any amendments.

VII. Appendices

1. Shareholding of Directors and Supervisors.

Book closure date (April 22th, 2013)

Title	Name	Representative	Shareholdings	Ratio of Shareholding %
Chairman	Douglas Tong Hsu	-	1,694,114	0.12
Directors	Ding Ding Management Consultant Corp.	Nancy Hsu	69,494	0.01
	Far Eastern New Century Corporation	Alex Ro	230,125,360	16.80
		Nicole Hsu		
	Asia Cement Corporation	Jin Lin Liang	76,197,365	5.56
Independent Directors	Edward Yung Do Way		-	-
	Chien You Hsin		-	-
	Total shares owned by all Directors		308,086,333	22.49
	The total legal registered shares owned by all Directors		32,877,112	2.40
Supervisors	Oriental Union Chemical Corporation	Charles Wang	13,685,731	1.00
	U-Li Investment Company	Philby Chen	1,683,801	0.12
	Total shares owned by all Supervisors		15,369,532	1.12
	The total legal registered shares owned by all Supervisors		3,287,711	0.24

Note 1: The total issued and outstanding shares on the book closure date: 1,369,879,678 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 2013 Regular Shareholders' Meeting.

Unit: NT \$

Item		Year	2013 (Estimate)
Paid-in Capital (beginning of the year)			13,698,796,780
Stock & Cash Dividend Distribution	Cash Dividend (NT\$/per share)		0.80
	Stock Dividend from Retained Earnings		0.03
	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 2013, 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 25 March 2013. The relevant information is disclosed below:

- (1) Cash bonus to employees: NT\$64,811,511, Cash compensation to Directors and Supervisors: NT\$48,811,634 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 2013.

Note: Pursuant to the rule issued by Financial Supervisory Commission (Letter No. FSC-Shen-1010059296) on 28 December 2012,