



Minutes of 2013 Annual General Shareholders' Meeting of Far Eastern Department Stores

Date: Thursday, 20 June 2013

Time: 9:00 a.m. Taipei time

Place: Auditorium in the Taipei Hero House

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

Shareholders present:

Number of shareholders and shareholder representatives (including e-voting) present: 669 persons.

Total shares (including e-voting) represented by shareholders present: 875,373,882 shares, which was 64.268% of total number of outstanding shares 1,362,067,946 shares.

Invited observers:

Certified Public Accountant: Mrs. Yeh Shu-Chuan and Mr. Shih Ching-Pin

Attorney: Mr. Yang Xiao-Bang and Mr. Li Chin-Shu

Chairman: Mr. Douglas T. Hsu, Chairman of the Board of Directors

Recorder: Mr. Frank Jou

The aggregate shareholding of the shareholders present constituted a quorum. The Chairman called the meeting to order.

The speech of Chairman (omitted)

The speech of invited observers (none)

I. Matters to be Reported:

1. 2012 Messages to shareholders (please refer to P.4-P.10 of handbook for 2013 AGM)
2. Financial report of 2012 (please refer to P.11-P.19 of handbook for 2013 AGM)
3. Supervisors' audit report on 2012 business report and financial statements (please refer to P.20 of handbook for 2013 AGM)
4. Report of the amendment of certain provisions of the Company's "Meeting Rules of Board of Directors" (please refer to P.21-P.24 of handbook for 2013 AGM)
5. Report of the establishment of the Company's "Code of Ethics" and "Best Practice Principles of Ethical Corporate Management" (please refer to P.25-P.34 of handbook for

2013 AGM)

6. The adjustments of Retained Earnings and Special Reserve in accordance with the adoption of International Financial Reporting Standards (please refer to P.35 of handbook for 2013 AGM)

Shareholder # 0212298 Mr. Liu Tai Ann raised questions with respect to the advices of FEDS's operation.

The questions were answered by Chairman and acknowledged by all attending shareholders.

RESOLVED, that the above proposals were approved for reference.

II. Matters to be Approved:

1. To accept the 2012 financial statements.

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

Explanatory Notes:

- (1) FEDS's 2012 financial report, including balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, has been audited by independent auditors, Ms. Yeh Shu-Chuan and Mr. Shih Ching-Pin of Deloitte & Touche (please refer to P.12-P.17), and has been examined by and determined to be correct and accurate by Supervisors of FEDS. We thereby submit this report.
- (2) The 2012 business report, independent auditors' audit report, and the above-mentioned financial statements are attached within "Matters to be reported".
- (3) Please approve the above-mentioned business report and financial statements.

Resolution: The number of shares represented by the shareholders present at the time of voting (including e-voting) was 875,373,882 and 753,549,294 votes (including e-voting) were cast for the proposal, which was 86.1% of votes represented by the shareholders present.

2. To approve the proposal for the distribution of 2012 surplus earning.

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

Explanatory Notes:

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

1. Net Income of 2012	N.T\$1,692,858,164
2. 10% legal reserve (1*10%)	(169,258,816)
3. Undistributed profits of previous years	969,558,592
4. Earnings available for distribution (4=1-2+3)	2,493,130,940

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

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

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

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

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

1.Cash dividends to holders of common share (NT\$ 0.80 per share)	N.T\$ 1,095,903,742
2.Stock dividends to holders of common share (NT\$ 0.30 per share at par value)	410,963,900
3.Total amount of 1.10 per share	1,506,867,642

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

- (6) After being approved at the annual General Shareholders' meeting (2013), the cash dividends to holders of common share will be distributed on the record date to be

determined by the Board of Directors. Should FEDS subsequently repurchase its common shares or issue new common shares according to Article 28-2 of the ROC Securities and Exchange Law and other relevant regulations, the total numbers of common shares outstanding may change, and the ultimate cash and stock to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Board of Directors of FEDS be authorized to adjust the cash and stock to be distributed to each common share based on the total amount of profits resolved to be distributed, the amount of earnings resolved to be capitalized, and the number of actual common shares outstanding on the record date for distribution.

- (7) Please approve the above-mentioned proposal for the distribution of 2012 profits.

Resolution: The number of shares represented by the shareholders present at the time of voting (including e-voting) was 875,373,882 and 753,534,141 votes (including e-voting) were cast for the proposal, which was 86.1% of votes represented by the shareholders present.

Shareholder # 0212298 Mr. Liu Tai Ann raised questions with respect to the advices of FEDS's operation.

The questions were answered by Chairman and acknowledged by all attending shareholders.

III. Discussion

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

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

Please vote.

Board of Directors proposes:

Explanatory Notes:

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

Resolution: The number of shares represented by the shareholders present at the time of voting (including e-voting) was 875,373,882 and 753,536,747 votes (including e-voting) were cast for the proposal, which was 86.1% of votes represented by the shareholders present.

Section	Proposed Changes	Current Articles
Article 14	<p>Shareholders may by way of power of attorney appoint proxies to attend the said shareholders' meeting. Except for trust enterprises or share registration agencies approved by the securities management authorities, when one shareholder is entrusted by two or more shareholders, the voting right represented by the said shareholder shall not exceed 3% of the voting rights of total shares issued. Where it has so exceeded, the voting right in excess shall not be included.</p> <p>Unless otherwise stipulated by the Company Law, attendance of shareholder's proxies shall be in accordance with the provisions of "Regulation Governing the Use of Proxies For Attendance of Shareholders' Meeting of Public Companies".</p>	<p>Shareholders may by way of power of attorney <u>stamped with the seal of the Company</u> appoint proxies to attend the said shareholders' meeting. Except for trust enterprises or share registration agencies approved by the securities management authorities, when one shareholder is entrusted by two or more shareholders, the voting right represented by the said shareholder shall not exceed 3% of the voting rights of total shares issued. Where it has so exceeded, the voting right in excess shall not be included.</p> <p>Unless otherwise stipulated by the Company Law, attendance of shareholder's proxies shall be in accordance with the provisions of "Regulation Governing the Use of Proxies For Attendance of Shareholders' Meeting of Public Companies".</p>
Article 17	<p>There shall be 7 to 9 Directors and 2 Supervisors of the Company, who are elected and appointed from the persons with legal capacity at the shareholders' meeting. The total shares number of the registered shares of the Company held by all of the</p> <p>Directors and Supervisors shall be determined according to the provisions of "Rules and Review Procedures for Director and Supervisor Ownership Ratios at Public Companies".</p> <p>Independent directors shall not be less than two in number and not less than one-fifth of the total number of directors.</p> <p>In accordance with Article 192-1 of the Company Act, the Company shall adopt a candidate nomination system for election of the <u>directors and supervisors</u>, and the shareholders shall elect the <u>directors and supervisors</u> from among the nominees listed in the roster of candidates. Independent and non-independent directors <u>and supervisors</u> shall be elected at the same time but on separate ballots.</p>	<p>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</p> <p>Directors and Supervisors shall be determined according to the provisions of "Rules and Review Procedures for Director and Supervisor Ownership Ratios at Public Companies".</p> <p>Independent directors shall not be less than two in number and not less than one-fifth of the total number of directors.</p> <p>In accordance with Article 192-1 of the Company Act, the Company shall adopt a candidate nomination system for election of the <u>independent directors</u>, and the shareholders shall elect the independent directors from among the nominees listed in the roster of <u>independent director</u> candidates. Independent and non-independent directors shall be elected at the same time but on separate ballots.</p>
Article 30	<p>These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p><u>Forty-third amendment of June 20, 2013</u></p>	<p>These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p><u>Forty-second amendment of June 23, 2011</u></p>

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

2.To approve the capitalization of 2012 stock dividends.

The Board of Directors proposes and recommends that each shareholder votes FOR the capital increase of 2012 stock dividends.

Please vote.

Board of Directors proposes:

Explanatory Notes:

- (1) For the purpose of improving the financial structure, it is proposed that FEDS's paid-in capital be increased by capitalizing the stock dividends to common shareholders of NT\$ 410,963,900. A total number of 41,096,390 common shares, at par value of NT\$ 10 each share, shall be issued for such capital increase.
- (2) After being approved at the Annual General Shareholders' Meeting and accepted by the regulatory authority in charge, the new shares will be distributed on a record date to be determined by the Board of Directors. Each common share holder will be entitled to receive a stock dividend of 30 common shares for each 1,000 common shares held by such shareholders. If the stock dividends include any fractional shares which are less than one full share, in accordance with Article 204 of the Company Law, the distribution will be made in the form of cash rounded to the nearest dollar amount calculated at par value. Such fractional shares will be purchased by Far Eastern Recreation Center Employee's Welfare Committee of FEDS. The new issued common shares should have the right to enjoy dividends of 2013 and the same rights & obligation as the previous issued common shares.
- (3) Should FEDS subsequently repurchase its common shares or issue new common shares according to Article 28-2 of the ROC Securities and Exchange Law 、 regulations of conversion of bonds and other relevant regulations, the total numbers of common shares outstanding may change, and the ultimate stock to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Board of Directors of FEDS be authorized to adjust the cash and stock to be distributed to each common share based on the total amount of profits resolved to be distributed, the amount of earnings resolved to be capitalized, and the number of actual common shares outstanding on the record date for distribution.
- (4) Please approve the proposal for the capitalization of 2012 stock dividends.

Resolution: The number of shares represented by the shareholders present at the time of voting (including e-voting) was 875,373,882 and 753,501,755 votes (including e-voting) were cast for the proposal, which was 86.1% of votes represented by the shareholders present.

3. Proposal to amend the certain provisions of the Company's "Procedures for Endorsements and Guarantees" and Company's "Procedures for Lending of Capital to Others".

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

Please vote.

Board of Directors proposes:

Explanatory Notes:

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

Resolution: The number of shares represented by the shareholders present at the time of voting (including e-voting) was 875,373,882 and 753,509,560 votes (including e-voting) were cast for the proposal, which was 86.1% of votes represented by the shareholders present.

4. Proposal to amend the certain provisions of the "Election Procedures of Directors and Supervisors".

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

Please vote.

Board of Directors proposes:

Explanatory Notes:

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

Resolution: The number of shares represented by the shareholders present at the time of voting (including e-voting) was 875,373,882 and 753,493,917 votes (including e-voting) were cast for the proposal, which was

86.1% of votes represented by the shareholders present.

IV. Extemporaneous motion

Shareholder # 0212298 Mr. Liu Tai Ann raised questions with respect to the SOGO and leisure activities of FEDS's employees.

The questions were answered by Chairman and acknowledged by all attending shareholders.

V. Motion to Adjourn

Chairman: Mr. Douglas T. Hsu, Chairman of the Board of Directors



Recorder: Mr. Frank Jou



FAR EASTERN DEPARTMENT STORES, LTD.

BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

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

ASSETS	2012		2011	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash	\$ 870,675	2	\$ 566,057	1
Available-for-sale financial assets - current	254,779	-	233,559	-
Notes receivable	30,439	-	38,768	-
Accounts receivable, net of allowance for doubtful accounts of \$3,575 thousand in 2012 and \$3,550 thousand in 2011	495,705	1	469,848	1
Related parties - notes and accounts receivable	14,187	-	52,118	-
Related parties - other receivable	414,799	1	306,523	-
Other receivables	118,471	-	98,523	-
Inventories	430,141	1	372,957	1
Prepayments	252,803	-	323,090	1
Deferred tax assets - current	5,749	-	4,024	-
Other current assets	<u>5,720</u>	-	<u>17,363</u>	-
Total current assets	<u>2,893,468</u>	<u>5</u>	<u>2,482,830</u>	<u>4</u>
LONG-TERM INVESTMENTS				
Investments accounted for by the equity method	19,634,717	33	19,356,620	33
Available-for-sale financial assets - noncurrent	2,812,603	5	2,577,430	5
Financial assets carried at cost - noncurrent	<u>62,570</u>	-	<u>62,570</u>	-
Total long-term investments	<u>22,509,890</u>	<u>38</u>	<u>21,996,620</u>	<u>38</u>
PROPERTIES				
Cost				
Land	6,995,873	12	6,995,873	12
Buildings and equipment	14,294,377	24	14,081,814	24
Furniture and equipment	<u>6,179,105</u>	<u>11</u>	<u>5,815,882</u>	<u>10</u>
Total cost	27,469,355	47	26,893,569	46
Revaluation increment	<u>1,408,269</u>	<u>2</u>	<u>1,408,269</u>	<u>3</u>
Cost and appreciation	28,877,624	49	28,301,838	49
Less: Accumulated depreciation	<u>6,252,880</u>	<u>11</u>	<u>5,270,671</u>	<u>9</u>
	22,624,744	38	23,031,167	40
Construction in progress and prepayments for equipment	2,764,099	5	1,822,511	3
Leasehold rights, net	<u>7,215,010</u>	<u>12</u>	<u>7,584,367</u>	<u>13</u>
Net properties	<u>32,603,853</u>	<u>55</u>	<u>32,438,045</u>	<u>56</u>
OTHER ASSETS				
Idle assets, net	561,047	1	567,439	1
Refundable deposits	163,445	-	163,565	-
Prepaid pension costs	262,930	1	245,449	1
Miscellaneous	<u>35,785</u>	-	<u>45,127</u>	-
Total other assets	<u>1,023,207</u>	<u>2</u>	<u>1,021,580</u>	<u>2</u>
TOTAL	<u>\$ 59,030,418</u>	<u>100</u>	<u>\$ 57,939,075</u>	<u>100</u>

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

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

LIABILITIES AND SHAREHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term debts	\$ 2,500,000	4	\$ 4,400,000	8
Short-term notes and bills payable	1,699,455	3	1,699,268	3
Notes and accounts payable	3,848,239	7	3,132,810	5
Related parties - accounts payable	89,723	-	82,106	-
Related parties - other payable	732,133	1	651,106	1
Income tax payable	-	-	38,262	-
Other payables	1,608,264	3	3,287,517	6
Advance receipts	2,233,798	4	1,679,299	3
Bonds issued - current portion	1,200,000	2	-	-
Long-term borrowings - current portion	600,000	1	-	-
Other current liabilities	<u>712,792</u>	<u>1</u>	<u>855,765</u>	<u>1</u>
Total current liabilities	<u>15,224,404</u>	<u>26</u>	<u>15,826,133</u>	<u>27</u>
LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Bonds issued	3,454,937	6	4,616,958	8
Long-term borrowings	<u>11,696,733</u>	<u>19</u>	<u>9,696,646</u>	<u>17</u>
Total long-term liabilities, net of current portion	<u>15,151,670</u>	<u>25</u>	<u>14,313,604</u>	<u>25</u>
RESERVES				
Reserve for land revaluation increment tax	<u>508,719</u>	<u>1</u>	<u>508,719</u>	<u>1</u>
OTHER LIABILITIES				
Deposits received	38,403	-	40,632	-
Deferred tax liabilities - noncurrent	355,994	1	201,548	-
Deferred credits - gains on related-party transactions	<u>11,366</u>	-	<u>11,366</u>	-
Total other liabilities	<u>405,763</u>	<u>1</u>	<u>253,546</u>	-
Total liabilities	<u>31,290,556</u>	<u>53</u>	<u>30,902,002</u>	<u>53</u>
STOCKHOLDERS' EQUITY				
Capital stock NT\$10.00 par value				
Authorized - 1,750,000 thousand shares				
Issued and outstanding - 1,369,880 thousand shares in 2012 and 1,317,192 thousand shares in 2011	<u>13,698,797</u>	<u>23</u>	<u>13,171,921</u>	<u>23</u>
Capital surplus:				
Additional paid-in capital - share issuance in excess of par	2,175,718	4	2,175,718	4
Treasury stock transactions	1,213,526	2	1,213,526	2
Long-term investments	364,937	1	364,937	1
Stock options	<u>108,930</u>	-	<u>108,930</u>	-
Total capital surplus	<u>3,863,111</u>	<u>7</u>	<u>3,863,111</u>	<u>7</u>
Retained earnings:				
Legal reserve	2,189,631	4	1,975,319	3
Special reserve	1,069,595	2	1,069,595	2
Unappropriated earnings	<u>2,662,417</u>	<u>4</u>	<u>3,027,939</u>	<u>5</u>
Total retained earnings	<u>5,921,643</u>	<u>10</u>	<u>6,072,853</u>	<u>10</u>
Other equity adjustments				
Cumulative translation adjustments	(270,769)	-	(14,294)	-
Net loss not recognized as pension costs	(64,589)	-	(20,949)	-
Unrealized valuation gains on financial instruments	3,785,134	6	3,157,896	5
Unrealized asset revaluation increment	843,305	1	843,305	2
Treasury stock - 7,812 thousand shares in 2012 and 7,511 thousand shares in 2011	<u>(36,770)</u>	-	<u>(36,770)</u>	-
Total other equity adjustments	<u>4,256,311</u>	<u>7</u>	<u>3,929,188</u>	<u>7</u>
Total stockholders' equity	<u>27,739,862</u>	<u>47</u>	<u>27,037,073</u>	<u>47</u>
TOTAL	<u>\$ 59,030,418</u>	<u>100</u>	<u>\$ 57,939,075</u>	<u>100</u>

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

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

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

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

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

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

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

	Capital Surplus					Other Equity Adjustments									Total Stockholders' Equity
	Capital Stock Issued and Outstanding	Additional Paid-in Capital - Share Issuance in Excess of Par	Treasury Stock Transactions	Long-term Investments	Stock Options	Retained Earnings			Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Gains on Financial Instruments	Unrealized Asset Revaluation Increment	Treasury Stock		
						Legal Reserve	Special Reserve	Unappropriated Earnings							
BALANCE, JANUARY 1, 2011	\$ 12,426,341	\$ 2,175,718	\$ 1,213,526	\$ 375,941	\$ -	\$ 1,718,606	\$ 1,000,564	\$ 3,129,751	\$ (374,215)	\$ (8,300)	\$ 3,578,911	\$ 843,106	\$ (36,770)	\$ 26,043,179	
Appropriation of prior year's earnings:															
Legal reserve	-	-	-	-	-	256,713	-	(256,713)	-	-	-	-	-	-	
Cash dividends - NT\$1.0 per share	-	-	-	-	-	-	-	(1,242,634)	-	-	-	-	-	(1,242,634)	
Stock dividends - 6%	745,580	-	-	-	-	-	-	(745,580)	-	-	-	-	-	-	
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	40,702	-	-	-	-	40,702	
Embedded conversion options derived from convertible bonds	-	-	-	-	108,930	-	-	-	-	-	-	-	-	108,930	
Adjustment reported by equity-method investees	-	-	-	(185)	-	-	69,031	-	319,219	(12,649)	(261,963)	199	-	113,652	
Adjustment arising from changes in percentage of ownership in investees	-	-	-	(10,819)	-	-	-	-	-	-	-	-	-	(10,819)	
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(159,052)	-	-	(159,052)	
Net income in 2011	-	-	-	-	-	-	-	2,143,115	-	-	-	-	-	2,143,115	
BALANCE, DECEMBER 31, 2011	13,171,921	2,175,718	1,213,526	364,937	108,930	1,975,319	1,069,595	3,027,939	(14,294)	(20,949)	3,157,896	843,305	(36,770)	27,037,073	
Appropriation of prior year's earnings:															
Legal reserve	-	-	-	-	-	214,312	-	(214,312)	-	-	-	-	-	-	
Cash dividends - NT\$1.0 per share	-	-	-	-	-	-	-	(1,317,192)	-	-	-	-	-	(1,317,192)	
Stock dividends - 4%	526,876	-	-	-	-	-	-	(526,876)	-	-	-	-	-	-	
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	(27,589)	-	-	-	-	(27,589)	
Adjustment reported by equity-method investees	-	-	-	-	-	-	-	-	(228,886)	(43,640)	370,845	-	-	98,319	
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	256,393	-	-	256,393	
Net income in 2012	-	-	-	-	-	-	-	1,692,858	-	-	-	-	-	1,692,858	
BALANCE, DECEMBER 31, 2012	\$ 13,698,797	\$ 2,175,718	\$ 1,213,526	\$ 364,937	\$ 108,930	\$ 2,189,631	\$ 1,069,595	\$ 2,662,417	\$ (270,769)	\$ (64,589)	\$ 3,785,134	\$ 843,305	\$ (36,770)	\$ 27,739,862	

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

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

FAR EASTERN DEPARTMENT STORES, LTD.

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

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

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

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

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

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

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