

Procedures for Lending of Capital to Others of Far Eastern Department Stores Ltd. (the "Company")

Article 1 (Subjects of Lending)

The subjects of the lending of the Company ("Borrowers") are limited to the following:

- (1) Those companies who have business relationships with the Company ("Business Partners"); and
- (2) Those companies who have short-term financing needs ("Companies Seeking Short-Term Financing").

"Short-term" in (2) above refers to a period not exceeding either 1 year or the business operation cycle, whichever longer shall apply.

Article 2 (Limits on the Total Amount of Lending and Respective Subjects)

The total amount of loans extended by the Company to the Borrowers as set forth in Article 1 above shall not exceed fifty percent (50%) of the Company's net worth of the last period audited or reviewed by its accountants ("Latest Net Worth of the Company").

The total amount of loans extended by the Company to the Business Partners shall not exceed ten percent (10%) of the Latest Net Worth of the Company. The amount of loans extended by the Company to the Business Partners shall not exceed the total amount involved in the business transactions between both parties. Total amount involved in the business transactions refers to the value represented by orders placed, sales or transactions contemplated by the parties in the most recent year.

The total amount of loans extended by the Company to all Companies Seeking Short-Term Financing shall not exceed forty percent (40%) of the Latest Net Worth of the Company. The amount of any individual loan hereunder shall not exceed twenty percent (20%) of the Latest Net Worth of the Company.

The total amount and individual amount of loans extended by the Company to any overseas subsidiary seeking short-term financing, over which the Company owns directly or indirectly 100% voting shares or voting shares are 100%-owned, directly or indirectly, by the Company, shall not be limited by "the total amount of loans extended by the lender shall not exceed the forty percent (40%) of lender's Net Worth" and "one (1) year period". However it shall be in accordance with lender's "Procedures for Lending Capital to Others".

Where the Company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 3 (Reasons and Necessity for Lending)

Loans extended to Companies Seeking Short-Term Financing shall be limited to the Subjects of Lending, as follows:

- (1) Companies which may be guaranteed by the Company and have the need for

short-term financing facility:

- 1) Company which is directly or indirectly invested with over fifty percent of shares with voting right; and
 - 2) Holding companies of the Company, which is holding more than fifty percent of shares with voting right.
 - 3) Other companies as approved by the Company's board of directors for such lending.
- (2) The reasons and situation that loan extended to Companies Seeking Short-Term Financing shall be limited to the following:
- (1) The demand of revolving fund for operation.
 - (2) Redeeming a loan.
 - (3) Acquiring assets.
 - (4) Other good causes as approved by the Company's board of directors.

Subsidiaries and holding companies referred to herein are defined in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 4 (Procedure for Lending)

When handling a loan by the Company, the Borrowers are required to present requisite financial information and the application to the Company's finance department for limits of loans. The finance department shall evaluate such application in accordance with the Regulations Governing Lending of Funds and Making of Endorsements/Guarantees ("Regulations") as well as these Procedures including the following items and prepare and submit to the Audit Committee the evaluation report for approval and the board of directors for approval without authorizing any other persons to undertake the above-mentioned procedure:

- 1) necessity and rationale of the loan;
- 2) the Borrowers' credit standing and risk evaluation;
- 3) impact on the Company's operation, financial condition and shareholders' interests
- 4) whether collaterals are required and appraised values of such collaterals.

The lending of capital between the Company and its subsidiaries' or between the company's subsidiaries' should be proposed to the board of directors for approval.

The board of directors could authorize the Chairman to lend the same party at separate appropriations for several times within one year period subject to the approved fixed revolving credit line as approved by the board of directors.

The fixed revolving credit line mentioned as previous paragraph shall not exceed ten percent (10%) of the lender's net worth. However this does not apply to any company

that directly and/or indirectly holds 100% of the voting share in this company.

The Borrower should, upon the loan amount being approved, fill in an application form and apply to the finance department. The loan amount may only be disbursed after the person-in-charge of the Company or a person as designated by the board of directors has signed and approved. Subsequent to drawdown, the finance department shall report to the board of directors.

Borrowers who apply for short-term financing facility in accordance with the aforesaid item shall provide the Company with bills or collaterals or guarantors as the Company approved as security securing such financing.

The board of directors shall take into account the opinions of the independent directors and furthermore record in the minutes of such meetings the independent directors' consenting or dissenting opinions and the reasons in holding a meeting discussing these Procedures or extending loans hereunder.

Where the balance of loans has exceeded the limits, or the Borrower fails to comply with these Procedures, as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same to the Audit Committee. Improvement shall be completed within the time limit stipulated in improvement plans.

If approval of more than half of all Audit Committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting. The terms "all Audit Committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.

Article 5 (Loan Term and Interest Calculation)

The term of loans extended by the Company shall not exceed 1 year. For Companies seeking short-term financing with a business operation cycle exceeding 1 year, the term of loans can be extended to the business operating cycle.

The term of loans extended by the Company to any overseas subsidiary, over which the Company owns directly or indirectly 100% voting shares, depends on the necessity but shall not exceed 3 years.

Interest for short term financing shall be calculated on a negotiated rate basis which rate is subject to adjustment depending on the costs of fund of the Company. Adjustments in interest rate shall be implemented after the finance department has submitted the application to the General Manager for approval. Interest receivable shall be settled on a negotiated periodical basis.

Article 6 (Subsequent Control Measures and Procedure for Overdue Debts)

The Company shall maintain accounts books for loan extension setting out in details the subjects of loans, their amount, the date of approval by the Audit Committee, the date of approval by the board of directors, loan drawdown date and results of evaluation as required under Article 4 (1) above.

The Company's internal audit department shall conduct at least a quarterly audit of these Procedures and status of implementation and make written records in details. In the event of major irregularities, the internal audit department shall inform the Audit Committee of the same.

Following drawdown of the loans, the Company shall constantly monitor the financial, business and the relevant credit conditions of the Borrowers and guarantor. Where security has been provided, the company shall also monitor the change in the value of the said security. Any major changes to the security shall be reported to the General Manager immediately and handled as the General Manager instructed.

The Borrowers shall immediately repay the principal amount and interest accrued when the loan becomes due and payable. In the event that the Borrowers are unable to repay, the finance department shall immediately write to notify the Borrowers to collect the loan. The Company may take legal actions and seek compensation against the security or guarantor, if the Borrowers fail to repay after the written notification.

Article 7 (Disciplinary Actions For Loans Not In Compliance With This Procedures)

The Company shall extend loans in compliance with the Regulations issued by the Securities and Futures Commission and these Procedures. In the event that any managers or person undertaking the matters with respect herewith are found to be in breach of provisions herein in material aspect or causing damage to the Company, the Company shall discipline the said persons in accordance with the internal rules on employee reward and punishments and the relevant personnel regulations.

Article 8 (Procedure for Public Notices and Announcement)

The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month.

When limits of the Company's loans extended set below have occurred, the Company shall publish and report them within two days commencing immediately from the date of occurrence:

- 1) The balance of any and all loans extended by the Company and its subsidiaries has reached 20% or more of the Latest Net Worth of the Company; or
- 2) The balance of loans extended by the Company and its subsidiaries to an individual company has reached 10% of the Latest Net Worth of the Company; or
- 3) Any additional loan extended by the Company or its subsidiary exceeds NT\$10 million and has reached 2 % or more of the Latest Net Worth of the Company.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.

The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.

Date of occurrence in the Procedures refers to the date of contract signing, date of payment, dates of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the loans, whichever date is earlier.

The Company shall assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the necessary audit processes.

Article 9 (Control Procedures for Subsidiaries' Loan Extension)

Subsidiaries of the Company proposing to extend loans to others shall prepare their respective procedures in compliance with the Regulations, and shall implement such procedures accordingly. Subsidiaries of the Company shall report the same to the Finance department of the Company and the Finance department of the Company will compile all procedures from subsidiaries to report to the board of directors for approval.

Subsidiaries of the Company shall on their own evaluate whether their procedures in relation to capital of lending to others are in compliance with the Regulations and whether their loans extended to others are in compliance with their procedures. The Company's internal audit department shall review the self- evaluation reports of the said subsidiaries.

Subsidiaries of the Company which are also domestic public companies shall on their own undertake the public announcement and report in compliance with the Regulations.

Subsidiaries of the Company shall submit, before the 5th day of each month, detailed statements of the loans extended as of the end of last month to the Company for consolidation.

Article 10 (Effective date and Amendments)

These amended Procedures shall be forwarded to Shareholders' Meeting for approval upon approved by the Audit Committee and then resolved by the board of directors. Directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to the Audit Committee and Shareholders' Meeting for discussion.

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