



## **Minutes of 2014 Annual General Shareholders' Meeting of Far Eastern Department Stores**

**Date:** Friday, 20 June 2014

**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: 708 persons.

Total shares (including e-voting) represented by shareholders present: 959,646,905 shares, which was 68.403% of total number of outstanding shares 1,402,929,985 shares.

**Attendee Directors:** Douglas T. Hsu, Nancy Hsu, Alex Ro, Jin Lin Lian,

**Attendee Independent Directors:** Edward Yung Do Way, You Hsin Chien

**Attendee Supervisors:** Charles Wang, Phiby Chen.

### **Invited observers:**

**Certified Public Accountant:** Shih Ching-Pin

**Attorney:** Yang Xiao-Bang and Li Chin-Shu

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

**Recorder:** 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. 2013 Messages to shareholders (please refer to P.4-P.11 of handbook for 2014 AGM)
2. Financial report of 2013 (please refer to P.12-P.24 of handbook for 2014 AGM)
3. Supervisors' audit report on 2013 business report and financial statements (please refer to P.25 of handbook for 2014 AGM)
4. Report of the change in measurement after recognition of investment property at a fair value model (please refer to P.26 of handbook for 2014 AGM)
5. Report of the amendment of the Company's "Best Practice Principles of Ethical Corporate Management" (please refer to P.27 of handbook for 2014 AGM)

**RESOLVED, that the above proposals were approved for reference.**

## **II. 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.

#### **Resolution:**

**The number of shares represented by the shareholders present at the time of voting (including e-voting) was 959,646,905.**

**The result of voting is as follows:**

number of votes (including e-voting)			% of votes represented by the shareholders present		
For	Withheld	Non-Votes	For	Withheld	Non-Votes
798,205,723	52,360	161,388,822	83.2%	0%	16.8%

**RESOLVED, that the above proposals be and hereby were approved as proposed.**

### **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	( <u>843,304,963</u> )
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	( <u>5,610,761</u> )
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 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 2013 profits.

**Resolution:**

**The number of shares represented by the shareholders present at the time of voting (including e-voting) was 959,646,905.**

**The result of voting is as follows:**

number of votes (including e-voting)			% of votes represented by the shareholders present		
For	Withheld	Non-Votes	For	Withheld	Non-Votes
801,016,065	79,356	158,551,484	83.5%	0%	16.5%

**RESOLVED**, that the above proposals be and hereby were approved as proposed.

### **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) 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:**

**The number of shares represented by the shareholders present at the time of voting (including e-voting) was 959,646,905.**

**The result of voting is as follows:**

number of votes (including e-voting)			% of votes represented by the shareholders present		
For	Withheld	Non-Votes	For	Withheld	Non-Votes
784,132,426	67,934	175,446,545	81.7%	0%	18.3%

**RESOLVED, that the above proposals be and hereby were approved as proposed.**

<b>Section</b>	<b>Proposed Changes</b>	<b>Current Articles</b>
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	<p>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 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 2012 stock dividends.

### **Resolution:**

**The number of shares represented by the shareholders present at the time of voting (including e-voting) was 959,646,905.**

**The result of voting is as follows:**

number of votes (including e-voting)			% of votes represented by the shareholders present		
For	Withheld	Non-Votes	For	Withheld	Non-Votes
800,977,715	129,713	158,539,477	83.5%	0%	16.5%

**RESOLVED, that the above proposals be and hereby were approved as proposed.**

**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:**

**The number of shares represented by the shareholders present at the time of voting (including e-voting) was 959,646,905.**

**The result of voting is as follows:**



number of votes (including e-voting)			% of votes represented by the shareholders present		
For	Withheld	Non-Votes	For	Withheld	Non-Votes
784,125,332	87,170	175,434,403	81.7%	0%	18.3%

**RESOLVED, that the above proposals be and hereby were approved as proposed.**

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 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' 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</p>	<p>The Company at a stockholders' meeting shall adopt the electronic transmission as one of the methods for exercising the voting power. The method for exercising the voting power shall be described in the shareholders' meeting notice to be given to the shareholders. A shareholder who exercises his/her/its voting power at a shareholders meeting by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respect of any extemporary motion(s) and/or the amendment(s) and /or substitute to the contents of the original proposal(s) at the said shareholders' meeting.</p> <p>The attendance to a shareholders' meeting shall be determined subject to shares. The present shares shall be calculated based on the</p>
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	<p>attendance cards as furnished, in addition to the shares exercising voting right in electronic form.</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. <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</p>	<p>attendance cards as furnished, in addition to the shares exercising voting right in electronic form.</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>stockholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting; if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.</p> <p>The complete processes of the meeting shall be recorded by voice <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</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</p>

	<p>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</u> kept for records.</p>	<p>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 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:**

**The number of shares represented by the shareholders present at the time of voting (including e-voting) was 959,646,905.**

**The result of voting is as follows:**

number of votes (including e-voting)			% of votes represented by the shareholders present		
For	Withheld	Non-Votes	For	Withheld	Non-Votes
784,144,196	66,164	175,436,545	81.7%	0%	18.3%

**RESOLVED, that the above proposals be and hereby were approved as proposed.**

Section	Proposed Changes	Current Articles
Article2	<p>The term “Assets” used in these Procedures includes the following:</p> <p>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.</p>	<p>The term “Assets” used in these Procedures includes the following:</p> <p>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.</p>

	<p>2) <u>Real property (including land, houses and buildings, investment real property, easement) and equipment;</u></p> <p>3) Memberships;</p> <p>4) Patents, copyrights, trademarks, franchise right and other intangible assets;</p> <p>5) Derivatives;</p> <p>6) Assets acquired or disposed of in connection with mergers, demergers, acquisition or transfer of shares in accordance with acts of law;</p> <p>7) Other major assets.</p>	<p>2) <u>Real property and other fixed assets;</u></p> <p>3) Memberships;</p> <p>4) Patents, copyrights, trademarks, franchise right and other intangible assets;</p> <p>5) Derivatives;</p> <p>6) Assets acquired or disposed of in connection with mergers, demergers, acquisition or transfer of shares in accordance with acts of law;</p> <p>7) Other major assets.</p>
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,</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,</p>

	<p>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</u>”: As defined in the <u>Regulations Governing the Preparation of Financial Reports by Securities Issuers</u>.</p> <p>4) “<u>Professional appraiser</u>”: 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 <u>equipment</u>;</p> <p>5) “<u>Date of occurrence</u>”: Refers to</p>	<p>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</u>”: As defined in <u>Statement of Financial Accounting Standards (“SFAS”) No. 6 published by ROC Accounting Research and Development Foundation (hereinafter “ARDF”)</u>.</p> <p>4) “<u>Subsidiary</u>”: As defined in <u>Statement of Financial Accounting Standards (“SFAS”) No. 5 and 7 published by the ARDF</u>;</p> <p>5) “<u>Professional appraiser</u>”: 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 <u>or other fixed assets</u>;</p> <p>6) “<u>Date of occurrence</u>”: Refers to the date of contract signing, date</p>
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	<p>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;</p> <p><u>6)</u> "Mainland area investment": Refers to investments in China 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>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;</p> <p><u>7)</u> "Mainland area investment": Refers to investments in China 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</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</p>

	<p>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 accountants prior to its acquisition or disposition of assets.</p>	<p>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 accountants prior to its acquisition or disposition of assets.</p>
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</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</p>

	<p>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</p>	<p>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</p>
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	<p>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 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</p>	<p>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 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</p>
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	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.	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.
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 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</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 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</p>

	<p>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 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</p>	<p>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 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</p>
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	<p>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 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>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 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>
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	<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 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</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 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</p>
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	<p>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>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>
Article8	<p><b>Related Parties Transaction</b></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><b>Related Parties Transaction</b></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 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>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 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>
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	<p>d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>e) Forecast of monthly cash income within one (1) year from the date of the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use of fund; and</p> <p>f) 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>d) Date and price of acquisition by the related party, party to the transaction and relationship between the said party and the Company and related party;</p> <p>e) Forecast of monthly cash income within one (1) year from the date of the contract; furthermore evaluation shall be conducted in respect of the necessity of the transaction and the fairness of the use of fund; and</p> <p>f) 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>
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	<p>3)Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p>i) Addition to the related party's transaction price the necessary interest on funding and the costs to be borne by the purchaser. "Necessary interest on funding" shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p> <p>ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for the purposes of the</p>	<p>3)Evaluation of the Fairness of Transaction Costs</p> <p>a) In the case of the Company obtaining real property from related parties, it shall evaluate the fairness of the transaction costs in the following manner:</p> <p>i) Addition to the related party's transaction price the necessary interest on funding and the costs to be borne by the purchaser. "Necessary interest on funding" shall be calculated by the weighted average interest rate over the period during which the asset is purchased on the amount of money borrowed by the Company in its purchase of the said asset, subject to it being not higher than the maximum interest rate charged by non-financial institutions as published by the Ministry of Finance.</p> <p>ii) In the case of related party having previously pledged the subject matter with financial institutions, the total appraised value for the subject matter by the said financial institution for</p>
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	<p>extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy per cent (70%) of the appraised value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not apply where the said financial institution and the party to the transaction are themselves related parties.</p> <p>b)Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for 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</p>	<p>the purposes of the extension of the loan shall be used, subject to the total cumulative amount of loans by the said financial institution not being lesser than seventy per cent (70%) of the appraised value of such subject matter and that the loan period was for a period of one (1) year or more. The aforesaid shall not apply where the said financial institution and the party to the transaction are themselves related parties.</p> <p>b)Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for 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>
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	<p>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>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</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>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</p>
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	<p>accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p> <p>A. The undeveloped land being valued in the methods provided hereinabove, and the buildings being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. Successful transactions</p>	<p>accountants' opinion of the fairness of the transaction being provided, the aforesaid shall not apply:</p> <p>i) The related party having undertaken construction on undeveloped land or rental land, may offer evidence in respect of its conformity to one the following conditions:</p> <p>A. The undeveloped land being valued in the methods provided hereinabove, and the buildings being valued by adding reasonable development profits to their construction costs, and the total amount exceeding the actual transaction price. "Reasonable development profits" herein shall comprise of the average gross profit margin of the related party's construction department within the last three (3) years, or the latest gross profit margin for the construction industry published by the Ministry of Finance, whichever is the lower;</p> <p>B. Successful transactions</p>
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	<p>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 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</p>	<p>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 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</p>
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	<p>purchase of real property from related party are comparable with those successful cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. "Successful cases within the neighboring areas" shall in principle include those in the same or adjacent street and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar. "Approximately similar space" shall in principle include the spaces of those transacted cases between non-related parties that are not less than fifty per cent (50%) of that of the subject matter.</p> <p>f) Where the appraisal results pursuant to the preceding items are all lower than the transaction price, the Company shall undertake the following:</p> <p>i) With respect to the difference between the transaction price for the real property and the evaluated costs, set aside special profit/loss reserve, in compliance with Article 41(1) of the</p>	<p>purchase of real property from related party are comparable with those successful cases within the neighboring areas within the past one (1) year and between non-related parties and with approximately similar space. "Successful cases within the neighboring areas" shall in principle include those in the same or adjacent street and within a radius of five hundred (500) meters of the subject matter or where their published current values are approximately similar. "Approximately similar space" shall in principle include the spaces of those transacted cases between non-related parties that are not less than fifty per cent (50%) of that of the subject matter.</p> <p>f) Where the appraisal results pursuant to the preceding items are all lower than the transaction price, the Company shall undertake the following:</p> <p>i) With respect to the difference between the transaction price for the real property and the evaluated costs, set aside special profit/loss reserve, in compliance with Article 41(1) of the</p>
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	<p>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 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</p>	<p>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 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</p>
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	<p>evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>h) When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arm's- length transaction.</p> <p>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</u></p>	<p>evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>h) When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding paragraph (f) and (g) if there is other evidence indicating that the acquisition was not an arm's- length transaction.</p> <p>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>
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	<p><u>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>	
Article9	<p>Acquisition of Club Membership or 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</p>	<p>Acquisition of Club Membership or 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</p>

	<p>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 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>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> <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>
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	<p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Implementation</p> <p>The Company may only proceed with the acquisition or disposition of club membership or intangible assets after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>	<p>c) Where the club membership or intangible assets are acquired or disposed by way of judicial auctions, documentary proof furnished by the courts may replace valuation reports or accountants' opinions.</p> <p>3) Implementation</p> <p>The Company may only proceed with the acquisition or disposition of club membership or intangible assets after the Accounting Department has submitted its application for approval in accordance with item 1) hereunder.</p>
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</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</p>

	<p>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 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>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 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>
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	<p>B. Account opening, transaction, confirmation, settlement: Director of the relevant department to decide or authorize.</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>B. Account opening, transaction, confirmation, settlement: Director of the relevant department to decide or authorize.</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>
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	<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 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>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 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>
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	<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 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</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 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</p>
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	<p>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 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</p>	<p>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 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</p>
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	<p>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 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</p>	<p>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 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</p>
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	<p>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 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</p>	<p>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 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</p>
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	<p>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 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>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 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</p>	<p>Procedure for Public Disclosure of Information</p> <p>1) Items to be publicly disclosed and standard for public disclosure and</p>

	<p>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 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>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 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>
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	<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 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>i) Sale and purchase of government bonds;</p> <p>ii) Sale and purchase of bonds with call or put options;</p> <p>iii) The assets so acquired or disposed are 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>
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	<p>iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property under the same development project within one (1) year;</p> <p>iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year.</p> <p>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</p>	<p>iii) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of real property under the same development project within one (1) year;</p> <p>iv) Cumulative amount for acquisition or disposition (separate accounting for cumulative amounts in respect of acquisitions and disposals) of the same securities within one (1) year.</p> <p>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>
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	<p>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 10<sup>th</sup> day of each month, enter at the information and reporting web-site appointed by the FSC, all derivative trades undertaken for the preceding month by the Company and its non-public subsidiaries;</p> <p>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</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 10<sup>th</sup> day of each month, enter at the information and reporting web-site appointed by the FSC, all derivative trades undertaken for the preceding month by the Company and its non-public subsidiaries;</p> <p>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</p>
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	<p>appointed by FSC:</p> <p>i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p>ii) Failure of merger, demerger, acquisition or shareholding transfer to be completed at the prescribed dates.</p> <p>iii) Change to the originally publicly announced and reported information.</p> <p>4) Format of Pubic Announcement</p> <p>The matters to be announced and the format for public announcement by the Company in respect of acquisition or disposition of assets pursuant to these Procedures shall be as those in Appendix from the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>	<p>information at the web-site appointed by FSC:</p> <p>i) Amendment, termination or cancellation of the contracts relating to the original transaction;</p> <p>ii) Failure of merger, demerger, acquisition or shareholding transfer to be completed at the prescribed dates.</p> <p>iii) Change to the originally publicly announced and reported information.</p> <p>4) Format of Pubic Announcement</p> <p>The matters to be announced and the format for public announcement by the Company in respect of acquisition or disposition of assets pursuant to these Procedures shall be as those in Appendix from the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>
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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.

#### IV. Extemporary motion

None.

#### 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

(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	2,283,176	4	2,903,337	5	2,493,423	4
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	57,967,013	96	56,897,234	95	56,230,462	96
TOTAL	\$ 60,250,189	100	\$ 59,800,571	100	\$ 58,723,885	100
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	16,110,929	27	15,361,914	26	16,008,953	27
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	15,113,257	25	16,357,125	27	15,311,875	26
Total liabilities	31,224,186	52	31,719,039	53	31,320,828	53
EQUITY						
Share capital						
Ordinary Share	14,109,761	23	13,698,797	23	13,171,921	22
Capital surplus	3,498,174	6	3,498,174	6	3,498,174	6
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	3,565,333	6	3,086,960	5	3,705,232	6
Total retained earnings	7,855,535	13	7,207,876	12	7,611,836	13
Other equity	3,659,643	6	3,773,795	6	3,218,236	6
Treasury stock	(97,110)	-	(97,110)	-	(97,110)	-
Total equity	29,026,003	48	28,081,532	47	27,403,057	47
TOTAL	\$ 60,250,189	100	\$ 59,800,571	100	\$ 58,723,885	100

# **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)

	<b>For the Years Ended</b>	
	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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)**

	<b>For the Years Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(353,722)</b>	<b>304,618</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b><u>870,675</u></b>	<b><u>566,057</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b><u>\$ 516,953</u></b>	<b><u>\$ 870,675</u></b>

(Concluded)



**FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(In Thousands)

	December 31, 2013		December 31, 2012		January 1, 2012	
	New Taiwan		New Taiwan		New Taiwan	
	Dollars	%	Dollars	%	Dollars	%
<b>ASSETS</b>						
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	<u>83,987</u>	<u>-</u>	<u>70,694</u>	<u>-</u>	<u>99,740</u>	<u>-</u>
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	<u>1,920,123</u>	<u>2</u>	<u>1,902,572</u>	<u>2</u>	<u>2,048,808</u>	<u>2</u>
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>
<b>LIABILITIES AND EQUITY</b>						
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	<u>252,891</u>	<u>-</u>	<u>168,630</u>	<u>-</u>	<u>303,732</u>	<u>-</u>
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	<u>2,841,682</u>	<u>3</u>	<u>2,710,010</u>	<u>2</u>	<u>2,625,517</u>	<u>2</u>
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	<u>14,109,761</u>	<u>13</u>	<u>13,698,797</u>	<u>12</u>	<u>13,171,921</u>	<u>11</u>
Capital surplus	<u>3,498,174</u>	<u>3</u>	<u>3,498,174</u>	<u>3</u>	<u>3,498,174</u>	<u>3</u>
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	<u>3,565,333</u>	<u>3</u>	<u>3,086,960</u>	<u>2</u>	<u>3,705,232</u>	<u>3</u>
Total retained earnings	<u>7,855,535</u>	<u>7</u>	<u>7,207,876</u>	<u>6</u>	<u>7,611,836</u>	<u>7</u>
Other equity	<u>3,659,643</u>	<u>3</u>	<u>3,773,795</u>	<u>3</u>	<u>3,218,236</u>	<u>3</u>
Treasury stock	<u>(97,110)</u>	<u>-</u>	<u>(97,110)</u>	<u>-</u>	<u>(97,110)</u>	<u>-</u>
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		New Taiwan	
	Dollars	%	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 non-operating 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					
						Exchange Differences on Translating Foreign Operations	Unrealized Gain (loss) on Available-for- sale Financial Assets	Treasury Stock	Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings						
	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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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	84,261	(135,102)
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	(1,179,157)	(1,345,095)
Net cash flows from operating activities	5,278,177	5,841,104
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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	New Taiwan
	Dollars	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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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)