

Stock Code: 2903

Far Eastern Department Stores LTD.

**Handbook for the 2014 Annual Meeting
of Shareholders**

MEETING TIME: 09:00 a.m. (Thursday), June 20, 2014

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

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Far Eastern Department Stores LTD.

I . Procedure for the 2014 Annual Meeting of Shareholders

Call the Meeting to Order

Chairman Takes Chair

Chairman Remarks

Matters to be Reported

Matters to be Approved

Discussion and Election

Extemporaneous Motion

Adjournment

II . Matters to be Reported

1. 2013 Messages to shareholders.

Explanation:

The 2013 Messages to Shareholders is attached as page 4-11.

Preface

With increasingly deeper globalization, Taiwan's economic growth has become more and more closely connected with the world economy. Reflecting on 2013, while fears of European debt crisis subsided, U. S. Financial Cliff dispute and QE tapering began to have global impact, coupled with restructuring of economy by the Chinese leaders, and Abenomics Abe's "Three Arrows" in Japan. Facing so many uncertain factors and influenced by global connectivity, Taiwan's economy performed under than government expectation, yet still registered a 2.11% growth. Domestic consumption was affected by continuous food safety incidents, recession of real wages, and other commodity prices hike which enabled consumers to become more prudent and price-conscious shoppers in their daily spending.

2013 was also an era of major transformation for the retail industry. Outstanding performances of Taichung Top City, Banqiao Mega City and Hsinchu Big City shopping malls have shaped Far Eastern Retail Group among three major operators in chain department stores. As other small and medium-sized department stores were also seeking market niche and opening new stores, market size of Taiwan's department stores was further expanded to NT\$288.6 billion (3.1% growth) .

On the other hand, under the pressure of rising real estate and commodity prices, though consumers have become more cautious in their spending, the all-important food concept has helped spur the food and beverage business to become an important revenue generator as luxury goods. According to statistics of the Ministry of Economic Affairs, out-eating expenses in 2013 reached NT\$436.6 billion, which is expected to grow 15% this year to exceed NT\$500 billion. Therefore, during meal time people stand in a long queue at exotic food court or theme restaurants. As the said three City shopping malls of the Far Eastern Retail Group lead the industry in increasing their revenues of food and beverage to account for 20% to 30% of total revenues, resulting in success as expected. Thus, setting a trend of renovating food courts and restaurants in local department stores was throughout the Island in 2013.

Given the above, with the joint efforts from our colleagues, Far Eastern Department Stores (FEDS) recorded in 2013 revenues of NT\$39.65 billion, grew 1.4% year on year (if including all subsidiaries in cross straits, the consolidated revenues were NT\$125.7 billion). Our anniversary

sales exceeded NT\$10.45 billion, up 10% than the previous year, both marked historical new highs for the past 46 years. In particular, Mega City Banqiao Store began to make profit within the first year after its opening and continued to generate profit in the following year, which is the first breakthrough since the establishment of FEDS. The most important key factors of growth can be attributed to the continuous good performances of two large shopping malls, Top City Taichung Store and Mega City Banqiao Store, together with solidifying each branch store's major customers, and the restructuring of existing brands portfolio.

Looking into 2014, press release made by the National Development Council in March showed that in February Taiwan's economy was gradually stabilizing with flashing of green light toward recovery. In future, thanks to government's economic revival policies, friendly cross-strait political atmosphere, and quick growth of Chinese visitors to Taiwan, consumption for 1Q 2014 is expected to reach NT\$38.5 billion, which should contribute to increasing domestic needs. Furthermore, Taiwan stock price index is anticipated to exceed 9,000 points. These should all create wealth and stimulate private spending. Therefore, we hold optimistic view about increasing revenues of local department stores and hope for growth in both revenues and profits. The Far Eastern Retail Group shall also benefit from these favorable factors, boost revenues, reach new highs, and achieve outstanding performance.

Operations Report for 2013

During the year 2013, total FEDS revenues were recorded at NT\$125.7 billion (according to new financial statements IFRS, the Company's consolidated revenues from operations stood at NT\$46.754 billion). The Consolidated net income after tax was NT\$2.914 billion, up 7.7% from the previous year. Net income after tax was NT\$2.166 billion, grew a tremendous 34.7% than a year ago, and earnings per share were NT\$1.54. According to the 16th Board Meeting of FEDS, total dividend payout for 2013 was NT\$1.35 per share, which included NT\$1.15 in cash and NT\$0.2 in stock dividends from capital surplus.

The performance of Far Eastern Retail Group in 2013 is summarized as follows:

(1) Far Eastern Department Stores Ltd.

1. With two large malls added in the previous year, FEDS continued to register record high annual revenues of NT\$39.65 billion in 2013, a growth of 1.4% YoY. Mega City Banqiao Store and Top City Taichung Store registered revenues of NT\$7.15 billion and NT\$9.54 billion respectively. The two FE21' and Mega City Store in Banqiao area recorded a combined revenues of NT\$10.9 billion, accounting for 70% market share in New Taipei City.

2. To consolidate VIP customers, Top City Taichung held “Fashion Star Week” and “Las Vegas Luxury Night” on new arrivals of brand fashion. With cinema production and French style to introduce new spring/summer fashion, also designed extravagant theme event of Casino boogie night to entertain customers and boost sales of autumn/winter apparel, which was well received by VIP shoppers.
3. Mega City Banqiao not only reported profit in the first year of operation, but also registered record high revenues of NT\$130 million during the second year. Through innovative “3D virtual dressing room”, “department store cinema”, and the application of information contained in Happy Go cards, the Store provides thoughtful service catering to different client groups and taste. Various interesting events serve to touch customers’ hearts and keep residents of New Taipei City as its major customers.
4. After long-time planning, Taoyuan Branch completed whole-store renovation in 2013. Through enhancement of brands, introduction of mid and high-end merchandise, and refurbishing of hardware space, store image and fashion sense were further elevated to become urban fashion center which also helped improve overall revenue performance.
5. In response to changing scenario in the local commercial area, Hsinchu Branch also underwent luxury brand upgrade and restructuring of merchandise mix to strengthen the Store’s fashion sense and exquisite taste, so as to create the image as fashion index, deepen market segmentation, and again consolidated its leading position and competitive edge in the district.
6. Aside from large-scale renovation and redesign of space, each branch store also readjusted its merchandise mix and content, introduced fashion boutique, trendy store, hot brands and popular restaurants to serve local consumers.
7. Continue to sponsor international exhibitions: “US International Weeks” in July, “Korean Gourmet” in September, and “Italian Weeks” in November, full display of different national traits and exotic food items and eye-opening experience for consumers.
8. Expand digital operations: During second quarter to initiate the implementation of B2C e-invoicing operation at Mega City Banqiao, and completed island-wide e-invoices online at fourth quarter. Upgrade gift management system, direct reading of QR code on invoices, so as to expedite gift redemption. Promote paperless expenditure approval system to reserve energy, decrease carbon emission, save cost, and enhance efficiency.

(2) Pacific SOGO Department Store

1. 2013 revenues were NT\$40.7 billion, up 1.73% from 2012. Net income after tax was NT\$1.361 billion, grew 4.84% from 2012.

2. Under the impact of Euro debt crisis, hiking of fuel and power prices, and food safety issues, Taiwan's economy remained stagnant in the first half of 2013. With rising stock price index and higher purchasing power, the retail market has gradually emerged from recession in the second half of the year. In particular, thanks to joint effort of SOGO management team, revenues of anniversary sales marked historical high and helped fill the budget gap for the first half year.
3. To enhance services, SOGO Taipei Chung Hsiao Store, Fuxing Store, Hsinchu Store and Kaohsiung Store were undergoing partial renovation and counter replacement.
4. After major renovation of Fuxing Store's B1 and B2 floors since its inauguration, the Store also restructured most of its merchandise mix. Revenues of 2013 remained the growth momentum since 2007 to reach NT\$11 billion, up 5% YoY, and net income after tax also marked new high with two-digit growth.
5. Revenues of the second year of operations for SOGO Hsinchu Big City, opened in April 2012, registered annual growth of 14% than a year ago, and recorded profits for two consecutive years.
6. Due to soaring rent demand by the Chinese landlord, Chengdu Tsunxi Store terminated operation on November 2, 2013. Shortly after, Chengdu Longhu North Street Store was opened in the emerging area on December 29, 2013 to smoothly transfer revenues and employees.
7. To strengthen store operation system and online operation upgrade, SOGO completed in 2013 the issue of corporate bonds, established management method of information safety, integrated HR and EIP systems, e-procurement, electronic document approval/signing system into one single portal, launched APP official website online, upgrade of gift redemption online system, integration of EAS system in China and NOTES electronic approval system online, and set up cost and profit center in China.

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

1. 2013 revenues were NT\$19.754 billion.
2. Income before income tax in 2013 was NT\$46 million, and net income stood at NT\$60 million.
3. In 2013, Ai-Mai went through the improvement of merchandise mix and marketing pattern:
 - (1) With supreme bakery and cooked delicacy to vitalize fresh food section.
 - (2) Elevate home appliance shopping experience and customer service.

4. Develop Amart E-Commerce (Amart online shopping):

- (1) Focus on “expert on fresh food and daily commodities”
- (2) Delivery within 9 hours throughout the Island
- (3) Online shopping of large home appliances, delivery and service from physical stores.
- (4) Low-temperature delivery of fresh and frozen food items.

Operations Report for 2014

(1) Far Eastern Department Stores Ltd.

1. Kaohsiung Store introduced in February the famous Caffe Bene from Korea, its first counter within Taiwan’s department store, expected to attract fans of Korean brands.
2. As Taichung BRT blue line is expected to operate in first half of 2014 bringing crowds, Top City Taichung Store has been adjusting merchandise mix and introducing new counters accordingly to attract more shoppers.
3. Banqiao Zhongshan Store will undergo major renovations to be re-positioned as “Modern Urban Lady’s Fashion Lifestyle Pavilion” focusing on fashion apparels, accessories, and casual light dining restaurants, hopefully to become “New Life Luxury Fashion Center”. After completion in July, the Store will bring totally different look and provide more comprehensive merchandise mix.
4. After years of preparations, the second phase sales space of Banqiao Mega City is starting to open in 2014. With many big stores selling stylish accessories, boutique brands and fashion apparels, combined with the already well established first phase operation, it is expected to bring a new wave of trendy consumption, and shall also become an all-in-one mega mall with diversified merchandise mix in the Banqiao commercial district.
5. To elevate HR management efficiency, develop e-administration, the Company is totally renewing its HR IT system, including attendance management system with online leave application, salary and bonus management, online performance evaluation, etc., also to introduce online approval and set up employee’s portal on computer desktop to improve management efficiency.
6. Continue to expand e-operations, shall complete in Q1 the purchase, sales and inventory system upgrade, set up in Q2 counter self-owned cashiers at Banqiao Mega City, improve gift redemption system, e-vouchers, enhance control and management, save manual labor, improve service quality, and launch in Q3 the term sheet signing and approval system and Yuan Hsin e-purse service.

7. To engage in mobile device management, develop its own APP, complete in Q1 the in-store APP for real-time revenues, complete in Q2 VIP APP and in-store APP for floor counter revenues, and in Q4 FEDS APP for restaurant reservations combined with mobile navigation.

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

1. While Taiwan's GDP growth is forecasted to exceed 3% in 2014, yet with continuous addition of new stores, including the opening of second phase of Banqiao Mega City, Breeze Hsinyi Store, as well as other new outlet malls coming in the market. Competition will become more and more intense, merchandise becoming more similar, in future both promotion and management cost are expected to rise.
2. Aimed to develop SOGO into an interesting department store in 2014, the Company will provide to the customers more fun events, amusing services and merchandise. The employees shall also make their job more enjoyable.
3. Chungli Store is renovating its 8th till 10th floors this year. To increase purpose consumption, the original health center will be replaced by food court and Eslite Book Store.
4. Lian Tai Store, Dalian will begin renovation in April 2014, and reshape the operation model from traditional department store into modern shopping mall.
5. Key managerial points for 2014: Set up Personnel Review Committee, establish complete inner control and auditing system, implement substitute system, initiate future talent program, and issue bonds in RMB.
6. Digitization: Establish SAP application for paperless voucher, consolidated financial statements and managerial gains and losses for each counter, improve management system for marketing, sales and redemption of gift voucher, issue SOGO e- voucher, set up virtual system for cross-strait application, mobile office and mobilized information.

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

1. Continue to improve walk flow of sales field, and enhance customers' shopping experience.
2. Response to food safety issue:
 - (1) Fresh food: Expand the display areas of food with traceability and organic certification.
 - (2) Groceries: Procure GMP, HACCP products with government certification.

3. Continue to develop and optimize E-Commerce:

- (1) Connect shopping walk flow, easy buy and buy more.
- (2) Build up check-in mechanism, and improve roll over service quality.
- (3) Set up appointed arrival time mechanism.
- (4) Establish mobile APP shopping.

4. Expected to open the 20th store of Far Eastern Ai-Mai (Banqiao Nanya Store).

In summary, 2013 was another remarkable year for FEDS, achieving all-time highs in both operating scale and revenues within the past 46 years of operations. 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 46 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 the only listed chain department store, and also the largest retail group in Taiwan.

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, retail consumption in China is expected to exceed that of the U. S. A. in 2020 where China will become the world's largest economy. In particular, China is now actively promoting the urbanization policy, and transforming from export-oriented economy to propelling domestic demand. We feel optimistic about the growth potential of China's retail market and are therefore evaluating the possibility of several new store locations. We will select the right time and location to focus on regional developments, either through forming strategic alliance, or purchasing land and building our own stores to elevate the operating efficiency in China and avoid rental dispute.

It is worth mentioning that during recent years we successfully opened three City shopping malls which continued to make profits demonstrating that the Far Eastern Retail Group is equipped with the comprehensive know-how to develop world-class mega malls. The experience we gained from operating Taichung Top City and Banqiao Mega City included to simultaneously satisfy customers' two major needs with reference to "merchandise" and "space". Merchandise-wise, the top-notch luxury goods, theme restaurants, fashionable 3C products and IMAX 3D cinemas have constituted the Power Zone of today's Far Eastern Department Stores. In accordance with each commercial area's different specs, the Company will also deploy

various types of Power Zones in China to provide Chinese consumers with the most innovative and delightful shopping experience.

Even though we highly appreciate the operating result achieved in 2013, 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 markets 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 highest 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.

This is a fast changing world. The speed of change is unthinkable. We have to adjust and to adapt to this environment and transform our company to not only to accommodate this, but to move ahead to in order to be leading the next round in our perpetual search for excellence and leadership.

Sincerely yours,

Douglas Tong Hsu
Chairman

2. Financial report of 2013.

Explanation:

The 2013 Financial Statements are attached as page 13-22.

1. Balance sheets (December 31, 2013)
2. Statement of comprehensive income (January 1, 2013 ~ December 31, 2013)
3. Statements of changes in stockholders' equity (January 1, 2013 ~ December 31, 2013)
4. Statements of cash flow (January 1, 2013 ~ December 31, 2013)
5. Consolidated balance sheets (December 31, 2013)
6. Consolidated statement of comprehensive income (January 1, 2013 ~ December 31, 2013)
7. Consolidated statements of changes in stockholders' equity (January 1, 2013 ~ December 31, 2013)
8. Consolidated statements of cash flow (January 1, 2013 ~ December 31, 2013)
9. Independent auditor's report by Deloitte & Touche is attached as page 23-24.

FAR EASTERN DEPARTMENT STORES, LTD.

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents	\$ 516,953	1	\$ 870,675	2	\$ 566,057	1
Available-for-sale financial assets - current	285,698	1	254,779	-	233,559	-
Debt investment with no active market - current	191,594	-	-	-	-	-
Notes receivable	26,350	-	28,645	-	36,974	-
Accounts receivable	242,626	-	509,631	1	479,757	1
Related parties - accounts receivable	15,676	-	14,187	-	52,118	-
Other receivables	329,741	1	486,527	1	364,725	1
Current tax assets	20,163	-	41,547	-	37,001	-
Inventories	384,916	1	430,141	1	372,957	1
Prepayments	247,658	-	261,485	-	332,912	-
Other current assets	21,801	-	5,720	-	17,363	-
Total current assets	<u>2,283,176</u>	<u>4</u>	<u>2,903,337</u>	<u>5</u>	<u>2,493,423</u>	<u>4</u>
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent	2,968,556	5	2,812,603	5	2,577,430	4
Financial assets measured at cost - noncurrent	111,543	-	62,570	-	62,570	-
Investments accounted for by equity method	19,794,815	33	19,012,517	32	18,638,416	32
Property, plant and equipment	31,227,060	52	30,972,607	52	30,685,182	52
Investment properties	879,826	2	933,067	2	956,385	2
Intangible assets	5,494	-	3,480	-	-	-
Deferred tax assets	52,901	-	91,050	-	71,255	-
Prepaid pension cost	222,285	-	222,666	-	369,869	1
Long-term prepayments for lease	2,485,787	4	2,548,191	4	2,610,595	5
Other noncurrent assets	218,746	-	238,483	-	258,760	-
Total noncurrent assets	<u>57,967,013</u>	<u>96</u>	<u>56,897,234</u>	<u>95</u>	<u>56,230,462</u>	<u>96</u>
TOTAL	<u>\$ 60,250,189</u>	<u>100</u>	<u>\$ 59,800,571</u>	<u>100</u>	<u>\$ 58,723,885</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term debts	\$ 2,650,000	4	\$ 2,500,000	4	\$ 4,400,000	8
Short-term notes and bills payable	1,598,491	3	1,699,455	3	1,699,268	3
Notes payable	-	-	-	-	113	-
Accounts payable	3,328,710	6	3,848,239	7	3,132,697	5
Related parties - accounts payable	65,113	-	89,723	-	82,106	-
Other payables	1,765,311	3	2,364,945	4	3,959,018	7
Current tax liabilities	40,192	-	-	-	38,262	-
Deferred revenue - current	6,257	-	7,285	-	48,280	-
Advance receipts	3,088,826	5	2,989,562	5	2,428,607	4
Bond issued - current portion	2,493,512	4	1,200,000	2	-	-
Long-term borrowings - current portion	997,159	2	600,000	1	-	-
Other current liabilities	77,358	-	62,705	-	220,602	-
Total current liabilities	<u>16,110,929</u>	<u>27</u>	<u>15,361,914</u>	<u>26</u>	<u>16,008,953</u>	<u>27</u>
NONCURRENT LIABILITIES						
Bonds issued	1,000,000	2	3,454,937	6	4,616,958	8
Long-term borrowings	12,749,762	21	11,696,733	19	9,696,646	16
Deferred tax liabilities	1,278,387	2	1,137,915	2	957,639	2
Other noncurrent liabilities	85,108	-	67,540	-	40,632	-
Total noncurrent liabilities	<u>15,113,257</u>	<u>25</u>	<u>16,357,125</u>	<u>27</u>	<u>15,311,875</u>	<u>26</u>
Total liabilities	<u>31,224,186</u>	<u>52</u>	<u>31,719,039</u>	<u>53</u>	<u>31,320,828</u>	<u>53</u>
EQUITY						
Share capital						
Ordinary Share	<u>14,109,761</u>	<u>23</u>	<u>13,698,797</u>	<u>23</u>	<u>13,171,921</u>	<u>22</u>
Capital surplus	<u>3,498,174</u>	<u>6</u>	<u>3,498,174</u>	<u>6</u>	<u>3,498,174</u>	<u>6</u>
Retained earnings						
Legal reserve	2,358,917	4	2,189,631	4	1,975,319	4
Special reserve	1,931,285	3	1,931,285	3	1,931,285	3
Unappropriated earnings	<u>3,565,333</u>	<u>6</u>	<u>3,086,960</u>	<u>5</u>	<u>3,705,232</u>	<u>6</u>
Total retained earnings	<u>7,855,535</u>	<u>13</u>	<u>7,207,876</u>	<u>12</u>	<u>7,611,836</u>	<u>13</u>
Other equity	<u>3,659,643</u>	<u>6</u>	<u>3,773,795</u>	<u>6</u>	<u>3,218,236</u>	<u>6</u>
Treasury stock	(97,110)	-	(97,110)	-	(97,110)	-
Total equity	<u>29,026,003</u>	<u>48</u>	<u>28,081,532</u>	<u>47</u>	<u>27,403,057</u>	<u>47</u>
TOTAL	<u>\$ 60,250,189</u>	<u>100</u>	<u>\$ 59,800,571</u>	<u>100</u>	<u>\$ 58,723,885</u>	<u>100</u>

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 9,654,548	100	\$ 9,451,045	100
OPERATING COSTS	<u>3,419,522</u>	<u>35</u>	<u>3,369,907</u>	<u>36</u>
GROSS PROFIT	<u>6,235,026</u>	<u>65</u>	<u>6,081,138</u>	<u>64</u>
OPERATING EXPENSES				
Selling and marketing expenses	502,273	5	336,367	4
General and administrative expenses	<u>4,486,132</u>	<u>47</u>	<u>4,582,345</u>	<u>48</u>
Total operating expenses	<u>4,988,405</u>	<u>52</u>	<u>4,918,712</u>	<u>52</u>
OPERATING INCOME	<u>1,246,621</u>	<u>13</u>	<u>1,162,426</u>	<u>12</u>
NONOPERATING INCOME AND EXPENSES				
Other income	134,955	1	172,406	2
Other gains and losses	58,253	-	101,757	1
Finance costs	(230,803)	(2)	(236,233)	(3)
Share of profit or loss of subsidiaries and associates	<u>1,166,741</u>	<u>12</u>	<u>626,109</u>	<u>7</u>
Total nonoperating income and expenses	<u>1,129,146</u>	<u>11</u>	<u>664,039</u>	<u>7</u>
PROFIT BEFORE INCOME TAX	2,375,767	24	1,826,465	19
INCOME TAX EXPENSE	<u>210,203</u>	<u>2</u>	<u>218,296</u>	<u>2</u>
NET PROFIT	<u>2,165,564</u>	<u>22</u>	<u>1,608,169</u>	<u>17</u>
OTHER COMPREHENSIVE INCOME (NET)				
Unrealized gain (loss) on available-for-sale financial assets	186,872	2	256,393	3
Actuarial gain (loss) on defined benefit plans	5,031	-	(146,406)	(2)
Share of other comprehensive income of subsidiaries and associates	(310,811)	(3)	252,622	3
Income tax relating to components of other comprehensive income	<u>(855)</u>	<u>-</u>	<u>24,889</u>	<u>-</u>
Total other comprehensive income, net	<u>(119,763)</u>	<u>(1)</u>	<u>387,498</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,045,801</u>	<u>21</u>	<u>\$ 1,995,667</u>	<u>21</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	<u>\$ 1.54</u>		<u>\$ 1.15</u>	
Diluted	<u>\$ 1.54</u>		<u>\$ 1.14</u>	

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Retained Earnings			Other Equity		Treasury Stock	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets		
BALANCE, JANUARY 1, 2012	\$ 13,171,921	\$ 3,498,174	\$ 1,975,319	\$ 1,931,285	\$ 3,705,232	\$ -	\$ 3,218,236	\$ (97,110)	\$ 27,403,057
Appropriation of the 2011 earnings									
Legal reserve	-	-	214,312	-	(214,312)	-	-	-	-
Cash dividends	-	-	-	-	(1,317,192)	-	-	-	(1,317,192)
Stock dividends	526,876	-	-	-	(526,876)	-	-	-	-
Net profit for the year ended December 31, 2012	-	-	-	-	1,608,169	-	-	-	1,608,169
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	(168,061)	(71,679)	627,238	-	387,498
BALANCE, DECEMBER 31, 2012	13,698,797	3,498,174	2,189,631	1,931,285	3,086,960	(71,679)	3,845,474	(97,110)	28,081,532
Appropriation of the 2012 earnings									
Legal reserve	-	-	169,286	-	(169,286)	-	-	-	-
Cash dividends	-	-	-	-	(1,095,903)	-	-	-	(1,095,903)
Stock dividends	410,964	-	-	-	(410,964)	-	-	-	-
Adjustments resulting from investments in subsidiaries and associates accounted for by equity method	-	-	-	-	(2,011)	-	-	-	(2,011)
Acquisition of partly owned subsidiaries	-	-	-	-	(3,416)	-	-	-	(3,416)
Net profit for the year ended December 31, 2013	-	-	-	-	2,165,564	-	-	-	2,165,564
Other comprehensive loss for the year ended December 31, 2013	-	-	-	-	(5,611)	81,935	(196,087)	-	(119,763)
BALANCE, DECEMBER 31, 2013	<u>\$ 14,109,761</u>	<u>\$ 3,498,174</u>	<u>\$ 2,358,917</u>	<u>\$ 1,931,285</u>	<u>\$ 3,565,333</u>	<u>\$ 10,256</u>	<u>\$ 3,649,387</u>	<u>\$ (97,110)</u>	<u>\$ 29,026,003</u>

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 2,375,767	\$ 1,826,465
Adjustments		
Depreciation expenses	1,251,737	1,253,598
Amortization of deferred charges	1,527	870
Bad debts	-	25
Finance costs	230,803	236,233
Interest income	(4,045)	(3,616)
Dividend income	(130,910)	(168,790)
Share of profit of subsidiary and associates	(1,166,741)	(626,109)
Loss on disposal of property, plant and equipment	20,198	4,400
Loss on disposal of Investment properties	91	38
Impairment loss on financial assets	1,027	-
Amortization of prepayments	9,023	9,158
Reversal of deferred revenue	(7,285)	(48,280)
Net changes in operating assets and liabilities		
Notes receivable	2,295	8,329
Accounts receivable	267,005	(29,899)
Related parties - accounts receivable and notes receivable	(1,489)	37,931
Other receivables	157,339	(118,255)
Inventories	45,225	(57,184)
Prepayments	13,351	74,976
Other current assets	(16,081)	11,643
Prepaid pension cost	5,412	796
Notes payable	-	(113)
Accounts payable	(519,529)	715,542
Related parties - accounts payable and notes payable	(24,610)	7,617
Other payables	44,847	(6,206)
Advance receipts	272,038	718,984
Deferred revenue	6,257	7,285
Other current liabilities	<u>14,653</u>	<u>(157,897)</u>
Cash inflow generated from operations	2,847,905	3,697,541
Interest paid	(162,424)	(162,415)
Interest received	3,492	70
Dividends received	473,064	673,420
Income tax returned	34,902	2,067
Income tax paid	<u>(5,763)</u>	<u>(77,801)</u>
Net cash flows from operating activities	<u>3,191,176</u>	<u>4,132,882</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of debt investments with no active market	(191,594)	-
Purchase of financial assets measured at cost	(50,000)	-

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
Purchase of investments accounted for by equity method	\$ (273,949)	\$ -
Payments for property, plant and equipment	(2,261,957)	(3,241,832)
Proceeds from disposal of property, plant and equipment	4,608	609
Payments for intangible assets	(3,541)	(4,350)
Payments for investment properties	(181)	(410)
Decrease in other noncurrent assets	<u>10,934</u>	<u>7,826</u>
Net cash flows used in investing activities	<u>(2,765,680)</u>	<u>(3,238,157)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term debts	17,546,000	32,310,000
Decrease in short-term debts	(17,396,000)	(34,210,000)
Increase in short-term bills payable	8,340,739	9,492,367
Decrease in short-term bills payable	(8,441,703)	(9,492,180)
Repayments of bonds	(1,200,000)	-
Proceeds from long-term borrowings	42,500,188	67,610,087
Repayments of long-term borrowings	(41,050,000)	(65,010,000)
Increase in other noncurrent liabilities	17,568	26,908
Dividends paid	<u>(1,096,010)</u>	<u>(1,317,289)</u>
Net cash flows used in financing activities	<u>(779,218)</u>	<u>(590,107)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(353,722)	304,618
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>870,675</u>	<u>566,057</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 516,953</u>	<u>\$ 870,675</u>

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands)

	December 31, 2013		December 31, 2012		January 1, 2012	
	New Taiwan Dollars	%	New Taiwan Dollars	%	New Taiwan Dollars	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 13,221,405	12	\$ 16,794,103	14	\$ 16,365,201	14
Financial assets at fair value through profit or loss - current	239,974	-	361,327	-	303,286	-
Available-for-sale financial assets - current	552,555	-	511,192	1	471,920	1
Debt investment with no active market - current	437,497	-	1,008,193	1	531,768	1
Notes receivable	28,119	-	31,195	-	40,469	-
Accounts receivable	766,445	1	1,470,752	1	1,242,025	1
Related parties – accounts receivable	57,302	-	50,977	-	101,458	-
Other receivables	1,779,487	2	492,525	1	300,133	-
Current tax assets	418,064	-	291,016	-	273,675	-
Inventories	2,976,244	3	3,160,935	3	2,990,885	3
Prepayments	771,167	1	846,206	1	976,100	1
Prepayments for lease	319,489	-	318,565	-	319,201	-
Noncurrent asset held for sale	377	-	-	-	1,128,997	1
Other current assets	83,987	-	70,694	-	99,740	-
Total current assets	<u>21,652,112</u>	<u>19</u>	<u>25,407,680</u>	<u>22</u>	<u>25,144,858</u>	<u>22</u>
NONCURRENT ASSETS						
Financial assets at fair value through profit or loss - noncurrent	-	-	1,013,913	1	1,006,635	1
Available-for-sale financial assets - noncurrent	4,986,339	4	5,468,512	5	5,040,384	4
Financial assets measured at cost – noncurrent	776,374	1	718,583	1	680,253	-
Debt investment with no active market - noncurrent	521,897	-	632,667	-	233,084	-
Investments accounted for by equity method	9,050,368	8	8,811,079	7	8,733,465	8
Property, plant and equipment	52,166,888	47	52,946,768	45	51,862,701	45
Investment properties	2,043,082	2	2,089,416	2	1,002,323	1
Intangible assets	7,715,184	7	7,711,555	6	7,697,855	7
Deferred tax assets	922,092	1	1,109,266	1	966,963	1
Prepaid pension cost	222,285	-	222,666	-	369,869	-
Long-term prepayments for lease	9,464,677	9	9,837,349	8	10,225,303	9
Other noncurrent assets	1,920,123	2	1,902,572	2	2,048,808	2
Total noncurrent assets	<u>89,789,309</u>	<u>81</u>	<u>92,464,346</u>	<u>78</u>	<u>89,867,643</u>	<u>78</u>
TOTAL	<u>\$111,441,421</u>	<u>100</u>	<u>\$117,872,026</u>	<u>100</u>	<u>\$115,012,501</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term debts	\$ 7,462,340	7	\$ 9,613,446	8	\$ 10,334,680	9
Short-term notes and bills payable	3,047,306	3	4,648,862	4	3,636,195	3
Notes payable	159,194	-	198,522	-	394,705	-
Accounts payables	17,693,401	16	18,687,359	16	17,673,048	16
Related parties – accounts payable and notes payable	151,909	-	170,962	-	157,796	-
Other payables	5,252,331	5	8,439,193	7	10,138,084	9
Current tax liabilities	401,874	-	563,223	1	1,152,903	1
Provision-current	4,135	-	16,351	-	-	-
Deferred revenue - current	101,136	-	63,770	-	81,921	-
Advance receipts	7,720,500	7	7,449,114	6	6,778,184	6
Bond issued – current portion	2,493,512	2	1,200,000	1	-	-
Long-term borrowings – current portion	1,445,159	1	1,600,000	2	3,020,717	3
Other current liabilities	252,891	-	168,630	-	303,732	-
Total current liabilities	<u>46,185,688</u>	<u>41</u>	<u>52,819,432</u>	<u>45</u>	<u>53,671,965</u>	<u>47</u>
NONCURRENT LIABILITIES						
Bonds issued	1,990,702	2	3,454,937	3	4,616,958	4
Long-term borrowings	21,841,434	20	21,992,207	19	18,490,187	16
Provision-noncurrent	30,483	-	30,213	-	29,943	-
Accrued pension liabilities	547,479	-	545,253	-	461,198	1
Deferred tax liabilities	1,474,842	1	1,446,269	1	1,404,405	1
Other noncurrent liabilities	2,841,682	3	2,710,010	2	2,625,517	2
Total noncurrent liabilities	<u>28,726,622</u>	<u>26</u>	<u>30,178,889</u>	<u>25</u>	<u>27,628,208</u>	<u>24</u>
Total liabilities	<u>74,912,310</u>	<u>67</u>	<u>82,998,321</u>	<u>70</u>	<u>81,300,173</u>	<u>71</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share Capital						
Ordinary share	14,109,761	13	13,698,797	12	13,171,921	11
Capital surplus	3,498,174	3	3,498,174	3	3,498,174	3
Retained earnings						
Legal reserve	2,358,917	2	2,189,631	2	1,975,319	2
Special reserve	1,931,285	2	1,931,285	2	1,931,285	2
Unappropriated earnings	3,565,333	3	3,086,960	2	3,705,232	3
Total retained earnings	7,855,535	7	7,207,876	6	7,611,836	7
Other equity	3,659,643	3	3,773,795	3	3,218,236	3
Treasury stock	(97,110)	-	(97,110)	-	(97,110)	-
Total equity attributable to owners of the Company	29,026,003	26	28,081,532	24	27,403,057	24
NON-CONTROLLING INTERESTS	<u>7,503,108</u>	<u>7</u>	<u>6,792,173</u>	<u>6</u>	<u>6,309,271</u>	<u>5</u>
Total equity	<u>36,529,111</u>	<u>33</u>	<u>34,873,705</u>	<u>30</u>	<u>33,712,328</u>	<u>29</u>
TOTAL	<u>\$111,441,421</u>	<u>100</u>	<u>\$117,872,026</u>	<u>100</u>	<u>\$115,012,501</u>	<u>100</u>

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands, Except Earnings Per Share)

	For the Years Ended December 31			
	2013		2012	
	New Taiwan Dollars	%	New Taiwan Dollars	%
OPERATING REVENUE	\$ 46,754,377	100	\$ 47,683,558	100
OPERATING COSTS	<u>23,803,129</u>	<u>51</u>	<u>24,678,982</u>	<u>52</u>
GROSS PROFIT	<u>22,951,248</u>	<u>49</u>	<u>23,004,576</u>	<u>48</u>
OPERATING EXPENSES				
Selling and marketing expenses	1,382,355	3	1,294,349	3
General and administrative expenses	<u>18,862,449</u>	<u>40</u>	<u>18,757,466</u>	<u>39</u>
Total operating expenses	<u>20,244,804</u>	<u>43</u>	<u>20,051,815</u>	<u>42</u>
OPERATING INCOME	<u>2,706,444</u>	<u>6</u>	<u>2,952,761</u>	<u>6</u>
NONOPERATING INCOME AND EXPENSES				
Other income	356,490	1	484,597	1
Other gains and losses	1,237,051	3	255,085	1
Finance costs	(508,253)	(1)	(662,005)	(1)
Share of profit or loss of associates	<u>228,035</u>	<u>-</u>	<u>144,808</u>	<u>-</u>
Total nonoperating income and expenses	<u>1,313,323</u>	<u>3</u>	<u>222,485</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	4,019,767	9	3,175,246	7
INCOME TAX EXPENSE	<u>1,016,840</u>	<u>2</u>	<u>775,867</u>	<u>2</u>
NET PROFIT	<u>3,002,927</u>	<u>7</u>	<u>2,399,379</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	114,431	-	(111,075)	-
Unrealized gain (loss) on available-for-sale financial assets	(111,661)	-	467,398	1
Actuarial gain (loss) on defined benefit plans	(8,943)	-	(249,755)	-
Share of other comprehensive income of associates	(83,622)	-	159,983	-
Income tax relating to components of other comprehensive income	<u>1,345</u>	<u>-</u>	<u>40,847</u>	<u>-</u>
Total other comprehensive income, net	<u>(88,450)</u>	<u>-</u>	<u>307,398</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,914,477</u>	<u>7</u>	<u>\$ 2,706,777</u>	<u>6</u>
NET PROFIT ATTRIBUTABLE TO :				
Owner of the Company	\$ 2,165,564	5	\$ 1,608,169	3
Non-controlling interests	<u>837,363</u>	<u>2</u>	<u>791,210</u>	<u>2</u>
	<u>\$ 3,002,927</u>	<u>7</u>	<u>\$ 2,399,379</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :				
Owner of the Company	\$ 2,045,801	5	\$ 1,995,667	4
Non-controlling interests	<u>868,676</u>	<u>2</u>	<u>711,110</u>	<u>2</u>
	<u>\$ 2,914,477</u>	<u>7</u>	<u>\$ 2,706,777</u>	<u>6</u>
EARNINGS PER SHARE				
Basic	<u>\$1.54</u>		<u>\$1.15</u>	
Diluted	<u>\$1.54</u>		<u>\$1.14</u>	

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributed to Owners of The Company					Other Equity			Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (loss) on Available-for-sale Financial Assets	Treasury Stock			
			Legal Reserve	Special Reserve							
BALANCE, JANUARY 1, 2012	\$ 13,171,921	\$ 3,498,174	\$ 1,975,319	\$ 1,931,285	\$ 3,705,232	\$ -	\$ 3,218,236	\$ (97,110)	\$ 27,403,057	\$ 6,309,271	\$ 33,712,328
Appropriation of the 2011 earnings											
Legal reserve	-	-	214,312	-	(214,312)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,317,192)	-	-	-	(1,317,192)	-	(1,317,192)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(228,208)	(228,208)
Stock dividends distributed by the Company	526,876	-	-	-	(526,876)	-	-	-	-	-	-
Net profit for the year ended December 31, 2012	-	-	-	-	1,608,169	-	-	-	1,608,169	791,210	2,399,379
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	(168,061)	(71,679)	627,238	-	387,498	(80,100)	307,398
BALANCE, DECEMBER 31, 2012	13,698,797	3,498,174	2,189,631	1,931,285	3,086,960	(71,679)	3,845,474	(97,110)	28,081,532	6,792,173	34,873,705
Appropriation of the 2012 earnings											
Legal reserve	-	-	169,286	-	(169,286)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,095,903)	-	-	-	(1,095,903)	-	(1,095,903)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(160,466)	(160,466)
Stock dividends distributed by the Company	410,964	-	-	-	(410,964)	-	-	-	-	-	-
Adjustments resulting from investments in subsidiaries and associates accounted for by equity method	-	-	-	-	(2,011)	-	-	-	(2,011)	(691)	(2,702)
Acquisition of partly owned subsidiaries	-	-	-	-	(3,416)	-	-	-	(3,416)	3,416	-
Net profit for the year ended December 31, 2013	-	-	-	-	2,165,564	-	-	-	2,165,564	837,363	3,002,927
Other comprehensive loss for the year ended December 31, 2013	-	-	-	-	(5,611)	81,935	(196,087)	-	(119,763)	31,313	(88,450)
BALANCE, DECEMBER 31, 2013	<u>\$ 14,109,761</u>	<u>\$ 3,498,174</u>	<u>\$ 2,358,917</u>	<u>\$ 1,931,285</u>	<u>\$ 3,565,333</u>	<u>\$ 10,256</u>	<u>\$ 3,649,387</u>	<u>\$ (97,110)</u>	<u>\$ 29,026,003</u>	<u>\$ 7,503,108</u>	<u>\$ 36,529,111</u>

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	For the Years Ended December 31	
	2013	2012
	New Taiwan Dollars	New Taiwan Dollars
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 4,019,767	\$ 3,175,246
Adjustments		
Depreciation expenses	2,980,758	2,862,279
Amortization of deferred charges	24,630	35,475
Bad debts	8,518	24,206
Net gain on financial assets or liabilities at fair value through profit or loss	(33,996)	(11,330)
Finance costs	508,253	662,005
Impairment loss on financial assets	1,027	-
Recognition (reversal) of provision	(12,216)	16,351
Amortization of prepayments	13,798	13,932
Amortization of prepayments for lease	256,752	256,384
Reversal unrealized purchase discounts	4,941	(9,756)
Reversal of deferred revenue	(63,770)	(81,921)
Share of profit of associates	(228,035)	(144,808)
Interest income	(120,037)	(146,530)
Dividend income	(236,453)	(338,067)
Loss on disposal of property, plant and equipment	41,902	15,950
Loss on disposal of intangible assets	3,256	-
Gain on disposal of Investments	(386,986)	(98,313)
Unrealized loss on physical inventory and slow-moving inventories	14,217	9,565
Net changes in operating assets and liabilities		
Financial assets held for trading	1,169,262	(53,918)
Notes receivable	3,076	9,274
Accounts receivable	698,025	(228,752)
Related parties - accounts receivable and notes receivable	(6,325)	50,481
Other receivables	(6,519)	(206,559)
Inventories	165,533	(169,859)
Prepayments	73,263	129,298
Other current assets	(13,293)	29,046
Prepaid pension cost	5,412	796
Notes payable	(39,328)	(196,183)
Accounts payable	(993,958)	1,014,311
Related parties – accounts payable and notes payable	(19,053)	13,166
Other payables	(2,032,521)	(195,014)
Advance receipts	541,336	936,133
Deferred revenue	101,136	63,770
Accrued pension liabilities	(11,748)	(19,294)
Other current liabilities	<u>84,261</u>	<u>(135,102)</u>
Cash inflow generated from operations	6,514,885	7,282,262
Interest paid	(515,434)	(641,557)
Interest received	87,411	136,517
Dividends received	335,570	406,910
Income tax returned	34,902	2,067
Income tax paid	<u>(1,179,157)</u>	<u>(1,345,095)</u>
Net cash flows from operating activities	<u>5,278,177</u>	<u>5,841,104</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments accounted for by equity method	(147,899)	-
Purchase of financial assets measured at cost	(50,000)	(126,000)
Purchase (proceeds) of debt investments with no active market	681,466	(876,008)
Proceeds of the disposal of available-for-sale financial assets	709,014	-

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands)

	For the Years Ended December 31	
	2013	2012
	New Taiwan Dollars	New Taiwan Dollars
Proceeds of the disposal of financial assets carried at cost	\$ -	\$ 179,831
Decrease in prepaid long-term investments	78,216	64,683
Payments for property, plant and equipment	(3,388,947)	(5,694,780)
Proceeds from disposal of property, plant and equipment	5,023	1,749
Increase in other receivables	(1,250,053)	-
Payments for intangible assets	(30,186)	(50,161)
Payments for investment properties	-	(18,399)
Decrease (Increase) in other noncurrent assets	<u>(21,593)</u>	<u>153,306</u>
Net cash flows used in investing activities	<u>(3,414,959)</u>	<u>(6,365,779)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term debts	52,458,782	62,111,939
Decrease in short-term debts	(54,640,379)	(62,804,804)
Increase in short-term bills payable	25,070,441	16,303,004
Decrease in short-term notes and bills payable	(26,671,997)	(15,290,337)
Proceeds from issue of bonds	990,692	-
Repayments of bonds	(1,200,000)	-
Proceeds from long-term borrowings	51,964,386	73,197,020
Repayments of long-term borrowings	(52,270,000)	(71,115,717)
Increase in other noncurrent liabilities	131,672	84,493
Dividends paid to owners of the Company	(1,095,903)	(1,317,289)
Dividends paid to non-controlling interests	<u>(197,462)</u>	<u>(243,981)</u>
Net cash flows from (used in) financing activities	<u>(5,459,768)</u>	<u>924,328</u>
EFFECTS OF EXCHANGE RATE CHANGES	23,852	29,249
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,572,698)	428,902
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>16,794,103</u>	<u>16,365,201</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 13,221,405</u>	<u>\$ 16,794,103</u>

The accompanying notes are an integral part of the consolidated financial statements. (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, 2013, December 31, 2012 and January 1, 2012 and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. 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, 2013, December 31, 2012 and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

March 28, 2014

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance 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 applied in the Republic of China.

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Far Eastern Department Stores, Ltd. (the "Company") and subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Far Eastern Department Stores, Ltd. and subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and their consolidated financial performance and their cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Far Eastern Department Stores, Ltd. as of and for the year ended December 31, 2013 and 2012 on which we have issued an unqualified report.

March 28, 2014

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance 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 applied in the Republic of China.

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

3. Supervisors' audit report on 2013 business report and financial statements.

SUPERVISORS' REPORT

To the 2014 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 2013 and found them in order.

Charles Wang



Philby Chen



May 15th, 2014

4. The change in measurement after recognition of Investment Property at a fair value model

1. From January 1, 2014, an entity is allowed to adopt whether a cost model or a fair value model for measurement after recognition of Investment Property, according to newly amended “Regulations Governing the Preparation of Financial Reports by Securities Issuers”. It’s proposed that Company adopts the fair value model from year 2014 in order to present fairly the value of investment property.
2. In accordance with article 6 of “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the Company shall calculate the line items affected and the actual effect for the financial year preceding the earliest financial year affected by retrospective application of the new accounting policy as below: (1) the retained earnings increased by NT\$ 509,608 thousands; (2) the consolidated net income of the year 2013 increased by NT\$37,791 thousands; (3) the consolidated balance sheet as of December 31, 2013: the consolidated assets increased by NT\$1,045,546 thousands (which includes the increase of NT\$1,027,413 thousands in investing property and the increase of NT\$18,133 thousands in deferred tax assets), the consolidated liabilities increased by NT\$ 133,999 thousands, the consolidated equity increased by NT\$ 911,547 thousands, which includes the increasing amount of NT\$ 529,883 thousands in the equity attributable to owner of the Company (retained earnings increased by NT\$ 529,883 thousands).
3. According to Rule No. 1030006415 “the adoption of the fair value model for measurement after recognition of Investment Property” issued by the FSC on 18, Mar., 2014, the entity shall transfer the net increase in fair value to retained earnings and set aside a special reserve at the same amount. The Company has set aside a special reserve NT\$ 529,883 thousands on January 1, 2014, in accordance with the preceding rule.
4. About the reasonableness of the item 2 to 3, the Deloitte CPA has analyzed their reality items by item and issued an opinion that the items 2 to 3 are fair and reasonable.
5. Please report.

5. Report of the amendment of certain provisions of the Company’s “Best Practice Principles of Ethical Corporate Management”.

Explanation:

(1) We propose to amend Article 17 of the Company’s “Best Practice Principles of Ethical Corporate Management”. The amended provisions are shown in the attached comparison table.

(2) Please review.

Section	Proposed Changes	Current Articles
Article 17	<p>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.</p> <p>Internal auditors of the Company shall <u>non-periodically</u> and <u>unwarningly</u> examine the results of compliance with the foregoing, and prepare audit reports submitted to the Board of Directors.</p>	<p>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.</p> <p>Internal auditors of the Company shall <u>periodically</u> examine the results of compliance with the foregoing, and prepare audit reports submitted to the Board of Directors.</p>

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

III .Matters to be Approved:

1. To accept the 2013 financial statements.

The Board of Directors proposes and recommends that each shareholder votes FOR the acceptance of 2013 business report and financial statements.

Explanatory Notes:

- (1) FEDS's 2013 financial report, including balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, has been audited by independent auditors, Mr. Shih Ching-Pin and Mr. Cho, Ming Hsing of Deloitte & Touche (please refer to P.12-P.24), and has been examined by and determined to be correct and accurate by Supervisors of FEDS. We thereby submit this report.
- (2) The 2013 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 2013 surplus earning.

The Board of Directors proposes and recommends that each shareholder votes FOR the distribution of 2013 surplus earning.

Explanatory Notes:

- (1) All the closing transactions as of December 31, 2013 have been completely closed, and have been audited by the accounting firm, Deloitte and Touche. We thereby submit the proposal for distribution of 2013 profits:

1. Unappropriated earnings of January 1, 2013	N.T\$ 986,263,298
2.The adjustments of retained earnings in accordance with the adoption of IFRSs	1,267,848,252

3. Special reserve in accordance with the adoption of IFRSs	(843,304,963)
4. Unappropriated earnings after adjustments of January 1, 2013 (=1+2-3)	1,410,806,587
5. The adjustments of retained earnings for by using equity method	(5,426,934)
6. Other comprehensive income	(5,610,761)
7. Unappropriated earnings after adjustments (=4-5-6)	1,399,768,892
8. Net Income for the year ended December 31, 2013	2,165,564,093
9. 10% legal reserve (8*10%)	(216,556,409)
10 Distributable net profit (=7+8-9)	3,348,776,576

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

1. Dividend (60%)	N.T\$1,228,914,637
2. Cash bonus to shareholders (33%)	657,903,051
3. Total Distribution	1,904,817,688

Note: To distribute employee bonus of NT\$ 81,927,642 and compensation of directors and supervisors of NT\$61,445,732.

(3) Undistributed earnings after distribution N.T\$ 1,443,958,888

(4) The major items of the Distribution of 2013 Dividend :

1. Cash dividends to holders of common share (NT\$ 1.15 per share)	N.T\$ 1,622,622,478
2. Stock dividends to holders of common share (NT\$ 0.20 per share at par value)	282,195,210
3. Total amount of 1.35 per share	1,904,817,688

(5) The distribution of 2013 dividends composes of 2013 surplus earning in priority, and the undistributed profit from 1998 to 2012 in case 2013 surplus earning are insufficient to cover 2013 dividends, and then the undistributed profit before 1998 in case the surplus earning from 1998 to 2012 are insufficient to cover 2013 dividends.

(6) After being approved at the annual General Shareholders' meeting (2014), 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 FEDA 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 2013 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) Because of business need, it's proposed that the registered location of the Company, "from 2F. to 7F. and 10F., No.27, Baoqing Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)", will be relocated to "18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)". In response to the amendment of the Company's location, it is proposed to amend Article 5 of the Company's "Articles of Incorporation".
- (2) Pursuant to Article 14-4 of the Securities and Exchange Act and pursuant to the rule issued by Financial Supervisory Commission (official letter No. FSC-Fa-10200531121) on 31 December 2013, the Company shall establish an audit committee in lieu of a supervisor in a year in which expires the term of the directors and supervisors of a company. It is proposed to add Article 17-1 of the Company's "Articles of Incorporation".
- (3) The amended or added provisions are shown in the attached comparison table
- (4) Please approve the proposed resolutions.

Resolution:

Section	Proposed Changes	Current Articles
Article 5	The Company is incorporated <u>in New Taipei City</u> , the Republic of China; the Board of Directors may by resolution approve the establishment of domestic and international branches where it deems necessary.	The Company is incorporated <u>in Taipei</u> , the Republic of China; the Board of Directors may by resolution approve the establishment of domestic and international branches where it deems necessary.
Article 17-1	Pursuant to Article 14-4 of the Securities and Exchange Act, the Company will establish an Audit Committee. The Audit Committee shall make up of the entire number of independent directors, is responsible of executing powers relegated to supervisors by the	

	<p>Company Act, Securities and Exchange Act and other laws and regulations. The Supervisors will cease to function and be ipso facto dismissed on the date of instituting of the Audit Committee.</p> <p>The organizing members, exercise of powers and other matters to be abided by the Audit Committee shall follow related laws, regulations or rules or regulation of the Company. The organization regulations of the Audit Committee shall be adopted by the Board of Director.</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-fourth amendment of June 20, 2014</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-third amendment of June 20, 2013</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 2013 stock dividends.

The Board of Directors proposes and recommends that each shareholder votes FOR the capital increase of 2013 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\$ 282,195,210. A total number of 28,219,521 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 20 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 2014 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 2013 stock dividends.

Resolution:

3. Proposal to amend the certain provisions of the Company's "Rules of Procedures of Stockholders Meeting".

The Board of Directors proposes and recommends that each shareholder votes FOR the amendments of certain provisions of the Company's "Rules of Procedures of Stockholders Meeting".

Please vote.

Board of Directors proposes:

Explanatory Notes:

- (1) To enhance the efficiency of Shareholders' meeting and protect the rights and interests of shareholders, Taiwan Stock Exchange Corporation announced an official letter TSEC-Sun-No. 1020003468 dated on 27, Feb. 2013, and amended some Articles of "Sample Template for XXX Co. Ltd. Rules of Procedure for Shareholders Meetings" for the smooth progress of Shareholders' meeting and decrease of disputes.
- (2) To enhance the corporate governance system and protect the rights and interests of shareholders, it is proposed to amend Article 2 and Article 21 of the

Company's "Rules of Procedures of Stockholders Meeting". The amended provisions are shown in the attached comparison table.

(3) Please approve the proposed resolutions.

Resolution:

To amend certain provisions of the Company's "Rules of Procedures of Stockholders Meeting".

Section	Proposed Changes	Current Articles
Article 2	<p>The location for stockholders' meeting shall be the Company's place of business or a place convenient for attendance by stockholders (or by proxies) that is suitable to holding of this meeting. The meeting shall be held between 9:00AM and 3:00PM.</p> <p><u>This Corporation shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention. The time during which shareholder attendance registrations will be accepted shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.</u></p> <p>The Company at a stockholders'</p>	<p>The location for stockholders' meeting shall be the Company's place of business or a place convenient for attendance by stockholders (or by proxies) that is suitable to holding of this meeting. The meeting shall be held between 9:00AM and 3:00PM.</p> <p><u>The stockholders (or proxies) when attending the meeting shall wear admission badge and hand in signed attendance form.</u></p> <p>The Company at a stockholders'</p>

<p>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.</p> <p><u>Shareholders (or by proxies) shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.</u> The stockholders (or proxies) when attending the meeting shall wear admission badge and hand in signed attendance form.</p> <p>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.</p>	<p>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.</p> <p>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.</p>
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<p>The Company may appoint lawyers, accountants or related personnel to attend the stockholders' meeting.</p> <p>The personnel in charge of handling the affairs of the meeting shall wear identification badge or armband.</p> <p>For a stockholders' meeting convened by the board of directors, the chairman of the board of directors shall preside at the meeting. If the chairman of the board of directors is on leave or unable to exert the rights, the vice-chairman of the board of directors shall preside instead. If the position of vice-chairman is vacant or the vice-chairman is on leave or unable to exert the rights the chairman of the board of directors shall designate a director to preside at the meeting. If no director is so designated, the chairman of the meeting shall be elected by the board of directors from among themselves. <u>When a director serves as chair, the director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair.</u> For a stockholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting; if</p>	<p>The Company may appoint lawyers, accountants or related personnel to attend the stockholders' meeting.</p> <p>The personnel in charge of handling the affairs of the meeting shall wear identification badge or armband.</p> <p>For a stockholders' meeting convened by the board of directors, the chairman of the board of directors shall preside at the meeting. If the chairman of the board of directors is on leave or unable to exert the rights, the vice-chairman of the board of directors shall preside instead. If the position of vice-chairman is vacant or the vice-chairman is on leave or unable to exert the rights the chairman of the board of directors shall designate a director to preside at the meeting. If no director is so designated, the chairman of the meeting shall be elected by the board of directors from among themselves. For a stockholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting; if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.</p>
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	<p>there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.</p> <p>The complete processes of the meeting shall be recorded by voice <u>and</u> video recorders and all the records shall be kept by the Company for a minimum period of at least one year. <u>If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.</u></p>	<p>The complete processes of the meeting shall be recorded by voice <u>or</u> video recorders and all the records shall be kept by the Company for a minimum period of at least one year.</p>
Article 11	<p>In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or Company's articles of incorporation, resolution shall be passed by a majority of the voting rights represented by the stockholders (or proxies) attending the meeting.</p> <p>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</p>	<p>In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or Company's articles of incorporation, resolution shall be passed by a majority of the voting rights represented by the stockholders (or proxies) attending the meeting.</p> <p>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.</p>

	<p>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.</p> <p>If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson. If one of the two proposals has been approved, the other proposal shall be deemed rejected without requirement to put it to vote.</p> <p>The results of voting <u>and election</u> shall be <u>announced</u> on the spot <u>after the vote counting</u> and <u>be kept for records</u>.</p>	<p>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.</p> <p>If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson. If one of the two proposals has been approved, the other proposal shall be deemed rejected without requirement to put it to vote.</p> <p>The results of voting shall be <u>reported</u> on the spot and <u>kept for records</u>.</p>
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Note *In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

4. Proposal to amend the certain provisions of the “Procedures for Acquisition and Disposition of Assets”.

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

Please vote.

Board of Directors proposes:

Explanatory Notes:

- (1) It is proposed to amend Article 2, Article 3, Article 5, Article 6, Article 7, Article 8, Article 9, Article 10, and Article 12 of the Company's "Procedures for Acquisition and Disposition of Assets" pursuant to the official letter FSC-Fa-No. 1020053073 dated December 30, 2013 announced by Financial Supervisory Commission. 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 Acquisition and Disposition of Assets".

Section	Proposed Changes	Current Articles
Article 2	<p>The term "Assets" used in these Procedures includes the following:</p> <ol style="list-style-type: none"> 1) Securities: Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call(put) warrants, beneficial interest securities, and asset-backed securities. 2) <u>Real property (including land, houses and buildings, investment real property, easement) and equipment;</u> 3) Memberships; 4) Patents, copyrights, trademarks, franchise right and other intangible assets; 5) Derivatives; 6) Assets acquired or disposed of in connection with mergers, demergers, acquisition or transfer of shares in accordance with acts 	<p>The term "Assets" used in these Procedures includes the following:</p> <ol style="list-style-type: none"> 1) Securities: Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call(put) warrants, beneficial interest securities, and asset-backed securities. 2) <u>Real property and other fixed assets;</u> 3) Memberships; 4) Patents, copyrights, trademarks, franchise right and other intangible assets; 5) Derivatives; 6) Assets acquired or disposed of in connection with mergers, demergers, acquisition or transfer of shares in accordance with acts

	of law; 7) Other major assets.	of law; 7) Other major assets.
Article3	<p>Definitions in these Procedures:</p> <p>1) "Derivatives": Forward contracts, option contracts, futures contracts, leverage contracts, and swap contracts and compound contracts combining the above products whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2) "Assets acquired or disposed through mergers, demergers, acquisitions or transfer of shares in accordance with act of law": Refers to assets acquired or disposed through mergers, demergers or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156, paragraph 6 of the Company Act.</p>	<p>Definitions in these Procedures:</p> <p>1) "Derivatives": Forward contracts, option contracts, futures contracts, leverage contracts, and swap contracts and compound contracts combining the above products whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2) "Assets acquired or disposed through mergers, demergers, acquisitions or transfer of shares in accordance with act of law": Refers to assets acquired or disposed through mergers, demergers or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156, paragraph 6 of the Company Act.</p>

	<p>3) <u>"Related party or subsidiary company": As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p> <p>4) <u>"Professional appraiser": Refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or equipment;</u></p> <p>5) <u>"Date of occurrence": Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authorities is required, the earlier of the above date or the date of receipt of approval by the Competent Authorities shall apply;</u></p> <p>6) <u>"Mainland area investment": Refers to investments in China</u></p>	<p>3) <u>"Related party": As defined in Statement of Financial Accounting Standards ("SFAS") No. 6 published by ROC Accounting Research and Development Foundation (hereinafter "ARDF").</u></p> <p>4) <u>"Subsidiary": As defined in Statement of Financial Accounting Standards ("SFAS") No. 5 and 7 published by the ARDF;</u></p> <p>5) <u>"Professional appraiser": Refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or other fixed assets;</u></p> <p>6) <u>"Date of occurrence": Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authorities is required, the earlier of the above date or the date of receipt of approval by the Competent Authorities shall apply;</u></p> <p>7) <u>"Mainland area investment": Refers to investments in China</u></p>
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	<p>approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>	<p>approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>
Article5	<p>The Company's total investment in securities shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports; furthermore individual securities in which it may invest shall not exceed sixty per cent (60%) of its shareholders' equity reflected in the latest financial reports, and investments in non-operational real property and <u>equipment</u> shall not exceed fifty per cent (50%) of its shareholders' equity reflected in the latest financial reports.</p> <p>Total equity investments by the Company and its subsidiaries shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports. The operational regulations of the Taiwan Securities Exchange Co., Ltd. and other relevant laws and regulations shall govern the calculation of percentages referred to herein.</p> <p>The latest financial report referred to herein shall be the Company's financial statements duly audited or reviewed by certified public</p>	<p>The Company's total investment in securities shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports; furthermore individual securities in which it may invest shall not exceed sixty per cent (60%) of its shareholders' equity reflected in the latest financial reports, and investments in non-operational real property and <u>other fixed assets</u> shall not exceed fifty per cent (50%) of its shareholders' equity reflected in the latest financial reports.</p> <p>Total equity investments by the Company and its subsidiaries shall not exceed one hundred and fifty per cent (150%) of its shareholders' equity reflected in the latest financial reports. The operational regulations of the Taiwan Securities Exchange Co., Ltd. and other relevant laws and regulations shall govern the calculation of percentages referred to herein.</p> <p>The latest financial report referred to herein shall be the Company's financial statements duly audited or reviewed by certified public</p>

	accountants prior to its acquisition or disposition of assets.	accountants prior to its acquisition or disposition of assets.
Article6	<p>Acquisition or Disposition of Securities</p> <p>1) Evaluation process</p> <p>a) For investments in securities, the Finance Department or other relevant units shall undertake the relevant financial analysis and projection of potential returns as well as evaluation of potential investment risks in relation to the said investment.</p> <p>b) Investments by the Company in securities traded on centralized exchange markets or over the counter markets shall be decided by the responsible unit in accordance with the prevailing market conditions; investments by the Company in securities not traded on centralized exchange markets or over the counter markets shall require the latest audited or reviewed financial reports of the target company as reference for the evaluation of transaction price, taking into consideration the net asset value per share, profitability and future potential, etc.</p> <p>2) Experts' opinions</p>	<p>Acquisition or Disposition of Securities</p> <p>1) Evaluation process</p> <p>a) For investments in securities, the Finance Department or other relevant units shall undertake the relevant financial analysis and projection of potential returns as well as evaluation of potential investment risks in relation to the said investment.</p> <p>b) Investments by the Company in securities traded on centralized exchange markets or over the counter markets shall be decided by the responsible unit in accordance with the prevailing market conditions; investments by the Company in securities not traded on centralized exchange markets or over the counter markets shall require the latest audited or reviewed financial reports of the target company as reference for the evaluation of transaction price, taking into consideration the net asset value per share, profitability and future potential, etc.</p> <p>2) Experts' opinions</p>

	<p>a) The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, first obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is twenty per cent (20%) of the Company's paid-in capital or NT\$300 million or more, the Company shall also engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by <u>the ROC Accounting Research and Development Foundation (ARDF)</u>. This requirement does not apply, however, to publicly quoted price of securities that have an active market, or where otherwise provided by regulations of Competent Authorities.</p> <p>b) Where assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may</p>	<p>a) The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, first obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is twenty per cent (20%) of the Company's paid-in capital or NT\$300 million or more, the Company shall also engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the <u>ARDF</u>. This requirement does not apply, however, to publicly quoted price of securities that have an active market, or where otherwise provided by regulations of Competent Authorities.</p> <p>b) Where assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may</p>
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	<p>replace valuation reports or accountants' opinions.</p> <p>3)Process in determining authorized investment limit and responsible units</p> <p>Prior to the Company acquiring or disposing securities, the Finance Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	<p>replace valuation reports or accountants' opinions.</p> <p>3)Process in determining authorized investment limit and responsible units</p> <p>Prior to the Company acquiring or disposing securities, the Finance Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>
Article7	<p>Acquisition or disposition of real property or <u>equipment</u></p> <p>1) Evaluation process</p> <p>a) For investments in real property and <u>equipment</u>, the Accounting Department or other relevant units shall undertake the projection of potential returns as well as evaluation of potential</p>	<p>Acquisition or disposition of real property or <u>other fixed assets</u></p> <p>1) Evaluation process</p> <p>a) For investments in real property and <u>fixed assets</u>, the Accounting Department or other relevant units shall undertake the projection of potential returns as well as</p>

	<p>investment risks in relation to the said investment based on the current operation and financial conditions and future development plan.</p> <p>b) The proposed acquisition or disposition of real property shall require analysis reports taking reference to their current published value, appraised values and transactions prices for neighboring real properties, etc., along with suggested transaction conditions and prices.</p> <p>c) The proposed acquisition or disposition of <u>equipment</u> shall carry out by way of any of the following: price inquiry; price comparison; negotiated prices or tender.</p> <p>2) Valuation reports for real property or <u>equipment</u></p> <p>In the case of real property or <u>equipment</u> acquired or disposed by the Company other than as a result of transactions with the government, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipment and facilities for business operation purposes, where their transaction value is the amount</p>	<p>evaluation of potential investment risks in relation to the said investment based on the current operation and financial conditions and future development plan.</p> <p>b) The proposed acquisition or disposition of real property shall require analysis reports taking reference to their current published value, appraised values and transactions prices for neighboring real properties, etc., along with suggested transaction conditions and prices.</p> <p>c) The proposed acquisition or disposition of <u>other fixed assets</u> shall carry out by way of any of the following: price inquiry; price comparison; negotiated prices or tender.</p> <p>2) Valuation reports for real property or <u>other fixed assets</u></p> <p>In the case of real property or <u>other fixed assets</u> acquired or disposed by the Company other than as a result of transactions with the government, entrusted construction on the Company's own property, entrusted construction on land leased by the Company, or acquisition or disposition of equipment and facilities for business operation purposes, where their transaction value is the amount</p>
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	<p>equivalent to twenty per cent (20%) of the Company's paid-in capital or NT\$ 300 million or above, the Company shall firstly require professional appraiser prior to the date of occurrence of the event to furnish their valuation report (which report shall specify the matters set out in Appendix from the Regulations Governing the Acquisition and Disposal of Assets by Public Companies); furthermore, the following provisions shall be complied with:</p> <p>a) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>b) Where the transaction amount is NT\$ 1 billion or more, two (2) or more professional appraiser shall be engaged to provide their appraisals.</p> <p>c) Where the appraisal prices from professional appraiser come under one of the following, unless all the</p>	<p>equivalent to twenty per cent (20%) of the Company's paid-in capital or NT\$ 300 million or above, the Company shall firstly require professional appraiser prior to the date of occurrence of the event to furnish their valuation report (which report shall specify the matters set out in Appendix from the Regulations Governing the Acquisition and Disposal of Assets by Public Companies); furthermore, the following provisions shall be complied with:</p> <p>a) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>b) Where the transaction amount is NT\$ 1 billion or more, two (2) or more professional appraiser shall be engaged to provide their appraisals.</p> <p>c) Where the appraisal prices from professional appraiser come under one of the following, unless all the</p>
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	<p>appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, accountants shall be engaged to handle the matter pursuant to the provisions of Auditing Standards No. 20 promulgated by ARDF; furthermore the said accountants shall be required to provide their opinions in respect of the reasons for such discrepancy and the fairness of the transaction price:</p> <p>i) The appraisal results differ from the transaction amount by twenty per cent (20%) or greater;</p> <p>ii) The difference between the appraisal result provided by two or more professional appraisers and the transaction price is ten per cent (10%) or greater.</p> <p>d) A professional appraiser shall not be dated beyond three (3) months prior to the date of the contract; however where an appropriate value published during the same period but not exceeding six (6) months, the original professional appraiser may issue its</p>	<p>appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, accountants shall be engaged to handle the matter pursuant to the provisions of Auditing Standards No. 20 promulgated by ARDF; furthermore the said accountants shall be required to provide their opinions in respect of the reasons for such discrepancy and the fairness of the transaction price:</p> <p>i) The appraisal results differ from the transaction amount by twenty per cent (20%) or greater;</p> <p>ii) The difference between the appraisal result provided by two or more professional appraisers and the transaction price is ten per cent (10%) or greater.</p> <p>d) A professional appraiser shall not be dated beyond three (3) months prior to the date of the contract; however where an appropriate value published during the same period but not exceeding six (6) months, the original professional appraiser may issue its</p>
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	<p>opinion in respect of the said value.</p> <p>e) Where real property or other fixed assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> <p>3) Process in determining authorized investment limit and responsible units</p> <p>Prior to the Company acquiring or disposing real property or <u>equipment</u>, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>	<p>opinion in respect of the said value.</p> <p>e) Where real property or other fixed assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace appraisal reports or accountants' opinions.</p> <p>3) Process in determining authorized investment limit and responsible units</p> <p>Prior to the Company acquiring or disposing real property or <u>other fixed assets</u>, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. Where the urgency of the matter does not permit prior approval, the General Manager (or any person so authorized by the General Manager) shall have the authority to approve/disapprove investments which amount is below NT\$ 10 million; the Chairman (or any person so authorized by the Chairman) shall have the authority to approve/disapprove investments which amount is in excess of NT\$ 10 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>
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<p>Article8</p>	<p>Related Parties Transaction</p> <p>1) When a public company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of this Article. In deciding whether the other party to the transaction is a related party, in addition to the forms as provided by law, the Company shall also consider the substantive relationship.</p> <p>2) Evaluation and Procedures</p> <p>The Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, <u>except in trading of government bonds or bonds under repurchase and resale agreements etc., or</u></p>	<p>Related Parties Transaction</p> <p>1) When a public company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of this Article. In deciding whether the other party to the transaction is a related party, in addition to the forms as provided by law, the Company shall also consider the substantive relationship.</p> <p>2) Evaluation and Procedures</p> <p>The Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, the company may not proceed to enter into a transaction contract or make a payment until the</p>
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	<p><u>subscription or redemption of domestic money market funds</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <p>a) The purpose, necessity and anticipated benefit of the acquisition or disposal of the asset.</p> <p>b) Reasons for transacting with related parties;</p> <p>c) With respect to the acquisition of real property from a related party, information relating to the appraisal of the fairness of the proposed transaction conditions pursuant to items 3) a) and d) herein;</p> <p>d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>e) Forecast of monthly cash income within one (1) year from the date of the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use of fund; and</p>	<p>following matters have been approved by the board of directors and recognized by the supervisors:</p> <p>a) The purpose, necessity and anticipated benefit of the acquisition or disposal of the asset.</p> <p>b) Reasons for transacting with related parties;</p> <p>c) With respect to the acquisition of real property from a related party, information relating to the appraisal of the fairness of the proposed transaction conditions pursuant to items 3) a) and d) herein;</p> <p>d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>e) Forecast of monthly cash income within one (1) year from the date of the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use of fund; and</p>
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	<p>f) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Article 8, paragraph 1 herein</p> <p>g) Restrictions on this transaction and other key contractual issues.</p> <p>Where the position of independent director has been created by the Company, when a matter is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>3)Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p>i) Addition to the related party's transaction price the necessary interest on</p>	<p>f) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Article 8, paragraph 1 herein</p> <p>g)Restrictions on this transaction and other key contractual issues.</p> <p>Where the position of independent director has been created by the Company, when a matter is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>3)Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p>i) Addition to the related party's transaction price the necessary interest on</p>
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	<p>funding and the costs to be borne by the purchaser. "Necessary interest on funding" shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p> <p>ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for the purposes of the extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy per cent (70%) of the appraised value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not apply where the said financial institution and the party to the transaction are themselves related</p>	<p>funding and the costs to be borne by the purchaser. "Necessary interest on funding" shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p> <p>ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for the purposes of the extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy per cent (70%) of the appraised value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not apply where the said financial institution and the party to the transaction are themselves related</p>
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	<p style="text-align: center;">parties.</p> <p>b)Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>c) In the case of the Company acquiring real property from related parties, in addition to the appraisal of the costs of the said real property in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p> <p>d) Under any one of the following circumstances in which the Company acquires real property from related parties, it need only undertake items 1) and 2) herein; the evaluation of fairness of transaction cost as provided for in items a), b) and c) hereunder shall not apply:</p> <p>i) The related party having obtained the real property by way of inheritance or gift;</p>	<p style="text-align: center;">parties.</p> <p>b)Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>c) In the case of the Company acquiring real property from related parties, in addition to the appraisal of the costs of the said real property in the manner provided above, the Company shall furthermore engage accountants to review and provide their opinions in respect of the same.</p> <p>d) Under any one of the following circumstances in which the Company acquires real property from related parties, it need only undertake items 1) and 2) herein; the evaluation of fairness of transaction cost as provided for in items a), b) and c) hereunder shall not apply:</p> <p>i) The related party having obtained the real property by way of inheritance or gift;</p>
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	<p>ii) The time lapse between the related party's contract for acquisition of the real property and this transaction exceeds five(5) years; or</p> <p>iii) <u>The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</u></p> <p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f) and g) hereunder; however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p>	<p>ii) The time lapse between the related party's contract for acquisition of the real property and this transaction exceeds five(5) years; or</p> <p>iii) <u>The Company obtaining the real property by way of joint development contract entered with the related party.</u></p> <p>e) Where the evaluated results pursuant to items a) and b) hereinabove are lower than the transaction price, the Company shall follow items f) and g) hereunder; however, under one of the following situations, with the objective evidence, professional appraisal for the real property and the accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p>
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	<p>A. The undeveloped land being valued in the methods provided hereinabove, and the buildings being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. Successful transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price</p>	<p>A. The undeveloped land being valued in the methods provided hereinabove, and the buildings being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. Successful transactions by non-related parties involving other floors of the same subject matter or of the neighboring areas within the past one (1) year, with comparable areas, and their transaction conditions being comparable to those of transactions with evaluations of acceptable price</p>
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	<p style="text-align: center;">difference between floor levels or areas in accordance with the practice for sale and purchase of real property.</p> <p>C. Successful rental cases by non-related parties involving other floors of the subject matter within the past one (1) year and with non-related parties, their conditions being comparable to those of rental agreements in which there are estimates of acceptable difference between floor levels in accordance with the practice for rental of real property.</p> <p>ii) The Company providing evidence that the transaction conditions of its purchase of real property from related party are comparable with those successful cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. "Successful cases within the neighboring areas" shall in principle include those in the same</p>	<p style="text-align: center;">difference between floor levels or areas in accordance with the practice for sale and purchase of real property.</p> <p>C. Successful rental cases by non-related parties involving other floors of the subject matter within the past one (1) year and with non-related parties, their conditions being comparable to those of rental agreements in which there are estimates of acceptable difference between floor levels in accordance with the practice for rental of real property.</p> <p>ii) The Company providing evidence that the transaction conditions of its purchase of real property from related party are comparable with those successful cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. "Successful cases within the neighboring areas" shall in principle include those in the same</p>
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	<p>or adjacent street and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar. "Approximately similar space" shall in principle include the spaces of those transacted cases between non-related parties that are not less than fifty per cent (50%) of that of the subject matter.</p> <p>f) Where the appraisal results pursuant to the preceding items are all lower than the transaction price, the Company shall undertake the following:</p> <p>i) With respect to the difference between the transaction price for the real property and the evaluated costs, set aside special profit/loss reserve, in compliance with Article 41(1) of the Securities and Exchange Law, which shall not be distributed or allocated in the form of stock dividends. Where investors of the Company that adopt the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special</p>	<p>or adjacent street and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar. "Approximately similar space" shall in principle include the spaces of those transacted cases between non-related parties that are not less than fifty per cent (50%) of that of the subject matter.</p> <p>f) Where the appraisal results pursuant to the preceding items are all lower than the transaction price, the Company shall undertake the following:</p> <p>i) With respect to the difference between the transaction price for the real property and the evaluated costs, set aside special profit/loss reserve, in compliance with Article 41(1) of the Securities and Exchange Law, which shall not be distributed or allocated in the form of stock dividends. Where investors of the Company that adopt the equity accounting in respect of their investments in the Company are public companies, the investor shall set aside special</p>
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	<p>profit/loss reserve for the amount according to their respective shareholding;</p> <p>ii) The Supervisors shall undertake measures in compliance with Article 218 of the Company Law;</p> <p>iii) The Shareholders' Meeting shall be informed of measures under items i) and ii) hereinabove, with details of the transaction to be disclosed in the Company's annual report or prospectus.</p> <p>g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at premium, or they have been disposed of, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>h) When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding paragraph (f) and</p>	<p>profit/loss reserve for the amount according to their respective shareholding;</p> <p>ii) The Supervisors shall undertake measures in compliance with Article 218 of the Company Law;</p> <p>iii) The Shareholders' Meeting shall be informed of measures under items i) and ii) hereinabove, with details of the transaction to be disclosed in the Company's annual report or prospectus.</p> <p>g) Where the Company has set aside a special reserves under preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at premium, or they have been disposed of, or adequate compensation had been made, or status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>h) When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding paragraph (f) and</p>
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	<p>(g) if there is other evidence indicating that the acquisition was not an arm's- length transaction.</p> <p>4) The deciding procedure and the units responsible for implementation about the degree of authority delegated,</p> <p>Prior to the acquisition or disposal of business-use machinery and equipment between the Company and its subsidiaries, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. The Chairman shall have the authority to approve/disapprove investments which amount is below NT\$ 300 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p> <p><u>5) With respect to the regulations of 10 percent of total assets, the calculation is based upon total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p>	<p>(g) if there is other evidence indicating that the acquisition was not an arm's- length transaction.</p> <p>4) The deciding procedure and the units responsible for implementation about the degree of authority delegated,</p> <p>Prior to the acquisition or disposal of business-use machinery and equipment between the Company and its subsidiaries, the Accounting Department shall firstly submit the Board of Directors the relevant information for approval before undertaking the said transaction. The Chairman shall have the authority to approve/disapprove investments which amount is below NT\$ 300 million. In any case, the said transactions shall be submitted to the immediate following meeting of the Board of Directors for ratification.</p>
Article9	Acquisition of Club Membership or	Acquisition of Club Membership or

	<p>Intangible Assets</p> <p>1) Evaluation and Process</p> <p>a) Acquisition or disposition of club memberships shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration fair market price, and compiled into analysis report. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>b) Acquisition or disposition of intangible assets shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration expert's valuation report or fair market price, and compiled into analysis reports. <u>Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate</u></p>	<p>Intangible Assets</p> <p>1) Evaluation and Process</p> <p>a) Acquisition or disposition of club memberships shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration fair market price, and compiled into analysis report. Where the transaction is NT\$ 3 million or below, the said analysis report shall be submitted to the General Manager for approval before submitting to the Board of Directors at the immediate following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</p> <p>b) Acquisition or disposition of intangible assets shall be by way of suggestions in respect of transaction conditions and prices, taking into consideration expert's valuation report or fair market price, and compiled into analysis reports <u>for approval by the Board of Directors before proceeding with the same.</u></p>
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	<p><u>following meeting for review. Where the transaction is above NT\$ 3 million, the approval of the Board of Directors shall be required before proceeding with the same.</u></p> <p>2) Expert's Valuation Report on Club Membership or Intangible Assets</p> <p>a) Expert's valuation report shall be required in the case of acquisition or disposition of intangible assets.</p> <p>b) Where the transaction amount for acquisition or disposition of club membership or intangible assets exceeds twenty per cent (20%) of the Company's paid-in capital or NT\$300 million, <u>except in transaction with government agency</u>, accountants shall, prior to the date of occurrence of the event, be engaged to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace</p>	<p>2) Expert's Valuation Report on Club Membership or Intangible Assets</p> <p>a) Expert's valuation report shall be required in the case of acquisition or disposition of intangible assets.</p> <p>b) Where the transaction amount for acquisition or disposition of club membership or intangible assets exceeds twenty per cent (20%) of the Company's paid-in capital or NT\$300 million, accountants shall, prior to the date of occurrence of the event, be engaged to provide an opinion with respect to the fairness of the transaction price; the said accountants shall undertake the same in conformity with Auditing Standards No. 20 promulgated by the ARDF.</p> <p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace</p>
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	<p>valuation reports or accountants' opinions.</p> <p>3) Implementation</p> <p>The Company may only proceed with the acquisition or disposition of club membership or intangible assets after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>	<p>valuation reports or accountants' opinions.</p> <p>3) Implementation</p> <p>The Company may only proceed with the acquisition or disposition of club membership or intangible assets after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>
Article10	<p>Acquisition or Disposition of Derivative Products</p> <p>1) Principles and Policies for Transactions</p> <p>a) Types of transaction</p> <p>i) Derivative products the Company is permitted to undertake shall be those contracts as defined in Article 3 1) hereinabove.</p> <p>ii) "For transactional purposes" herein shall refer to the holding or producing of derivative products the purpose of which is to earn the difference in transaction prices of the products, including transaction activities in which profits or loss are measured and realized in the current period by way of fair value. "For non-transactional purposes" herein shall refer to those transactions for</p>	<p>Acquisition or Disposition of Derivative Products</p> <p>1) Principles and Policies for Transactions</p> <p>a) Types of transaction</p> <p>i) Derivative products the Company is permitted to undertake shall be those contracts as defined in Article 3 1) hereinabove.</p> <p>ii) "For transactional purposes" herein shall refer to the holding or producing of derivative products the purpose of which is to earn the difference in transaction prices of the products, including transaction activities in which profits or loss are measured and realized in the current period by way of fair value. "For non-transactional purposes" herein shall refer to those transactions for</p>

	<p>reasons other than those provided above.</p> <p>b)Operational or Hedging Strategy</p> <p>i) "For transactional purposes": The operation strategy shall be one of nimbleness and flexibility.</p> <p>ii)"For non-transactional purposes": The hedging strategy shall be one of prudence and caution.</p> <p>c) Duties and Responsibilities</p> <p>i) Execution of transaction contracts and relevant documents: By the Chairman or a person so appointed by him as representative of the Company.</p> <p>ii) Execution of transaction and profit/loss evaluation:</p> <p>A. The Procurement Department shall be responsible for contracts involved goods related to raw materials; the Finance Department shall be responsible for contracts relating to finance.</p> <p>B. Account opening, transaction, confirmation, settlement: Director of the relevant department to decide or authorize.</p>	<p>reasons other than those provided above.</p> <p>b)Operational or Hedging Strategy</p> <p>i) "For transactional purposes": The operation strategy shall be one of nimbleness and flexibility.</p> <p>ii)"For non-transactional purposes": The hedging strategy shall be one of prudence and caution.</p> <p>c) Duties and Responsibilities</p> <p>i) Execution of transaction contracts and relevant documents: By the Chairman or a person so appointed by him as representative of the Company.</p> <p>ii) Execution of transaction and profit/loss evaluation:</p> <p>C. The Procurement Department shall be responsible for contracts involved goods related to raw materials; the Finance Department shall be responsible for contracts relating to finance.</p> <p>D. Account opening, transaction, confirmation, settlement: Director of the relevant department to decide or authorize.</p>
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	<p>C. Production of transaction slip, invoice and application for funding to be undertaken by traders and approved by supervisors at various levels before forwarding the same to Finance, Accounting and Audit Departments.</p> <p>D. Designated staff at all relevant departments shall be responsible for profit/loss evaluation; evaluation forms shall be forwarded to the director of Audit Department.</p> <p>iii) Accounting: The Accounting Department shall formulate record slips and enter into accounts based on the various receipts, and shall complete the relevant accounting reports according to the accounting cycles.</p> <p>iv) Audit: The Audit Department shall conduct regular and ad hoc audit based on the internal audit system.</p> <p>v) Legal: Legal counsel shall be responsible for review of transaction contracts.</p> <p>vi) Unless otherwise provided, only the administrator or those ranking above may</p>	<p>C. Production of transaction slip, invoice and application for funding to be undertaken by traders and approved by supervisors at various levels before forwarding the same to Finance, Accounting and Audit Departments.</p> <p>D. Designated staff at all relevant departments shall be responsible for profit/loss evaluation; evaluation forms shall be forwarded to the director of Audit Department.</p> <p>iii) Accounting: The Accounting Department shall formulate record slips and enter into accounts based on the various receipts, and shall complete the relevant accounting reports according to the accounting cycles.</p> <p>iv) Audit: The Audit Department shall conduct regular and ad hoc audit based on the internal audit system.</p> <p>v) Legal: Legal counsel shall be responsible for review of transaction contracts.</p> <p>vi) Unless otherwise provided, only the administrator or those ranking above may</p>
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	<p>implement the transaction for derivative products.</p> <p>d) Performance appraisal The benchmark for performance appraisal shall be the year-end net profit or loss.</p> <p>e) Total contract amount and authorized limit</p> <p>i) "For transactional purposes": The total contract amount for any single subject matter at any one time shall not exceed ten per cent (10%) of the Company's net asset value for the preceding year; subject to the amount being less than one per cent (1%) of the net asset value, the General Manager shall be authorized to decide on their own, followed by their report to the immediate following Board of Directors meeting for report. For amounts exceeding one per cent (1%) of net asset value, the approval of the Board of Directors shall be required before proceeding with the contract.</p> <p>ii) "For non-transactional purposes": Limited to the existing and expected assets or liabilities of transactions; the General Manager shall be authorized to decide on their own, followed by their</p>	<p>implement the transaction for derivative products.</p> <p>d) Performance appraisal The benchmark for performance appraisal shall be the year-end net profit or loss.</p> <p>e) Total contract amount and authorized limit</p> <p>i) "For transactional purposes": The total contract amount for any single subject matter at any one time shall not exceed ten per cent (10%) of the Company's net asset value for the preceding year; subject to the amount being less than one per cent (1%) of the net asset value, the General Manager shall be authorized to decide on their own, followed by their report to the immediate following Board of Directors meeting for report. For amounts exceeding one per cent (1%) of net asset value, the approval of the Board of Directors shall be required before proceeding with the contract.</p> <p>ii) "For non-transactional purposes": Limited to the existing and expected assets or liabilities of transactions; the General Manager shall be authorized to decide on their own, followed by their</p>
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	<p>report to the immediate following Board of Directors meeting for review.</p> <p>f) Limit on losses</p> <p>i)"For transaction purposes": No pre-set limit on individual contracts; however the limits shall apply to those contracts of the same subject matter, and the limits for total contractual loss are formulated according to different tools:</p> <p>A. Forward contracts or futures: five per cent (5%) of average cots;</p> <p>B. Options: Where the Company is the purchaser, the limit for purchasing price shall be five per cent (5%) of the total contract amount. Where the Company is the seller, the limit shall be the sale price plus five per cent (5%) of the total contract amount.</p> <p>C. Swaps or other composite tools: The amount of loss shall not exceed five per cent (5%) of the total contract amount.</p> <p>ii)"For non-transactional</p>	<p>report to the immediate following Board of Directors meeting for review.</p> <p>f) Limit on losses</p> <p>i)"For transaction purposes": No pre-set limit on individual contracts; however the limits shall apply to those contracts of the same subject matter, and the limits for total contractual loss are formulated according to different tools:</p> <p>A. Forward contracts or futures: five per cent (5%) of average cots;</p> <p>B. Options: Where the Company is the purchaser, the limit for purchasing price shall be five per cent (5%) of the total contract amount. Where the Company is the seller, the limit shall be the sale price plus five per cent (5%) of the total contract amount.</p> <p>C. Swaps or other composite tools: The amount of loss shall not exceed five per cent (5%) of the total contract amount.</p> <p>ii) "For non-transactional</p>
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	<p>purposes": <u>The upper limit of losses of individual contract is less than 25% of that contract notional amount. The upper limit of losses of all the contracts is less than 25% of total notional amount of all contracts.</u></p> <p>2) Risk Management Measures:</p> <p>a) Counterparty's credit risk – Counterparties shall be financial institutions of good credit standing;</p> <p>b) Market risk in which prices turnaround – in accordance with 1) f) herein.</p> <p>c) Liquidity risk of products – There shall be at least two (2) financial institutions in the market and at the same time offering two-way pricing for products, before transaction are permitted.</p> <p>d) Cash-flow risk – There shall be periodic disclosures of fair market prices for financial products undertaken, for appropriate disclosure of projected cash flow volume from the financial product.</p> <p>e) Internal operation risk – In accordance with 1) c) herein.</p> <p>f) Legal risk for execution of</p>	<p>purposes": <u>No limit is required as losses/profits shall have been mutually offset from the hedged positions.</u></p> <p>2) Risk Management Measures:</p> <p>a) Counterparty's credit risk – Counterparties shall be financial institutions of good credit standing;</p> <p>b) Market risk in which prices turnaround – in accordance with 1) f) herein.</p> <p>c) Liquidity risk of products – There shall be at least two (2) financial institutions in the market and at the same time offering two-way pricing for products, before transaction are permitted.</p> <p>d) Cash-flow risk – There shall be periodic disclosures of fair market prices for financial products undertaken, for appropriate disclosure of projected cash flow volume from the financial product.</p> <p>e) Internal operation risk – In accordance with 1) c) herein.</p> <p>f) Legal risk for execution of</p>
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	<p>contracts and related documents – Professional opinions of the Legal Department shall be required.</p> <p>g) Trading staff for derivative products shall not also work as operational staff for the purposes of confirmation and settlement.</p> <p>h) Risk measurement, supervision and control staff shall be from departments that differ from those described in g) hereinabove, and shall furthermore report to the Board of Directors or to senior managers who are not responsible for making decisions in respect of the transaction or for the department concerned.</p> <p>i) All positions in derivative trades shall be appraised on a weekly basis; where hedge positions trades are entered out of business necessity they shall be appraised at least twice a month. Appraisal reports shall be forwarded to senior managers authorized by the Board of Directors.</p> <p>3) Internal Audit System</p> <p>The Company's internal auditors shall regularly review the appropriateness of internal</p>	<p>contracts and related documents – Professional opinions of the Legal Department shall be required.</p> <p>g) Trading staff for derivative products shall not also work as operational staff for the purposes of confirmation and settlement.</p> <p>h) Risk measurement, supervision and control staff shall be from departments that differ from those described in g) hereinabove, and shall furthermore report to the Board of Directors or to senior managers who are not responsible for making decisions in respect of the transaction or for the department concerned.</p> <p>i) All positions in derivative trades shall be appraised on a weekly basis; where hedge positions trades are entered out of business necessity they shall be appraised at least twice a month. Appraisal reports shall be forwarded to senior managers authorized by the Board of Directors.</p> <p>3) Internal Audit System</p> <p>The Company's internal auditors shall regularly review the appropriateness of internal</p>
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	<p>controls for derivative product trading, and shall on a monthly basis conduct compliance of these Procedures by the Trading Department, with audit reports to be compiled thereafter; where major irregularities are discovered, all Supervisors shall be notified by writing.</p> <p>4) Regular Appraisal and Measures In the Event of Irregularities</p> <p>a) The Board of Directors shall appoint the directors of Audit Department to closely monitor and control the trading risk for derivative trades.</p> <p>b) The Board of Directors shall appoint a person to specifically conduct regular appraisal of the performance of derivative trades so as to establish whether there has been conformity with the pre-set operation policies and whether the risks to be undertaken in respect thereof are within the scope allowed by the Company.</p> <p>c) The director of the Audit Department shall regularly review the suitability of the existing risk management measures and whether the procedures set out in this Article have been complied with; This person shall furthermore monitor the</p>	<p>controls for derivative product trading, and shall on a monthly basis conduct compliance of these Procedures by the Trading Department, with audit reports to be compiled thereafter; where major irregularities are discovered, all Supervisors shall be notified by writing.</p> <p>4) Regular Appraisal and Measures In the Event of Irregularities</p> <p>a) The Board of Directors shall appoint the directors of Audit Department to closely monitor and control the trading risk for derivative trades.</p> <p>b) The Board of Directors shall appoint a person to specifically conduct regular appraisal of the performance of derivative trades so as to establish whether there has been conformity with the pre-set operation policies and whether the risks to be undertaken in respect thereof are within the scope allowed by the Company.</p> <p>c) The director of the Audit Department shall regularly review the suitability of the existing risk management measures and whether the procedures set out in this Article have been complied with; This person shall furthermore monitor the</p>
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	<p>trades and profits/losses status, and shall take the necessary measures and immediately report to the Board of Directors where irregularities are discovered; where the Company has appointed Independent Directors, who shall attend meetings of the Board of Directors and shall express their opinions.</p> <p>d) The Company shall set up accounts books in respect of derivative trades, which books shall record in details the types, amounts, the date of approval by the Board of Directors and the matters for due evaluation as required under items 2) i) and 4) b) and c) herein, for ease of checking.</p>	<p>trades and profits/losses status, and shall take the necessary measures and immediately report to the Board of Directors where irregularities are discovered; where the Company has appointed Independent Directors, who shall attend meetings of the Board of Directors and shall express their opinions.</p> <p>d) The Company shall set up accounts books in respect of derivative trades, which books shall record in details the types, amounts, the date of approval by the Board of Directors and the matters for due evaluation as required under items 2) i) and 4) b) and c) herein, for ease of checking.</p>
Article12	<p>Procedure for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p> <p>a) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or</p>	<p>Procedure for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and report</p> <p>a) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or</p>

	<p>NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, <u>or subscription or redemption of domestic money market funds.</u></p> <p>b) Undertaking merger, demerger, merger or shareholding transfer;</p> <p>c) Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) f);</p> <p>d) Transactions relating to assets other than those stipulated hereinabove or investments in the mainland China area, where their transaction amounts reach twenty per cent (20%) of the Company's paid-in capital or equal or greater than NT\$ 300 million, with the following exceptions:</p> <p>i) Sale and purchase of government bonds;</p> <p>ii) Sale and purchase of bonds with call or put options, <u>or subscription or redemption of domestic money market funds.</u></p> <p>iii) The assets so acquired or</p>	<p>NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements.</p> <p>b) Undertaking merger, demerger, merger or shareholding transfer;</p> <p>c) Loss in derivative trade in an amount exceeding the limits for all trades or individual trade as stipulated in Article 10 1) f);</p> <p>d) Transactions relating to assets other than those stipulated hereinabove or investments in the mainland China area, where their transaction amounts reach twenty per cent (20%) of the Company's paid-in capital or equal or greater than NT\$ 300 million, with the following exceptions:</p> <p>i) Sale and purchase of government bonds;</p> <p>ii) Sale and purchase of bonds with call or put options;</p> <p>iii) The assets so acquired or</p>
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	<p>disposed are equipment for business purposes and in which the counterparties are not related parties, and that the transaction amount less than NT\$ 500 million;</p> <p>iv) Real property obtained by way of entrusted construction on own land, engaging others to build on rented land, division of property or profits deriving from sale of property following joint-development, where the projected amount to be invested in the transaction less than NT\$ 500 million;</p> <p>e) The calculation of transaction amount for a),to d) above as follows:</p> <p>i) Each single transaction amount;</p> <p>ii) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature;</p> <p>iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property under the same development project within one (1) year;</p>	<p>disposed are equipment for business purposes and in which the counterparties are not related parties, and that the transaction amount less than NT\$ 500 million;</p> <p>iv) Real property obtained by way of entrusted construction on own land, engaging others to build on rented land, division of property or profits deriving from sale of property following joint-development, where the projected amount to be invested in the transaction less than NT\$ 500 million;</p> <p>e) The calculation of transaction amount for a),to d) above as follows:</p> <p>i) Each single transaction amount;</p> <p>ii) Cumulative amount for transactions with the same counterparty within one (1) year or acquisition or disposal of subject matters of similar nature;</p> <p>iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property under the same development project within one (1) year;</p>
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	<p>iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year.</p> <p>f) "Within the preceding year" as used in e) refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>2) Time Limit for Public Announcement and Reports Public announcement and submission of report in respect of acquisition or disposition of assets by the Company under items a) to d) above, shall be undertaken within two (2) days of commencing immediately from the date of occurrence of the event.</p> <p>3) Procedure for Public Announcement</p> <p>a) The Company shall undertake public announcement and report at the web-site appointed by the FSC;</p> <p>b) The Company shall on a monthly basis, and before the 10th day of each month, enter</p>	<p>iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year.</p> <p>f) "Within the preceding year" as used in e) refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>2) Time Limit for Public Announcement and Reports Public announcement and submission of report in respect of acquisition or disposition of assets by the Company under items a) to d) above, shall be undertaken within two (2) days of commencing immediately from the date of occurrence of the event.</p> <p>3) Procedure for Public Announcement</p> <p>a) The Company shall undertake public announcement and report at the web-site appointed by the FSC;</p> <p>b) The Company shall on a monthly basis, and before the 10th day of each month, enter</p>
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	<p>at the information and reporting web-site appointed by the FSC, all derivative trades undertaken for the preceding month by the Company and its non-public subsidiaries;</p> <p>c) Where there are errors and omissions for which corrections are required in the Company's public announcement and reports in conformity with regulations, the Company shall cause all of the items to be re-published;</p> <p>d) Where any of the following events has occurred following the Company's public announcement and reports in respect of its transactions pursuant to regulations, the Company shall within two (2) days of commencing immediately from the date of occurrence of the said events undertake public announcement and report in respect of the relevant information at the web-site appointed by FSC:</p> <p>i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p>ii) Failure of merger, demerger, acquisition or shareholding</p>	<p>at the information and reporting web-site appointed by the FSC, all derivative trades undertaken for the preceding month by the Company and its non-public subsidiaries;</p> <p>c) Where there are errors and omissions for which corrections are required in the Company's public announcement and reports in conformity with regulations, the Company shall cause all of the items to be re-published;</p> <p>d) Where any of the following events has occurred following the Company's public announcement and reports in respect of its transactions pursuant to regulations, the Company shall within two (2) days of commencing immediately from the date of occurrence of the said events undertake public announcement and report in respect of the relevant information at the web-site appointed by FSC:</p> <p>i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p>ii) Failure of merger, demerger, acquisition or shareholding</p>
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	<p>transfer to be completed at the prescribed dates.</p> <p>iii) Change to the originally publicly announced and reported information.</p> <p>4) Format of Public Announcement</p> <p>The matters to be announced and the format for public announcement by the Company in respect of acquisition or disposition of assets pursuant to these Procedures shall be as those in Appendix from the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>	<p>transfer to be completed at the prescribed dates.</p> <p>iii) Change to the originally publicly announced and reported information.</p> <p>4) Format of Public Announcement</p> <p>The matters to be announced and the format for public announcement by the Company in respect of acquisition or disposition of assets pursuant to these Procedures shall be as those in Appendix from the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>
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Note *In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

V. 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 、 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 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 directors and supervisors, and the shareholders shall elect the directors and supervisors from among the nominees listed in the roster of candidates. Independent and non-independent directors and supervisors 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
Forty-third amendment of June 20, 2013

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 extemporaneous 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, 2014)

Title	Name	Representative	Shareholdings	Ratio of Shareholding %
Chairman	Douglas Tong Hsu	-	1,744,937	0.12
Directors	Ding Ding Management Consultant Corp.	Nancy Hsu	71,578	0.01
	Far Eastern New Century Corporation	Alex Ro	237,029,120	16.80
		Nicole Hsu		
	Asia Cement Corporation	Jin Lin Liang	78,483,285	5.56
Independent Directors	Edward Yung Do Way		-	-
	Chien You Hsin		-	-
	Total shares owned by all Directors		317,328,920	22.49
	The total legal registered shares owned by all Directors		33,863,425	2.40
Supervisors	Oriental Union Chemical Corporation	Charles Wang	14,096,302	1.00
	U-Li Investment Company	Philby Chen	1,734,315	0.12
	Total shares owned by all Supervisors		15,830,617	1.12
	The total legal registered shares owned by all Supervisors		3,386,342	0.24

Note 1: The total issued and outstanding shares on the book closure date: 1,410,976,068 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 2014 Regular Shareholders' Meeting.

Unit: NT \$

Item	Year	2014 (Estimate)
Paid-in Capital (beginning of the year)		14,109,760,680
Stock & Cash Dividend Distribution	Cash Dividend (NT\$/per share)	1.15
	Stock Dividend from Retained Earnings	0.02
	Stock Dividend from Capital Surplus	0.00
Variance in Business Performance	Operating Income	not applicable (note)
	% Change in Operating Income	
	Net Income	
	% Change in Net Income	
	Earnings Per Share	
	% Change in EPS	
Pro Forma EPS & P/E Ratio	If Retained Earnings Pro Forma Earnings Per Share Distributed in Cash Dividend	Pro Forma Earnings Per Share
		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 2014, 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 28 March 2014. The relevant information is disclosed below:

- (1) Cash bonus to employees: NT\$81,927,642, Cash compensation to Directors and Supervisors: NT\$61,445,732 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 2014.

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