

**Far Eastern Department Stores, Ltd.**

**Financial Statements for the  
Years Ended December 31, 2008 and 2007 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying balance sheets of Far Eastern Department Stores, Ltd. as of December 31, 2008 and 2007 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Far Eastern Department Stores, Ltd. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, the Company adopted Interpretation 2007-052 issued by the Accounting Research and Development Foundation, which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The Company also adopted Statements of Financial Accounting Standards No. 38 - "Noncurrent Assets Held for Sale and Discontinued Operations" and No. 37 - "Intangible Assets" on January 1, 2007.

We have also audited the consolidated financial statements of Far Eastern Department Stores, Ltd. and subsidiaries as of and for the years ended December 31, 2008 and 2007 and have expressed an unqualified opinion thereon in our report dated March 3, 2009.

March 3, 2009

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.*

**FAR EASTERN DEPARTMENT STORES, LTD.**

**BALANCE SHEETS  
DECEMBER 31, 2008 AND 2007**

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

ASSETS	2008		2007		LIABILITIES AND STOCKHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash (Note 4)	\$ 288,988	1	\$ 232,948	-	Short-term debts (Notes 14 and 26)	\$ 2,950,000	7	\$ 2,050,000	5
Available-for-sale financial assets - current (Notes 2 and 5)	131,662	-	241,381	1	Short-term notes and bills payable (Note 15)	1,794,234	4	699,204	1
Receivables:					Accounts payable	1,826,379	4	2,084,553	5
Notes	14,062	-	15,858	-	Accounts payable - related parties (Note 25)	168,970	-	110,490	-
Accounts, net of allowance for doubtful accounts of \$8,799 thousand in 2008 and \$8,216 thousand in 2007 (Note 2)	168,760	1	237,931	1	Accrued expenses (Note 27)	531,884	1	545,878	1
Related parties (Note 25)	530,713	1	420,037	1	Balance payable - property (Note 27)	100,978	-	78,013	-
Others (Note 21)	89,254	-	81,706	-	Advance receipts	1,427,945	4	1,391,078	3
Inventories, net (Notes 2 and 6)	296,229	1	262,051	1	Current portion of bonds issued (Notes 16 and 26)	-	-	1,200,000	3
Prepayments	22,704	-	27,872	-	Current portion of long-term borrowings (Notes 17 and 26)	698,875	2	597,133	1
Deferred tax assets (Notes 2 and 21)	34,292	-	27,143	-	Current portion of franchise liability (Notes 2 and 10)	-	-	298,588	1
Other current assets	64,473	-	75,709	-	Other current liabilities	694,333	2	707,963	2
Total current assets	1,641,137	4	1,622,636	4	Total current liabilities	10,193,598	24	9,762,900	22
<b>LONG-TERM INVESTMENTS</b>					<b>LONG-TERM LIABILITIES, NET OF CURRENT PORTION</b>				
Investments accounted for by the equity method (Notes 2, 8 and 26)	15,964,679	38	17,396,754	40	Bonds issued (Notes 16 and 26)	1,700,000	4	500,000	1
Available-for-sale financial assets - non-current (Notes 2, 5 and 26)	1,859,887	5	3,201,751	7	Long-term borrowings (Notes 17, 25 and 26)	8,663,377	21	8,881,183	20
Financial assets carried at cost (Notes 2 and 7)	160,035	-	162,570	-	Total long-term liabilities	10,363,377	25	9,381,183	21
Total long-term investments	17,984,601	43	20,761,075	47	<b>RESERVES</b>				
<b>PROPERTY (Notes 2, 9, 10, 11, 25 and 26)</b>					Reserve for land revaluation increment tax (Note 9)	575,490	2	575,490	2
Cost					<b>OTHER LIABILITIES</b>				
Land	4,072,720	10	4,073,120	9	Deposits received (Notes 11 and 25)	39,373	-	42,659	-
Buildings and equipment	6,122,584	15	6,098,510	14	Deferred tax liabilities (Notes 2 and 21)	12,546	-	72,297	-
Furniture and equipment	3,137,123	7	3,023,750	7	Deferred credits - gains on intercompany transactions (Notes 2, 9, 11 and 25)	11,366	-	11,366	-
Total cost	13,332,427	32	13,195,380	30	Miscellaneous	-	-	563	-
Revaluation increment	1,193,498	2	1,193,498	3	Total other liabilities	63,285	-	126,885	-
Cost and appreciation	14,525,925	34	14,388,878	33	Total liabilities	21,195,750	51	19,846,458	45
Less: Accumulated depreciation	4,277,773	10	3,848,424	9	<b>STOCKHOLDERS' EQUITY</b>				
Construction in progress	10,248,152	24	10,540,454	24	Capital stock NTS10.00 par value				
Leasehold rights, net	6,093,083	15	5,471,726	13	Authorized - 1,350,000 thousand shares				
Properties leased to others, net	4,117,668	10	3,999,805	9	Issued and outstanding - 1,177,015 thousand shares in 2008 and 1,120,967 thousand shares in 2007	11,770,154	28	11,209,670	25
Net property	21,471,564	51	21,040,030	48	Capital surplus:				
<b>OTHER ASSETS</b>					Additional paid-in capital - share issuance in excess of par	2,175,718	5	2,175,718	5
Idle assets, net (Notes 2, 9, 12 and 26)	384,462	1	387,483	1	Treasury stock transactions	835,591	2	312,682	-
Refundable deposits (Notes 10 and 13)	158,828	-	159,941	-	Long-term investments	372,157	1	323,895	1
Prepaid pension costs (Notes 2 and 24)	194,156	1	143,314	-	Total capital surplus	3,383,466	8	2,812,295	6
Miscellaneous	7,031	-	9,548	-	Retained earnings:				
Total other assets	744,477	2	700,286	1	Legal reserve	1,496,641	4	1,335,926	3
					Special reserve	1,484,033	3	2,156,588	5
					Unappropriated earnings	286,864	1	1,607,152	4
					Total retained earnings	3,267,538	8	5,099,666	12
					Other equity adjustments				
					Cumulative translation adjustments	317,743	1	(16,162)	-
					Net loss not recognized as pension costs	(6,584)	-	(12,351)	-
					Unrealized valuation gains (losses) on financial instruments	1,125,491	2	4,465,999	10
					Unrealized asset revaluation increment	883,944	2	883,944	2
					Total other equity adjustments	2,320,594	5	5,321,430	12
					Treasury stock - 17,473 thousand shares in 2008 and 28,770 thousand shares in 2007	(95,723)	-	(165,492)	-
					Total stockholders' equity	20,646,029	49	24,277,569	55
<b>TOTAL</b>	<b>\$41,841,779</b>	<b>100</b>	<b>\$44,124,027</b>	<b>100</b>	<b>TOTAL</b>	<b>\$41,841,779</b>	<b>100</b>	<b>\$44,124,027</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 3, 2009)

## FAR EASTERN DEPARTMENT STORES, LTD.

### STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
<b>REVENUES</b>				
Sales (Notes 2 and 25)	\$ 20,809,508	99	\$ 20,244,063	99
Other operating revenues (Notes 2, 20 and 25)	<u>223,914</u>	<u>1</u>	<u>270,656</u>	<u>1</u>
Total revenues	<u>21,033,422</u>	<u>100</u>	<u>20,514,719</u>	<u>100</u>
<b>COSTS</b>				
Cost of goods sold (Note 25)	16,746,762	80	16,282,890	80
Other operating costs (Notes 20 and 22)	<u>47,496</u>	<u>-</u>	<u>47,483</u>	<u>-</u>
Total costs	<u>16,794,258</u>	<u>80</u>	<u>16,330,373</u>	<u>80</u>
<b>GROSS PROFIT</b>	<u>4,239,164</u>	<u>20</u>	<u>4,184,346</u>	<u>20</u>
<b>OPERATING EXPENSES (Notes 9, 10, 22 and 25)</b>				
Selling	822,954	4	851,024	4
General and administrative	<u>2,711,469</u>	<u>13</u>	<u>2,659,196</u>	<u>13</u>
Total operating expenses	<u>3,534,423</u>	<u>17</u>	<u>3,510,220</u>	<u>17</u>
<b>OPERATING INCOME</b>	<u>704,741</u>	<u>3</u>	<u>674,126</u>	<u>3</u>
<b>NONOPERATING INCOME AND GAINS</b>				
Realized gain on disposal of property (Notes 2 and 9)	-	-	363,639	2
Dividend income	149,611	1	97,696	-
Equity in earnings of equity-method investees, net (Note 8)	-	-	476,300	2
Interest income	4,649	-	6,131	-
Gain on disposal of investments, net	156,388	1	34,149	-
Other income (Note 25)	<u>115,612</u>	<u>-</u>	<u>115,638</u>	<u>1</u>
Total nonoperating income and gains	<u>426,260</u>	<u>2</u>	<u>1,093,553</u>	<u>5</u>
<b>NONOPERATING EXPENSES AND LOSSES</b>				
Equity in losses of equity-method investees, net (Note 8)	611,509	3	-	-
Interest expense (Notes 25 and 27)	190,572	1	182,944	1
Loss on disposal of property and idle assets (Note 2)	13,985	-	22,351	-
Other expenses (Notes 12, 22 and 25)	<u>94,869</u>	<u>-</u>	<u>78,204</u>	<u>-</u>
Total nonoperating expenses and losses	<u>910,935</u>	<u>4</u>	<u>283,499</u>	<u>1</u>

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# FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 220,066	1	\$ 1,484,180	7
INCOME TAX BENEFIT (Notes 2 and 21)	<u>(66,798)</u>	<u>-</u>	<u>(122,972)</u>	<u>(1)</u>
NET INCOME	<u>\$ 286,864</u>	<u>1</u>	<u>\$ 1,607,152</u>	<u>8</u>
	2008		2007	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 0.19</u>	<u>\$ 0.25</u>	<u>\$ 1.29</u>	<u>\$ 1.40</u>
Diluted	<u>\$ 0.19</u>	<u>\$ 0.25</u>		

Pro forma information on the assumption that the Company's shares traded or held by subsidiaries are treated as investments instead of treasury stocks (Note 23):

	2008		2007	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE				
Basic	<u>\$ 0.63</u>	<u>\$ 0.69</u>	<u>\$ 1.30</u>	<u>\$ 1.40</u>
Diluted	<u>\$ 0.63</u>	<u>\$ 0.69</u>		

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

(With Deloitte & Touche audit report dated March 3, 2009)

(Concluded)

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Other Equity Adjustments												
	Capital Stock Issued and Outstanding	Capital Surplus (Notes 2, 8, 18 and 19)			Retained Earnings (Notes 2, 18 and 21)			Cumulative Translation Adjustments (Note 2)	Net Loss not Recognized as Pension Cost	Unrealized Valuation Gains or Losses on Financial Instruments (Notes 2 and 5)	Reserve for Asset Revaluation Increment (Notes 2 and 9)	Treasury Stock (Notes 2 and 19)	Total Stockholders' Equity
		Additional Paid-in Capital - Common	Treasury Stock Transactions	Long-term Investments	Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2007	\$ 10,778,529	\$ 2,606,859	\$ 267,469	\$ 345,117	\$ 1,277,311	\$ 2,159,977	\$ 634,461	\$ (19,354)	\$ (11,660)	\$ 2,121,567	\$ 883,944	\$ (181,950)	\$ 20,862,270
Appropriation of prior year's earnings:													
Legal reserve	-	-	-	-	58,615	-	(58,615)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(3,389)	3,389	-	-	-	-	-	-
Cash dividends - NT\$0.5 per share	-	-	-	-	-	-	(538,926)	-	-	-	-	-	(538,926)
Employee bonuses	-	-	-	-	-	-	(23,034)	-	-	-	-	-	(23,034)
Remuneration to directors and supervisors	-	-	-	-	-	-	(17,275)	-	-	-	-	-	(17,275)
Capital surplus transferred to common stock	431,141	(431,141)	-	-	-	-	-	-	-	-	-	-	-
Adjustment due to subsidiaries' disposal of parent's stocks	-	-	45,213	-	-	-	-	-	-	-	-	16,458	61,671
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(5,349)	-	-	-	-	(5,349)
Adjustment reported by equity-method investees	-	-	-	(21,222)	-	-	-	8,541	(691)	1,287,362	-	-	1,273,990
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	1,057,070	-	-	1,057,070
Net income in 2007	-	-	-	-	-	-	<u>1,607,152</u>	-	-	-	-	-	<u>1,607,152</u>
BALANCE, DECEMBER 31, 2007	11,209,670	2,175,718	312,682	323,895	1,335,926	2,156,588	1,607,152	(16,162)	(12,351)	4,465,999	883,944	(165,492)	24,277,569
Appropriation of prior year's earnings:													
Legal reserve	-	-	-	-	160,715	-	(160,715)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(672,555)	672,555	-	-	-	-	-	-
Stock dividends - 5 %	560,484	-	-	-	-	-	(560,484)	-	-	-	-	-	-
Cash dividends - NT\$1.3 per share	-	-	-	-	-	-	(1,457,257)	-	-	-	-	-	(1,457,257)
Employee bonuses	-	-	-	-	-	-	(57,858)	-	-	-	-	-	(57,858)
Remuneration to directors and supervisors	-	-	-	-	-	-	(43,393)	-	-	-	-	-	(43,393)
Adjustment due to subsidiaries' disposal of parent's stocks	-	-	522,909	-	-	-	-	-	-	-	-	69,769	592,678
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	4,648	-	-	-	-	4,648
Adjustment arising from changes in percentage of ownership in investees	-	-	-	(27,047)	-	-	-	-	-	-	-	-	(27,047)
Adjustment reported by equity-method investees	-	-	-	75,309	-	-	-	329,257	5,767	(1,972,773)	-	-	(1,562,440)
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(1,367,735)	-	-	(1,367,735)
Net income in 2008	-	-	-	-	-	-	<u>286,864</u>	-	-	-	-	-	<u>286,864</u>
BALANCE, DECEMBER 31, 2008	<u>\$ 11,770,154</u>	<u>\$ 2,175,718</u>	<u>\$ 835,591</u>	<u>\$ 372,157</u>	<u>\$ 1,496,641</u>	<u>\$ 1,484,033</u>	<u>\$ 286,864</u>	<u>\$ 317,743</u>	<u>\$ (6,584)</u>	<u>\$ 1,125,491</u>	<u>\$ 883,944</u>	<u>\$ (95,723)</u>	<u>\$ 20,646,029</u>

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

(With Deloitte & Touche audit report dated March 3, 2009)

# FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 286,864	\$ 1,607,152
Depreciation	409,153	429,095
Amortization of deferred charges	7,280	9,034
Amortization of leasehold rights included as part of rental expense	74,822	74,667
Gain on disposal of available-for-sale financial assets	(156,388)	(34,149)
Cash dividends from equity-method investees	827,538	337,193
Equity in losses (earnings) of equity-method investees, net	611,509	(476,300)
Loss on disposal of property and idle assets, net	13,985	22,332
Realized gain on disposal of assets	-	(363,639)
Other losses	198	-
Deferred income taxes	(66,900)	(128,733)
Increase in prepaid pension cost	(50,842)	(32,216)
Net changes in operating assets and liabilities		
Notes receivable	1,796	178,435
Accounts receivable	69,171	(16,857)
Accounts receivable - related parties	30,191	(82,363)
Other receivables	(7,548)	118,505
Inventories	(34,178)	(48,760)
Prepayments	5,168	(5,448)
Other current assets	11,236	(6,775)
Accounts payable	(258,174)	(200,921)
Accounts payable - related parties	58,480	21,100
Accrued expenses	(13,994)	69,866
Income tax payable	-	(42,630)
Advance receipts	153,534	452,932
Other current liabilities	(41,565)	203,411
Net cash provided by operating activities	<u>1,931,336</u>	<u>2,084,931</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds of the disposal of available-for-sale financial assets	240,236	53,905
Decrease in pledged time deposits	-	1,000
Acquisition of investments accounted for by the equity method	(1,140,000)	(1,931,076)
Proceeds of the disposal of property	704	551,679
Acquisition of property	(1,319,665)	(1,654,643)
Decrease in refundable deposits	1,113	1,106
Increase in other assets	(2,228)	(1,358)
Net cash used in investing activities	<u>(2,219,840)</u>	<u>(2,979,387)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term debts	900,000	(170,000)
Increase (decrease) in short-term notes and bills payable	1,095,030	(249,583)
Repayments of bonds issued	(12,000,000)	(2,000,000)

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# FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
Issuance of bonds	\$ 12,000,000	\$ -
(Decrease) increase in long-term borrowings	(116,064)	2,593,590
Decrease in deposits received	(3,286)	(13,900)
Decrease in other liabilities	(563)	(35)
Cash dividends, bonuses paid to employees and remuneration paid to supervisors and directors	<u>(1,530,573)</u>	<u>(595,985)</u>
Net cash provided by (used in) financing activities	<u>344,544</u>	<u>(435,913)</u>
NET INCREASE (DECREASE) IN CASH	56,040	(1,330,369)
CASH , BEGINNING OF YEAR	<u>232,948</u>	<u>1,563,317</u>
CASH , END OF YEAR	<u>\$ 288,988</u>	<u>\$ 232,948</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 315,255	\$ 301,416
Less: Capitalized interest	<u>147,918</u>	<u>140,978</u>
Interest paid, excluding capitalized interest	<u>\$ 167,337</u>	<u>\$ 160,438</u>
Income tax paid	<u>\$ 1,389</u>	<u>\$ 83,283</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends receivable from equity-method investees reclassified to accounts receivable - related parties	<u>\$ 464,861</u>	<u>\$ 323,994</u>
Idle assets reclassified to construction-in-progress	<u>\$ -</u>	<u>\$ 68,247</u>
Adjustment to advance receipts and depreciation	<u>\$ 116,667</u>	<u>\$ 126,847</u>
Current portion of bonds issued	<u>\$ -</u>	<u>\$ 1,200,000</u>
Current portion of long-term borrowings	<u>\$ 698,875</u>	<u>\$ 597,133</u>
Current portion of franchise liabilities	<u>\$ -</u>	<u>\$ 298,588</u>
CASH PAID FOR ACQUISITION OF PROPERTY		
Acquisition of property	\$ 860,440	\$ 647,002
Acquisition of lease property	192,685	-
Decrease in construction in progress	(9,083)	(1,976)
(Increase) decrease in balance payable - property	(22,965)	706,923
Decrease in franchise liabilities	<u>298,588</u>	<u>302,694</u>
	<u>\$ 1,319,665</u>	<u>\$ 1,654,643</u>

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

(With Deloitte & Touche audit report dated March 3, 2009)

(Concluded)

# **FAR EASTERN DEPARTMENT STORES, LTD.**

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2008 AND 2007**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **1. ORGANIZATION AND OPERATIONS**

Far Eastern Department Stores, Ltd. (the “Company”) manages and operates a nationwide chain of department stores, which numbered nine as of December 31, 2008. Its shares are listed on the Taiwan Stock Exchange.

The Company had 1,442 and 1,430 employees as of December 31, 2008 and 2007, respectively.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the R.O.C. In preparing financial statements in conformity with the law and these guidelines and principles, the Company is required to make reasonable assumptions and estimates of matters that affect the amounts of allowance for doubtful accounts, provision for losses on decline in value of inventories, depreciation, pension, contingent losses on lawsuits and bonuses to employees, directors and supervisors. Actual results may differ from these estimates.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

The Company’s significant accounting policies are summarized as follows:

#### **Current and Noncurrent Assets and Liabilities**

Current assets are cash and cash equivalents or assets held for trading-purpose as well as assets expected to be converted into cash or consumed within one year from the balance sheet date. All other assets, including property and equipment, are not classified as current are noncurrent assets. Current liabilities are obligations to be settled within one year from the balance sheet date. All other liabilities are not classified as current are noncurrent liabilities.

#### **Available-for-sale Financial Assets**

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. When the assets are subsequently measured at fair value, the changes in fair value are excluded from earnings and reported as a separate component of stockholders’ equity. The accumulated gains or losses are recognized under earnings when the financial assets are de-recognized from the balance sheet. A regular purchase or sale of financial assets is accounted for using trade date accounting.

The basis of fair values of publicly traded stocks is their closing price on the balance sheet date and, for open-end mutual funds, their net asset value on the balance sheet date

Cash dividends are recognized as investment income upon the grant day but are accounted for as reductions of the original cost of investment if these dividends are declared on the earnings of the investees attributable to periods before the purchase of the investments. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated on the basis of the new number of shares held.

If there is objective evidence that a financial asset is impaired, a loss is recognized. For equity securities, if the impairment loss decreases, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to stockholders' equity.

### **Allowances for Doubtful Accounts**

The Company has an account receivable management policy. Allowances for doubtful accounts are provided on the basis of a review of the aging and collectibility of individual receivables, which come in the form of gift vouchers, coupons and credit cards.

### **Inventories**

Merchandise is stated at the lower of the aggregate of the weighted-average cost or market value, using the retail method. Other inventories are stated using the lower of the aggregate of weighted-average cost or market value (replacement cost). In addition to periodic physical counts, an allowance for inventory devaluation is provided on the basis of reviewing attributes as well as turnover of merchandise.

### **Investments Accounted for by the Equity Method**

Investments in companies in which ownership interest with voting rights is 20% or more or in which the Company has significant influence over the investee are valued under the equity method. The Company's share of the net income or net loss of an investee is recognized in the "equity in earnings/losses of equity method investees, net" account. Any cash dividends received are recognized as a reduction in the carrying value of the investment. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new number of shares. When the stock is selling or transferring, the cost is counted by weight-averaged method.

On the date of equity investment acquisition or on initial adoption of the equity method, the difference between the cost of the acquisition and the equity in the invitee's net assets is amortized over 5 or 10 years by using the straight-line method. However, based on the newly amended Statement of Financial Standards No. 5 - "Long-term Investments in Equity Securities," from January 1, 2006, the costs of investments are required to be analyzed, and any acquisition cost in excess of the fair value of the identifiable assets and liabilities of the investee on the date of investment is recorded as goodwill and should not be amortized. Goodwill is subject to an impairment test annually or when changes in the environment reveal that goodwill might have been impaired. The accounting treatment for the investment premiums acquired before January 1, 2006 is the same as that for goodwill, which is no longer being amortized.

When the Company subscribes for additional investee shares at a percentage different from its existing ownership percentage of equity interest, the resulting carrying amount of the investment in the investee differs from the amount of the Company's share of the investee's net equity. The Company records such difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated retained earnings.

The Company accounts for its stock held by subsidiaries as treasury stock. Cash dividends received by subsidiaries from the Company are accounted for as written-off investment income and adjustments to capital surplus - treasury stock transactions.

When the Company's share in the losses of an equity-method investee equals its investment in that investee plus any advances made to the investee, the Company discontinues applying the equity method. However, the Company continues to recognize its share in losses of the investee in proportion to its stock ownership percentage (i.e., under the equity method) if (a) the Company commits to provide further financial support to the investee or (b) the losses of the investee are considered to be temporary and sufficient evidence shows imminent return to profitability.

When the Company's share in losses of an investee over which the Company has control exceeds its investment in the investee, unless the other stockholders of the investee have assumed legal or constructive obligations and have demonstrated the ability to make payments on behalf of the investee, the Company has to bear all of the losses in excess of the capital contributed by stockholders of the investee. If the investee subsequently reports profits, such profits are first attributed to the Company to the extent of the excess losses previously borne by the Company.

### **Financial Assets Carried at Cost**

Investments with no quoted market prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks, are carried at original cost. The accounting treatment for cash dividends and stock dividends arising from financial assets carried at cost is the same as that for cash and stock dividends arising from available-for-sale financial assets. If there is objective evidence of financial asset impairment, a loss is recognized. Reversal of impairment losses is not allowed.

### **Property and Property Leased to Others**

Property and property leased to others are stated at cost or cost plus appreciation. Major renewals and betterments are capitalized. Maintenance and repairs are expensed currently and are presented as a separate expense line item or as part of rental cost. Interest expenses incurred during construction are capitalized as cost of the building during the construction period.

An impairment loss should be recognized on the balance sheet date if the carrying amount of property leased to others exceeds their recoverable amount, and this impairment loss should be charged to current income. An impairment loss recognized in prior years could be reversed if there is a recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not exceed the carrying amount that would have been determined for the asset (net of depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss should be recognized in the income statement for assets carried at cost and treated as a revaluation increase for assets carried at the revalued amount.

Depreciation on costs and revaluation increment on properties acquired as of December 31, 1998 was computed using the fixed-percentage-of-declining-balance method. However, depreciation on properties acquired starting January 1, 1999 is computed using the straight-line method over useful lives initially estimated as follows: buildings and equipment, 8 to 55 years; and furniture and equipment, 4 to 8 years. Revaluation increment is depreciated on the basis of the remaining service lives when assets are revalued. Properties that have reached their residual value but are still being used by the Company are depreciated over their newly estimated service lives.

Upon sale or other disposal of property, the related cost, appreciation and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to current income.

### **Leasehold Rights**

Leasehold rights pertain to the cost of acquiring the land use right and the construction cost of a commercial building that the Company will exchange for the use of a parcel of land.

The costs of the land use rights and the interest imputed thereon are accounted for as liabilities. The cost of the land use rights is amortized during the contract term. The imputed interest is treated as unrealized expense and periodically recognized as interest expense as it realized. The construction cost, which includes the interests and amortized expenses which were capitalized as the cost of the building during the construction period, is amortized by using the straight-line method over the remaining service life of the building.

### **Idle Assets**

Idle assets are reclassified at the lower of carrying value or net realizable value to other assets. The differential between the cost reclassified to other asset and the carrying value after accumulated depreciation is recognized as a loss, depreciating by straight-line method.

### **Pension Costs**

The Company has two types of pension plans: Defined contribution and defined benefit.

Under the defined contribution plan, pension costs are recorded on the basis of the Company's monthly contributions to employees' individual pension accounts. Under the defined benefit plan, pension costs are recorded on the basis of actuarial calculations.

### **Impairment of Assets**

For impairment testing, if the recoverable amount of an asset (mainly property, leasehold rights, idle assets and investments accounted for by the equity method) is estimated to be less than its carrying amount, an impairment loss is recognized and the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is first treated as a deduction to the unrealized revaluation increment, and any remaining loss is charged to earnings.

If an impairment loss reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is first recognized as gains to the extent that an impairment loss on the same revalued asset was previously charged to earnings. Any excess amount is treated as an increase in the unrealized revaluation increment.

For impairment testing, goodwill is allocated to each of the relevant cash-generating units (CGUs) that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the CGU may be impaired. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment is allocated to first reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is disallowed.

For long-term equity investments on which the Company has significant influence but over which it has no control, the carrying amount (including goodwill) of each investment is compared with the recoverable amount for impairment testing.

### **Deferred Income**

Gains or losses on sales from the Company to equity-method investees over which the Company has no controlling interest are deferred in proportion to the Company's ownership percentages in the investees until these gains or losses are realized through transactions with third parties. The entire amount of the gains or losses on sales to investees over which the Company has a controlling interest is deferred until these gains or losses are realized through subsequent sales of the related products to third parties.

## **Revenue Recognition**

Sales are recognized when titles to products and risks of ownership are transferred to customers or when the earnings process has been completed or substantially completed and revenue is realized or realizable.

Sales are determined at fair value, taking into account business and quantity discounts agreed on by the Company and its customers. Since sales transactions are frequent and the sales receivables are collectible within one year, the fair value of receivables is equivalent to the nominal amount of cash received.

## **Concessionaires' Sales**

Sales made at special counters operated by concessionaires in the Company's stores are recorded as revenue at an agreed ratio based on contracts with the Company. Concessionaires are responsible for the nature, pattern, features and prices of the merchandise or service sold at the special counters. The titles to and risk of loss on unsold merchandise at these counters remain with the concessionaires and are thus excluded from the Company's inventories.

## **Treasury Stock**

If the Company buys back the Company's issued shares, the cost of the payment is debited as treasury stock, which is treated a deduction to arrive at stockholders' equity.

When treasury stock is retired, the treasury stock account is credited, and the capital surplus - issue of stock in excess of par value and the capital stock account should be debited according to the share ratio. If the carrying value of treasury stock exceeds the sum of its par value and stock premium, the excess should first be offset against capital surplus - treasury stock transaction, and any remainder should be debited to retained earnings. If the carrying value of treasury stock is lower than the sum of the par value and the stock premium equals, the difference is credited capital surplus from treasury stock transactions.

The losses on disposal of treasury stocks are recognized as capital surplus - treasury stock transaction to the extent that its carrying value is reduced to zero. The disposal loss in excess of carrying value of capital surplus - treasury stock transaction is charged to retained earnings.

The Company should reclassify its common stock held by subsidiaries from short/long-term investments to treasury stock. The reclassification is based on the carrying value recorded by the Company's subsidiaries as of January 1, 2002.

## **Income Tax**

Deferred tax assets are recognized for the tax effects of deductible temporary differences, unused operating loss carryforwards and unused investment tax credits, and deferred tax liabilities are recognized for the tax effects of taxable temporary differences. A valuation allowance is provided for deferred income tax assets that are not certain to be realized. Deferred tax assets or liabilities are classified as current or noncurrent on the basis of the classification of the related assets or liabilities for financial reporting. A deferred tax liability or asset that cannot be related to an asset or liability for financial reporting, including deferred tax assets related to net loss carryforwards, is classified according to the expected realization date of the temporary difference.

Income tax credits for certain purchases of equipment, research and development expenditures, personnel training expenses and stock investment are accounted for as a reduction of the current year's income tax expense.

Adjustments to prior years' tax liabilities are added to or deducted from the current year's tax expense.

Income tax of 10% on undistributed earnings generated since January 1, 1998 is recorded as expense in the year when the stockholders resolve to retain the earnings.

### **Foreign-currency Transactions**

Assets, liabilities, revenues or expenses denominated in foreign currencies as a result of foreign-currency transactions of non-derivative financial instruments are recorded in New Taiwan dollars at the exchange rates prevailing on the dates of transactions.

At year-end, the balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates, and resulting differences are recorded as follows:

- a. Equity-method investments - as cumulative translation adjustments under stockholders' equity; and
- b. Other assets and liabilities - as credits or charges to current income.

The exchange rate stated above is based on average price of Taiwan Bank.

### **Reclassifications**

Certain accounts in the financial statements as of and for the year ended December 31, 2007 have been reclassified to be consistent with the presentation of the financial statements as of and for the year ended December 31, 2008.

## **3. ACCOUNTING CHANGES**

In March 2007, the Accounting Research and Development Foundation issued Interpretation 2007-052, which requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. This accounting change resulted in decreases of \$31,025 thousand in net income (including an investment revenue decrease of \$13,307 thousand) and of NT\$0.03 in after income tax basic earnings per share for 2008.

On January 1, 2007, the Company adopted the newly released Statements of Financial Accounting Standards ("Statements") No. 37 - "Intangible Assets" and No. 38 - "Noncurrent Assets Held for Sale and Discontinued Operations" and related revisions of previously released statements. These accounting changes had no effect on the Company's financial statements for the year ended December 31, 2007.

## **4. CASH**

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Cash		
Cash on hand and petty cash	\$ 59,628	\$ 57,241
Checking accounts and savings accounts	<u>229,360</u>	<u>175,707</u>
	<u>\$ 288,988</u>	<u>\$ 232,948</u>

## 5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2008		2007	
	Current	Noncurrent	Current	Noncurrent
Listed and OTC stocks	\$ 179,771	\$ 1,088,336	\$ 179,771	\$ 1,172,184
Add: Valuation adjustment	<u>(48,109)</u>	<u>771,551</u>	<u>61,610</u>	<u>2,029,567</u>
	<u>\$ 131,662</u>	<u>\$ 1,859,887</u>	<u>\$ 241,381</u>	<u>\$ 3,201,751</u>

## 6. INVENTORIES, NET

	December 31	
	2008	2007
Merchandise	\$ 295,809	\$ 262,051
Others	<u>9,730</u>	<u>9,310</u>
	305,539	271,361
Less: Allowance for losses	<u>9,310</u>	<u>9,310</u>
	<u>\$ 296,229</u>	<u>\$ 262,051</u>

## 7. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2008	2007
Unlisted and non-OTC stocks	<u>\$ 160,035</u>	<u>\$ 162,570</u>

The above investments, which had no quoted market prices in an active market and had fair values that could not be reliably measured, were carried at original cost.

The Company invested \$100,000 thousand in the Kaohsiung Rapid Transit System in April 2008 and amortized this investment during the concession period. The amortization amounted to \$2,535 thousand as of December 31, 2008.

## 8. LONG-TERM INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD, NET

	December 31			
	2008		2007	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Stocks with no quoted market prices:				
Bai Yang Investment Co.	\$ 8,157,622	100	\$ 8,409,163	100
Pacific Liu Tong Investment	2,153,911	35	2,300,606	35
Bai Ding Investment Co.	1,916,336	67	2,848,885	67
Oriental Securities	1,665,693	20	2,383,519	20
Far Eastern Geant Co., Ltd. ("FE GEANT")	1,620,761	100	1,324,335	100
FEDS Development Ltd.	286,189	76	156,924	76
Far Eastern CitySuper Ltd.	124,436	90	11,076	77

(Continued)



	<b>December 31</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Carrying Value</b>	<b>% of Ownership</b>	<b>Carrying Value</b>	<b>% of Ownership</b>
Yu Ming Advertising Agency Co.	\$ 63,386	100	\$ 71,048	100
Ya Tung Department Stores (YTDS)	59,573	100	36,265	100
Far Eastern Hon Li Do Co., Ltd.	5,596	56	4,495	56
Asians Merchandise Company	3,999	100	3,883	100
Ding Ding Integrated Marketing Service	<u>2,900</u>	10	<u>12,047</u>	10
	<u>16,060,402</u>		<u>17,562,246</u>	
Less: Common stock held by subsidiaries and reclassified from long-term investments to treasury stock				
Bai Ding Investment	<u>95,723</u>		<u>165,492</u>	
	<u>\$ 15,964,679</u>		<u>\$ 17,396,754</u>	

(Concluded)

In July 2007, the Company bought 9,180 thousand shares of Far Eastern CitySuper Ltd. (“CitySuper”) at NT\$10.00 per share, or a total of \$91,800 thousand. In December 2008, CitySuper completed the registration of a capital reduction, and this reduction resulted in a decrease in the Company’s equity in CitySuper by 22,950 thousand shares. Simultaneously, the Company subscribed for CitySuper’s 28,000 thousand shares at NT\$10.00 per share. Thus, the Company’s equity in CitySuper increased to 90% and \$27,047 thousand was debited to capital surplus.

In November 2007, to simplify the structure of its organization, the Company paid \$88 thousand to buy 30 thousand shares of Far Eastern Hon Li Do Co., Ltd. held by Bai Yang Investment Co., Feds Asia Pacific Development Co., Ltd., Yu Ming Advertising Agency Co. and Ya Tung Department Stores. The Company also bought 747 thousand shares of Ya Tung Department Stores for \$27,735 thousand from Bai Ding Investment Co., Bai Yang Investment Co. and Yu Ming Advertising Agency Co. Thus, the Company’s equity in Far Eastern Hon Li Do Co., Ltd. rose to 56% and, in Ya Tung Department Stores, to 100%.

In May 2008 and 2007, FE GEANT completed the registration of two capital reductions, and these reductions resulted in decreases in the Company’s equity in FE GEANT by 76,000 thousand shares and 259,999 thousand shares, respectively; simultaneously, FE GEANT a registered capital increases of 100,000 thousand shares and 76,000 thousand shares, respectively, at NT\$10.00 per share.

In June 2008, Ya Tung Department Stores (“Ya Tung”) completed the registration of a capital reduction, and this reduction resulted in a decrease in the Company’s equity in Ya Tung by 10,000 thousand shares. Also in June 2008, the Company subscribed for Ya Tung’s 10,000 thousand shares at NT\$10.00 per share.

In November 2007, the Company proportionally subscribed for 118 thousand shares of Feds Development (BVI) Ltd. at US\$25.96 per share, or a total of \$98,868 thousand.

The Company’s board of directors passed a resolution to increase their investment by \$884 thousand in Chongqing Far Eastern Department Stores Ltd. through investing in Feds Development Ltd. (BVI); however, Bai Yang Investment Co. (a subsidiary of the Company) later made this investment increase. This investment was approved by the Investment Commission in January 2008. The investment had been remitted to China.

The board of directors of Bai Yang Investment Co. (a subsidiary of the Company) passed a resolution to buy the shares of Pacific China Holdings (HK) Co., Ltd. from the ABN AMRO bank in order to make an indirect investment in a China-based company, with the investment amount set at US\$79,500 thousand. This investment had been approved by the Investment Commission in the second season of 2008, and had been completed the registration of ownership transfer.

The carrying values of equity-method investments, were based on audited financial statements.

The Company and its indirect subsidiary (Pacific Sogo Department Stores Co., Ltd.) owned 20% of Ding Ding Integrated Marketing Service Co., Ltd.'s outstanding common stock. Thus, the Company accounted for its investment in Ding Ding Integrated Marketing Service by the equity method.

All of the accounts of the Company's subsidiaries were included in its 2008 consolidated financial statements.

## 9. PROPERTY

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
Cost	<u>\$ 13,332,427</u>	<u>\$ 13,195,380</u>
Revaluation increment		
Land	1,183,852	1,183,852
Buildings and equipment	<u>9,646</u>	<u>9,646</u>
	<u>1,193,498</u>	<u>1,193,498</u>
Total cost and appreciation	<u>14,525,925</u>	<u>14,388,878</u>
Less: Accumulated depreciation		
On cost		
Buildings and equipment	2,127,265	1,959,171
Furniture and equipment	<u>2,143,211</u>	<u>1,882,074</u>
	<u>4,270,476</u>	<u>3,841,245</u>
On appreciation		
Buildings and equipment	<u>7,297</u>	<u>7,179</u>
Total accumulated depreciation	<u>4,277,773</u>	<u>3,848,424</u>
	10,248,152	10,540,454
Construction in progress	6,093,083	5,471,726
Leasehold rights, net (Note 10)	4,117,668	3,999,805
Property leased to others, net (Note 11)	<u>1,012,661</u>	<u>1,028,045</u>
	<u>\$ 21,471,564</u>	<u>\$ 21,040,030</u>

Under government regulations, the Company revalued its land in 1980, 1981, 1984 and 1995 and other property in 1975 and 1981. The resulting appreciation (net of reserve for land value increment tax) was credited to other equity adjustment - unrealized assets revaluation increment.

Depreciation expenses were \$522,997 thousand in 2008 and \$426,028 thousand in 2007. Capitalized interest expenses were \$147,918 thousand in 2008 and \$140,978 thousand in 2007. The interest rate used in computing the amounts capitalized ranged 2.35% to 2.53% in 2008 and 2.33% to 2.49% in 2007.

To expand its business, the Company built a large department store in the Guo-Feng section in Hualien in December 2007. The carrying values of \$68,247 thousand of the related land and buildings were transferred from idle assets to construction in progress. As of December 31, 2008, the cost of this construction had reached \$441,262 thousand.

In February 2005, the Company entered into a contract with Far Eastern Construction Company (FECC) to build a mall on the land owned by the Company and FECC for the Company's customers in the Pan-Chiao City area. Under the contract, the cost of the construction would be paid on the basis of land ownership ratio. The construction cost as of December 31, 2008 consisted mainly of the acquisition cost for land located in Pan-Chiao City and architect's fee of \$5,651,477 thousand.

In 1997, the Company sold land located in the Guan-Ming section of Taichung to Far Eastern Geant Co., Ltd. ("FE GEANT", a company subsidiary) and recognized all the gain of \$363,639 thousand from this sale as deferred gain. FE GEANT then sold this land to Far Eastern General Contractor Inc; thus, the Company recognized the deferred gain of \$363,639 thousand as realized gain from the disposal of property (under nonoperating income and gains) in the second reason of 2007.

## 10. LEASEHOLD RIGHTS, NET

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Cost of A13 in the Hsinyi District	\$ 3,202,183	\$ 3,186,357
Cost of Tao-Yuan Farmers' Association	1,384,142	1,384,142
Cost of Taichung She Chan	<u>217,146</u>	<u>40,287</u>
	4,803,471	4,610,786
Less: Accumulated amortization	<u>685,803</u>	<u>610,981</u>
	<u>\$ 4,117,668</u>	<u>\$ 3,999,805</u>

- a. In September 2003, the Company acquired the land use rights for No. A13 in the Hsinyi district, which is owned by the Taipei City Government. The total amount of the land use rights was \$3,196,888 thousand, and the Company completed the registration of its acquisition of the land use right in October 2003. Under the contract, the Company has the right to use the land for 50 years from the completion of the right registration. The initial monthly rent is \$3,771 thousand, to be adjusted annually according to the land price announced on the contract date. The monthly rent has been adjusted to \$4,844 thousand since January 2007. The monthly rent are both \$58,134 thousand in 2008 and 2007, shown as rent expense (under operating expense).

In September 2003, the Company paid \$959,066 thousand, or 30% of the total land use rights payment. The rest, amounting to \$2,237,822 thousand, would be paid annually in five consecutive years at no interest. After the deduction of unrealized interest expenses of \$78,937 thousand, the net value of the rights was \$2,158,885 thousand, shown as accrued franchised liabilities. In October 2008, the franchised liabilities were all paid off.

- b. Under an agreement made in March 1997, the Company built a commercial building on land owned by the Tao-Yuan Farmers' Association. The Company paid a guarantee deposit of \$150,000 thousand. The initial monthly rent is \$3,000 thousand, to be adjusted according to increases in the consumer price index.

Building and improvements pertain to a commercial building, including all improvements made thereon, the ownership of which will be transferred to Tao-Yuan Farmer Association in April 2018. The total construction cost of the commercial building is capitalized as leasehold rights, and cost amortization is from November 1999 to April 2018. The total amortization expense, classified as operating expenses - rental, was \$74,822 thousand in 2008 and \$74,667 thousand in 2007, respectively.

- c. On November 28, 2005, the Company won the bid to lease land (No. 89 and 91) located in the West Tun district in Taichung city, which was being managed by the Ministry of Education. Under the related contract, the Company has the leasing right for 20 years from April 6, 2007, in which one year, to be used for the Company's planning for constructing a building on the land, is rent free. On contract expiry, the Company has the right to extend the contract for another 20 years. The annual rent is \$140,288 thousand, to be adjusted every three years. The Company used a guarantee amounting to \$280,576 thousand and provided by Mega International Commercial Bank (formerly the International Commercial Bank of China) as the contract guarantee deposit for the period ending December 25, 2009. For assurance of the Company's transfer of the ownership of the building to the national government, the building will be entrusted to a certain financial institution in the Republic of China. In addition, the national government requires the Company to register with the authorities any building impairment due to force majeure (e.g., earthquakes) or other reasons. As of December 31, 2008, the cost of building development was \$217,146 thousand.

## 11. PROPERTY LEASED TO OTHERS, NET

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Cost		
Land	\$ 420,762	\$ 421,052
Building and equipment	523,089	522,449
Furniture and equipment	<u>255</u>	<u>255</u>
	<u>944,106</u>	<u>943,756</u>
Revaluation increment		
Land	211,744	211,744
Building and equipment	<u>3,027</u>	<u>3,027</u>
	<u>214,771</u>	<u>214,771</u>
Less: Accumulated depreciation		
Cost		
Building and equipment	143,868	128,182
Furniture and equipment	<u>249</u>	<u>242</u>
	144,117	128,424
Revaluation increment		
Building and equipment	<u>2,099</u>	<u>2,058</u>
Total accumulated depreciation	<u>146,216</u>	<u>130,482</u>
	<u>\$ 1,012,661</u>	<u>\$ 1,028,045</u>

The Company's lease contracts are mainly as follows:

- a. The Company leases the land located in Yung-Kang Tainan County to Far Eastern Hon Li Do Co., Ltd. and Far Eastern Geant Co., Ltd. under a contract expiring on September 23, 2015. Under the contract, the Company received deposits of \$13,380 thousand from Far Eastern Hon Li Do Co., Ltd. classified as deposits received, and receives monthly rent from Far Eastern Geant Co., Ltd. ("FE GEANT"). The monthly rent was adjusted to \$8,886 thousand in October 2005. On April 2, 2007, the Company entered into an agreement to sell this land to FE GEANT. The proceeds of this sale were \$565,000 thousand. After the deduction of the relevant expense of \$544,950 thousand and tax of \$14,131 thousand, the Company recognized a deferred gain of \$5,919 thousand on this disposal.
- b. The Company leases the site located in Kaohsiung City to related parties, Far Eastern International Bank for office building; the lease term will end in February 2010.

- c. The Company leases sections of sites separately located at the Tainan branch and the Hsin-Chu branch to Warner Village Movies Co. for its movie theatres in July and November 2002, respectively. Both lease terms are 15 years each, and the monthly rent for Tainan branch has been adjusted to \$3,297 thousand since July 2008 and for the Hsin-Chu branch adjusted to \$4,378 thousand since November 2008. Under the contract, the Company obtained \$33,000 thousand, classified as deposits received.
- d. The Company leases the site located in Ren-Ai Road Taipei City to Wellcome Department Stores Ltd. and two related parties, Yu Ming Advertising Agency Co. and Far Eastern CitySuper Ltd. Except for Yu Ming Advertising Agency Co. terminated lease on June 2007. The lease term will end in August 2011 and August 2009, respectively.

The rental income on all lease contracts for the next five years is summarized below.

**Year**

2009	\$ 117,497
2010	104,597
2011	103,765
2012	101,895
2013	102,735

**12. IDLE ASSETS, NET**

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Cost		
Land	\$ 85,232	\$ 85,430
Buildings and equipment	217,099	217,099
Furniture and equipment	<u>8,151</u>	<u>8,151</u>
	<u>310,482</u>	<u>310,680</u>
Revaluation increment		
Land	255,291	255,291
Buildings and equipment	<u>16,058</u>	<u>16,058</u>
	<u>271,349</u>	<u>271,349</u>
	<u>581,831</u>	<u>582,029</u>
Less: Accumulated depreciation		
Cost		
Buildings and equipment	175,305	172,603
Furniture and equipment	7,804	7,772
Revaluation increment		
Buildings and equipment	<u>14,260</u>	<u>14,171</u>
	<u>197,369</u>	<u>194,546</u>
	<u>\$ 384,462</u>	<u>\$ 387,483</u>

The depreciation expenses for idle assets were \$2,823 thousand in 2008 and \$3,067 thousand in 2007, classified as nonoperating expenses and losses - other expenses.

### 13. REFUNDABLE DEPOSITS

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Deposits on lease contracts	\$ 150,086	\$ 150,126
Others	<u>8,742</u>	<u>9,815</u>
	<u>\$ 158,828</u>	<u>\$ 159,941</u>

### 14. SHORT-TERM DEBTS

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Unsecured bank loan - interest from 2.129% to 2.8% in 2008 and from 2.259% to 2.500% in 2007	\$ 2,100,000	\$ 1,400,000
Secured bank loan - interest from 2.363% to 2.7% in 2008 and from 2.259% to 2.700% in 2007	<u>850,000</u>	<u>650,000</u>
	<u>\$ 2,950,000</u>	<u>\$ 2,050,000</u>

### 15. SHORT-TERM NOTES AND BILLS PAYABLE

	<u>December 31</u>			
	<u>2008</u>		<u>2007</u>	
	<u>Interest (%)</u>	<u>Value</u>	<u>Interest (%)</u>	<u>Value</u>
Mega Bills Finance	2.60	\$ 400,000	-	\$ -
China Bills Finance	1.50	350,000	2.00	350,000
Mizuho Bills Finance	1.52	300,000	-	-
ANZ Bills Finance	1.13	300,000	-	-
International Bills Finance	2.45	200,000	2.20	200,000
Feib Bills Finance	1.22	250,000	-	-
Taiwan Bills Finance	-	<u>-</u>	2.04	<u>150,000</u>
		1,800,000		700,000
Less: Discount on notes and bills payable		<u>5,766</u>		<u>796</u>
		<u>\$ 1,794,234</u>		<u>\$ 699,204</u>

### 16 BONDS ISSUED

	<u>Due in One Year</u>	<u>Due Over One Year</u>	<u>Total</u>
<u>December 31, 2008</u>			
Domestic secured bonds issued on:			
August 12, 2005	\$ -	\$ 500,000	\$ 500,000
October 7, 2008	<u>-</u>	<u>1,200,000</u>	<u>1,200,000</u>
	<u>\$ -</u>	<u>\$ 1,700,000</u>	<u>\$ 1,700,000</u>

(Continued)

	<b>Due in One Year</b>	<b>Due Over One Year</b>	<b>Total</b>
<u>December 31, 2007</u>			
Domestic secured bonds issued on:			
August 25, 26, 27 and 28, 2003	\$ 1,200,000	\$ -	\$ 1,200,000
August 12, 2005	<u>-</u>	<u>500,000</u>	<u>500,000</u>
	<u>\$ 1,200,000</u>	<u>\$ 500,000</u>	<u>\$ 1,700,000</u>
			(Concluded)

- a. The average face value of domestic secured bonds issued on August 12, 2005 was \$500,000 thousand. The bond will all mature on August 12, 2010. Interest on all bond is 1.81% payable annually.
- b. The average face value of domestic secured bonds issued on October 7, 2008 was \$1,200,000 thousand. These bonds will mature on October 7, 2013. Interest on these bonds is 2.75%, payable annually.
- c. The average face value of domestic secured bonds issued on August 25 to 28, 2003 was \$1,200,000 thousand. These instruments consisted of Types A, B, C and D bonds with face value of \$300,000 thousand each. The bonds will all mature on August 25 to 28, 2008. Interest on all bonds is 1.178%, payable annually. The bonds were repaid on maturity in August 2008.

## 17. LONG-TERM BORROWINGS

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Commercial paper issued - interest from 1.712% to 2.262% in 2008 and from 1.609% to 2.262% in 2007	\$ 5,482,252	\$ 6,078,316
Secured bank loan - interest from 1.666% to 2.75% in 2008 and from 2.13% to 2.409% in 2007	3,280,000	2,300,000
Unsecured bank loan - interest from 1.947% to 2.75% in 2008 and from 2.10% to 2.40% in 2007	<u>600,000</u>	<u>1,100,000</u>
	9,362,252	9,478,316
Less: Current portion	<u>698,875</u>	<u>597,133</u>
	<u>\$ 8,663,377</u>	<u>\$ 8,881,183</u>

As of December 31, 2008, unused bank credit lines aggregated \$5,062,000 thousand, of which the Company, Bai-Ding Investment Co., Bai-Yang Investment Co., Yu-Ming Advertising Agency Co., Feds Asia Pacific Development Co., Ltd. and Far Eastern Hon Li Do Co., Ltd. collectively had unused bank credit lines aggregating \$660,000 thousand.

## 18. STOCKHOLDERS' EQUITY

Under relevant regulations, capital surplus from equity-method investments cannot be used for any purpose while other capital surplus items can only be used to offset a deficit. Further, paid-in capital from the issue of stock in excess of par value may be capitalized (as stock dividend) at a certain percentage of the Company's paid-in capital.

The Company's Articles of Incorporation provide that annual net income less any deficit, 10% legal reserve and a certain amount for operational requirements should be appropriated, together with the unappropriated earnings from prior years, as follows:

Dividend	60%
Additional dividend	33%
Bonus to employees	4%
Remuneration to directors and supervisors	3%

The Company's dividend distribution depends on economic conditions, tax obligations, and operating requirements for cash. For the purpose of smoothing the dividend distribution, the dividend is distributed according to the Article of Incorporation. The distribution of cash dividends should be over 10% of total cash and stock dividends for the year by principals.

The bonus to employees of \$10,125 thousand and the remuneration to directors and supervisors of \$7,593 thousand, or 4% and 3%, respectively, of unappropriated earnings, were recognized for 2008. The amounts were estimated on the basis of past experience. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Under regulations promulgated by the Securities and Futures Commission, a special reserve equivalent to the net debit balance of specific accounts shown in the stockholders' equity, other than the deficit and the cost of the treasury stock arising from the reclassification of the Company's stock held by subsidiaries since January 1, 2002, should be appropriated from unappropriated retained earnings. The balance of the special reserve should be adjusted according to the debit balance of such accounts at year-end.

Legal reserve should be appropriated until the reserve equals the Company's paid-in capital. This reserve may be used to offset a deficit. When the reserve exceeds 50% of the Company's paid-in capital, the excess may be distributed as follows: (a) as stock dividends or bonus if the Company has no earnings; or (b) the portion of the excess that is over 25% of the Company's paid-in capital, as stock dividends if the Company has no deficit.

These appropriations and earnings distributions should be approved by the stockholders in the following year and given effect to in the financial statements of that year. R.O.C. resident stockholders are allowed a tax credit for their proportionate share of the income tax paid by the Company on earnings generated when distributing unappropriated earnings.

On June 13, 2008 and June 15, 2007, the Company's stockholders resolved earnings appropriation and distribution of bonus to employees and remuneration to directors and supervisors in 2007 and 2006, that is shown as follows:

	<u>Earnings Appropriation</u>		<u>Dividends Per Shares (NT\$)</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Legal reserve	\$ 160,715	\$ 58,615		
Stock dividend - common stock	560,484	-	\$ 0.50	\$ -
Cash dividend - common stock	1,457,257	538,926	1.30	0.50
Bonus to employees - cash paid	57,858	23,034		
Remuneration to directors and supervisors - cash paid	<u>43,393</u>	<u>17,275</u>		
	<u>\$ 2,279,707</u>	<u>\$ 637,850</u>		



In their meeting on June 15, 2007, the stockholders resolved to distribute stock dividends amounting to \$431,141 thousand from capital surplus.

The stock dividend appropriation from the capital surplus of 2007 and the appropriation of stock dividends from the 2006 unappropriated earnings were approved by the Securities and Futures Bureau, and the board of directors resolved to have July 30, 2008 and August 18, 2008, respectively, as the effective dates of stock dividend distribution.

The earnings appropriation for year of 2007 and 2006 were consistent with the resolution made by the Board of Director on March 24, 2008 and March 20, 2007, respectively.

Had the above bonus to employees and remuneration to directors and supervisors been paid entirely in cash and charged against earnings for 2007 and 2006, the after-tax basic earnings per share would have decreased from NT\$1.40 to NT\$1.31 in 2007 and from NT\$0.54 to NT\$0.50 in 2006.

As of the accompanying auditors' report date (March 3, 2009), the board of directors had not approved the proposal on the distribution of the 2008 earnings. Information on the bonus to employees and remunerations to directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange (<http://mops.tse.com.tw>).

## 19. TREASURY STOCK

Reason for Acquisition	Shares in Thousands (Beginning of Year)	Increase	Decrease	Shares in Thousands (End of Year)
<u>Year 2008</u>				
Company's issued stock held by subsidiaries	<u>28,770</u>	<u>832</u>	<u>12,129</u>	<u>17,473</u>
<u>Year 2007</u>				
Company's issued stock held by subsidiaries	<u>30,414</u>	<u>1,107</u>	<u>2,751</u>	<u>28,770</u>

The information on the Company's issued stock held by subsidiaries in 2008 and 2007 is as follows:

	Shares in Thousands	Carrying Value	Fair Value
<u>December 31, 2008</u>			
Bai Ding Investment Co.	17,473	\$ <u>95,723</u>	\$ <u>324,968</u>
<u>December 31, 2007</u>			
Bai Ding Investment Co.	28,770	\$ <u>165,492</u>	\$ <u>1,129,225</u>

The treasury stocks held by subsidiaries increased by 832 thousand shares in 2008 and by 1,107 thousand shares in 2007 because of the Company's stock dividend distribution in 2008 and 2007. Also in 2008 and 2007, the subsidiaries disposed of 12,129 thousand treasury shares and 2,751 thousand treasury shares, with proceeds of \$592,737 thousand and \$61,581 thousand, respectively. After deducting the treasury stock acquisition costs of \$69,776 thousand and \$16,368 thousand from these proceeds, the Company credited \$522,909 thousand and \$45,213 thousand, respectively, to capital surplus - treasury stock transactions based on the Company's equity in these subsidiaries.

Under the Securities and Exchange Law, the Company may not pledge or hypothecate treasury stock. In addition, the Company may not exercise any stockholders' rights on the treasury stock. The Company's stocks held by its subsidiaries are treated as treasury stock and the holders are entitled to the rights of stockholders, with the exception of voting rights.

## 20. OTHER OPERATING REVENUES AND COSTS

	2008	2007
Other operating revenues		
Concessionaires' sales	\$ 134,347	\$ 138,166
Revenue on property leased to others	29,548	67,159
Revenue on parking lots	59,638	65,331
Other	<u>381</u>	<u>-</u>
	<u>\$ 223,914</u>	<u>\$ 270,656</u>
Other operating costs		
Concessionaires' sales	\$ 21,765	\$ 21,666
Revenue on property leased to others	5,839	6,209
Revenue on parking lots	<u>19,892</u>	<u>19,608</u>
	<u>\$ 47,496</u>	<u>\$ 47,483</u>

## 21. INCOME TAX

- a. A reconciliation of income tax expense based on income before income tax at the statutory rate and current income tax expense before tax credits was as follows:

	2008	2007
Tax on pretax income at 25% statutory rate	\$ 55,006	\$ 371,035
Add (deduct) tax effects of:		
Permanent differences	(103,958)	(502,101)
Temporary differences	<u>(39,257)</u>	<u>(88,836)</u>
Current income tax payable	-	-
Less: Withholding tax	<u>1,277</u>	<u>34,892</u>
Income tax payable (tax refund receivable - as others receivable)	<u>\$ 1,277</u>	<u>\$ 34,892</u>

- b. Income tax expense consisted of:

Income tax expense - current	\$ -	\$ -
Prior years' adjustment	(9)	4,198
Income tax at 20% on negotiable certificates of deposits	-	1,450
Income tax expense on short-term negotiable instruments taxed at 20%	111	113
Income tax expense - deferred	<u>(66,900)</u>	<u>(128,733)</u>
Income tax expense	<u>\$ (66,798)</u>	<u>\$ (122,972)</u>

	2008	2007
c. Deferred income tax consisted of the following:		
Current		
Deferred income tax assets		
Unrealized interest expense	\$ 30,023	\$ 24,283
Allowance for doubtful accounts	11,748	10,840
Allowance for losses on obsolescence	2,328	2,328
Unrealized exchange expense	2,108	1,761
Others	<u>68</u>	<u>-</u>
	46,275	39,212
Less: Valuation allowance	<u>(11,983)</u>	<u>(11,983)</u>
	34,292	27,229
Deferred income tax liabilities		
Unrealized exchange gain	<u>-</u>	<u>(86)</u>
Net deferred tax assets	<u>\$ 34,292</u>	<u>\$ 27,143</u>
Noncurrent		
Deferred income tax assets		
Cumulative equity in net loss of investees	\$ 320,115	\$ 372,905
Deferred interest expense	1,936	-
Difference of pension cost between financial reporting and tax reporting	<u>-</u>	<u>861</u>
	322,051	373,766
Less: Valuation allowance	<u>(92,497)</u>	<u>(197,133)</u>
	<u>229,554</u>	<u>176,633</u>
Deferred income tax liabilities		
Difference of depreciation expense between financial reporting and tax reporting	<u>(242,100)</u>	<u>(248,930)</u>
Net deferred tax liabilities	<u>\$ (12,546)</u>	<u>\$ (72,297)</u>
d. Information on the integrated income tax system is as follows:		
Balance of imputation credit account (ICA)	<u>\$ 198,291</u>	<u>\$ 175,077</u>

The actual creditable tax ratio for earnings of the Company in 2007 was 18.52%. The projected creditable tax ratio for earnings of the Company as of December 31, 2008 was 33.33%. The imputation credit allocated to stockholders is based on the ICA balance as of the date of dividend distribution. Thus, the projected creditable ratio may adjust depending on the ICA balance on the date of dividend distribution.

The Company's unappropriated earnings before 1998 were used to offset deficit in 2002.

Income tax returns through 2006 had been examined and cleared by the tax authorities.

## 22. PAYROLL, DEPRECIATION AND AMORTIZATION EXPENSES

	<u>Operating Costs</u>	<u>Operating Expenses</u>	<u>Nonoperating Expenses</u>	<u>Total</u>
<u>2008</u>				
Payroll expenses				
Salary	\$ 6,822	\$ 780,513	\$ -	\$ 787,335
Insurance	1,005	52,858	-	53,863
Pension	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,827</u>	<u>\$ 833,371</u>	<u>\$ -</u>	<u>\$ 841,198</u>
Depreciation	<u>\$ 15,928</u>	<u>\$ 390,402</u>	<u>\$ 2,823</u>	<u>\$ 409,153</u>
Amortization	<u>\$ -</u>	<u>\$ 77,008</u>	<u>\$ 5,094</u>	<u>\$ 82,102</u>
<u>2007</u>				
Payroll expenses				
Salary	\$ 6,846	\$ 756,236	\$ -	\$ 763,082
Insurance	325	51,703	-	52,028
Pension	<u>642</u>	<u>22,482</u>	<u>-</u>	<u>23,124</u>
	<u>\$ 7,813</u>	<u>\$ 830,421</u>	<u>\$ -</u>	<u>\$ 838,234</u>
Depreciation	<u>\$ 15,881</u>	<u>\$ 410,147</u>	<u>\$ 3,067</u>	<u>\$ 429,095</u>
Amortization	<u>\$ -</u>	<u>\$ 76,951</u>	<u>\$ 6,750</u>	<u>\$ 83,701</u>

## 23. EARNINGS PER SHARE

Numerators and denominators used to calculate earnings per share (EPS) were as follows:

	<u>Amount (Numerator)</u>		<u>Shares in Thousands (Denominator)</u>	<u>Earnings Per Share (NT\$)</u>	
	<u>Before Tax</u>	<u>After Tax</u>		<u>Before Tax</u>	<u>After Tax</u>
<u>2008</u>					
Basic earnings per share					
Net income	\$ 220,066	\$ 286,864	1,158,602	<u>\$ 0.19</u>	<u>\$ 0.25</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>544</u>		
	<u>\$ 220,066</u>	<u>\$ 286,864</u>	<u>1,159,146</u>	<u>\$ 0.19</u>	<u>\$ 0.25</u>
<u>2007</u>					
Basic earnings per share					
Net income	<u>\$ 1,484,180</u>	<u>\$ 1,607,152</u>	<u>1,146,236</u>	<u>\$ 1.29</u>	<u>\$ 1.40</u>

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

	<u>Amount (Numerator)</u>		<u>Shares in Thousands (Denominator)</u>	<u>Earnings Per Share (NT\$)</u>	
	<u>Before Tax</u>	<u>After Tax</u>		<u>Before Tax</u>	<u>After Tax</u>
<u>2008</u>					
Basic earnings per share					
Net income	\$ 742,975	\$ 809,773	1,177,015	<u>\$ 0.63</u>	<u>\$ 0.69</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>          -</u>	<u>          -</u>	<u>      544</u>		
	<u>\$ 742,975</u>	<u>\$ 809,773</u>	<u>1,177,559</u>	<u>\$ 0.63</u>	<u>\$ 0.69</u>
<u>2007</u>					
Basic earnings per share					
Net income	<u>\$ 1,529,393</u>	<u>\$ 1,652,365</u>	<u>1,177,015</u>	<u>\$ 1.30</u>	<u>\$ 1.40</u>

The Accounting Research and Development Foundation issued Interpretation 2007-052, which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company will settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares; if the resulting potential shares have a dilutive effect, these shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. The dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of employee stock bonuses distributed out of the 2006 earnings and stock dividends. This adjustment caused the basic and diluted after income tax EPS for 2007 to decrease from NT\$1.36 to NT\$1.29 and from NT\$1.47 to NT\$1.40, respectively.

## 24. PENSION PLAN

Based on the Act, the Company's rate of monthly contributions to employees' individual pension accounts is at 6% of monthly salaries and wages starting on July 1, 2005. In 2008 and 2007, the Company has accrued \$21,235 thousand and \$19,650 thousand as net pension cost for the defined contribution pension plan based on the Act.

The Company has a defined benefit plan under the Labor Standards Law, which provides benefits based on an employee's length of service and average salary of the six months before retirement. The Company contributes an amount equal to 2% of monthly salaries and wages to a pension fund. This fund is administered by a pension fund monitoring committee and deposited in the committee's name in the Bank of Taiwan.

Other information on the defined benefit plan is summarized as follows:

	2008	2007
a. Net pension cost		
Service cost	\$ 13,418	\$ 13,108
Interest cost	13,950	10,700
Projected return on plan assets	(27,512)	(14,709)
Amortization	<u>(26,855)</u>	<u>(13,108)</u>
Net pension benefit	<u>\$ (26,999)</u>	<u>\$ (4,009)</u>
b. Reconciliation of the funded status of the plan and prepaid pension cost		
Present value of benefit obligation:		
Vested benefit obligation	\$ (162,693)	\$ (139,171)
Non-vested benefit obligation	<u>(244,991)</u>	<u>(277,405)</u>
Accumulated benefit obligation	(407,684)	(416,576)
Additional benefits based on future salaries	<u>(153,131)</u>	<u>(93,279)</u>
Projected benefit obligation	(560,815)	(509,855)
Fair value of plan assets	<u>575,466</u>	<u>989,436</u>
Funded status	14,651	479,581
Unrecognized net transition assets	(115,329)	(134,550)
Unrecognized prior service cost due to the adoption of the Labor Standards Law in 1998	(13,675)	(15,043)
Unrecognized net actuarial loss (gain)	<u>308,509</u>	<u>(186,674)</u>
Prepaid pension cost	<u>\$ 194,156</u>	<u>\$ 143,314</u>
c. Vested benefits - undiscounted	<u>\$ 229,634</u>	<u>\$ 176,306</u>
d. Actuarial assumptions		
Discount rate used in determining present value	2.75%	2.75%
Future salary increase rate	2.50%	2.00%
Expected rate of return on plan assets	2.75%	2.75%
e. Contributions to and payments from the fund		
Contributions	<u>\$ 23,842</u>	<u>\$ 28,207</u>
Payments	<u>\$ 24,115</u>	<u>\$ 36,122</u>

## 25. RELATED-PARTY TRANSACTIONS

Significant related party transactions, in addition to those shown in Notes 8, 9, 11, 27 are summarized in the accompanying Tables 1 and 2.

<u>Related Party</u>	<u>Relationship with the Company</u>
Far Eastern Textile Co., Ltd.	Equity-method investor
Far Eastern Geant Co., Ltd.	Equity-method investee
Far Eastern Hon Li Do Co., Ltd.	Equity-method investee
Bai Ding Investment Co.	Equity-method investee
Ya Tung Department Stores	Equity-method investee
Oriental Securities Corporation	Equity-method investee
Yu Ming Advertising Agency Co.	Equity-method investee
Bai Yang Investment Co.	Equity-method investee
Far Eastern CitySuper Ltd.	Equity-method investee
Pacific Liu Tong Investment Co., Ltd.	Equity-method investee
Ding Ding Integrated Marketing Service	Equity-method investee
Feds Department (BVI) Ltd.	Equity-method investee
Asia Cement Corp.	Same Chairman of the Board of Directors
Yuan Ding Co., Ltd.	Same Chairman of the Board of Directors
Far EasTone Telecom Co., Ltd.	Same Chairman of the Board of Directors
Far Eastern Resource Development Ltd., Corp.	Same Chairman of the Board of Directors
New Century Infocom Tech., Co., Ltd.	Same Chairman of the Board of Directors
Far Eastern Construction Company	Same director
Far Eastern International Bank	Same director
Far Eastern General Contractor Inc.	Same director
Feds Asia Pacific Development Co., Ltd.	Subsidiary of Bai Yang Investment Co.
Feds New Century Development	Subsidiary of Bai Yang Investment Co.
Pacific Sogo Department Store Co., Ltd.	Subsidiary of Bai Yang Investment Co.
Tianjin FEDS Limits., Co	Subsidiary of Bai Yang Investment Co.
Far Eastern Apparel Co., Ltd.	An indirect subsidiary of Far Eastern Textile Co.
Far Eastern International Leasing Corp.	Equity-method investee of Bai Yang Investment Co.
Yuan Bo Asset Management Company	Subsidiary of Far Eastern International Leasing Corp.
Others	Others (no transactions; see Table 9)

Compensation of directors, supervisors and management personnel:

	<b>2008</b>	<b>2007</b>
Salaries and incentives	\$ 21,357	\$ 28,512
Bonus to directors and supervisors	23,000	23,000
Bonus	1,378	907
Operation allowance of directors	<u>216</u>	<u>216</u>
	<u>\$ 45,951</u>	<u>\$ 52,635</u>

The compensation of directors, supervisors and management personnel for the year ended December 31, 2007 included the bonuses appropriated from the earnings for 2007, which were approved by stockholders in their annual meeting held in 2008.

## 26. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged as security for purchases of certain items, as mortgages for bonds issued, commercial papers issued, and as collaterals for bank loans and lawsuits:

	2008	2007
Long-term stock investments accounted for by the equity method	\$ 987,804	\$ 1,413,496
Available-for-sale financial assets - noncurrent	1,280,250	474,000
Property, net	13,443,673	13,540,331
Idle assets, net	<u>274,986</u>	<u>276,091</u>
	<u>\$ 15,986,713</u>	<u>\$ 15,703,918</u>

## 27. COMMITMENTS AND CONTINGENT LIABILITIES AS OF DECEMBER 31, 2008

Significant commitments and contingent liabilities are summarized as follows:

- a. Unused letters of credit aggregated \$1,468 thousand.
- b. Outstanding construction contracts aggregated \$4,034,993 thousand.
- c. Amounts of the guarantees on the loans of related parties were as follows:

Pacific Sogo Department Store Co.	\$ 6,689,456
Bai-Ding Investment Co.	3,700,000
Far Eastern Geant Co., Ltd.	2,958,000
Feds Asia Pacific Development Co., Ltd.	1,600,000
Tianjin FEDS Limits., Co	668,884
Far Eastern Citysuper Ltd.	385,000
Yu Ming Advertising Agency Co.	100,000
Bai Yang Investment Co.	<u>50,000</u>
	<u>\$ 16,151,340</u>

The guarantee amount of \$585,747 thousand for Pacific Sogo Department Store Co. ("Sogo") was based on the percentage of Pacific Liu Tong Investment Co., Ltd.'s ownership of Sogo.

- d. In addition to the lease contracts mentioned in Notes 10 and 11, other major operating lease contracts are listed below:
  - 1) The Company leases from Asia Cement Corporation (a related party) the site of its store in Taipei. The lease agreement will expire on December 31, 2012, but the lessor allowed the Company to renew the lease upon its expiry. The total monthly rent is \$6,562 thousand.
  - 2) The Company leases from FEDS Asia Pacific Development Co., Ltd. (a related party) the site of its store in Kaohsiung. The lease agreement will expire on October 23, 2016, but the lessor allowed the Company to renew the lease upon its expiry. The total monthly rent is \$19,315 thousand.



The Company also rented buildings for office use under operating lease contracts with unrelated parties. The future minimum rental expenses for all lease contracts for the next five years are summarized below:

Year	Rental Expense
2009	\$ 569,447
2010	568,948
2011	561,900
2012	559,807
2013	478,851

- e. In 1997, the Company and Taiwan Development and Trust Corporation (TDTC) entered into an agreement for the Company to buy land and building located in Hsin-Chu. The cost of this property was \$4,046,030 thousand after deducting the public funds and discounts of \$68,426 thousand from \$4,114,456 thousand (total cost of property - pretax). The building construction was completed on November 2002. The Company transferred the net amount of \$4,046,030 thousand from unfinished construction to the cost of property. However, as of December 31, 2002, the Company had not paid the construction final payment of \$457,819 thousand, shown as part of payable on property. On January 23, 2003, TDTC sued the Company for not making the final payment of \$1,020,367 thousand (the final payment for the sales contract and additional payment for the change of design) and demanded that the Company make this payment plus interest. Later, TDTC asked the Taiwan High Court to issue an order for the provisional seizure of the Company's assets.

On May 25, 2006, the Company pledged a time deposit of \$725,000 thousand to the Taiwan High Court for a stay of the asset seizure order. On November 27, 2006, the Company replaced the time deposit with 37,000 thousand shares of Asia Cement Corporation (ACC) held by the Company and 35,500 thousand ACC shares held by Bai Ding Investment Company (a total of 72,500 thousand ACC shares). TDTC also placed certain pledges with the court in line with the seizure order against the Company.

Taking into account the possible result of the lawsuit, the Company recorded a payment of \$266,292 thousand, classified as payable - property, and recognized a relevant depreciation expense of \$17,463 thousand in the second quarter of 2006. Later, however, the Company and TDTC made an agreement that the Company should pay TDTC \$715,906 thousand preliminarily, with this amount to be returned to the Company if the Company wins the lawsuit, and that no more interests should be calculated from the day TDTC received this payment. They also agreed that they could take back the pledges they provided to the court on the provisional seizure order on the Company's assets. Thus, on August 3, 2007, the Company took back the ACC shares pledged to the court.

On November 27, 2006, the Taiwan High Court ruled that the Company should pay TDTC \$715,906 thousand plus interests of (a) \$686,596 thousand based on the 0.03% daily interest rate from June 5, 2002 to the full-repayment date; (b) \$26,365 thousand based on the 0.03% daily interest rate; and (c) \$2,945 thousand based on the 5% annual interest rate from January 31, 2003 to the full-repayment date. However, on December 27, 2007, the Company raised an appeal to the Taiwan Supreme Court against TDTC for serious breaches of the related contract and claimed compensation from TDTC, which can be offset against the payables to TDTC. In July 8, 2008, the Taiwan Supreme Court reversed the Taiwan High Court's decision and remanded it.

This case was pending before the court as of December 31, 2008. Thus, the Company recorded an interest payable of \$126,705 thousand as accrued expense.

- f. The Company sold a land located in the new Ban Qiao station area to the Bank of PanHsin (the "Bank") in January 2005 and transferred the land title to the Bank on February 15, 2005. In addition, the Company made an agreement with the Bank that after the building construction on the land was completed, the Bank will lease to the Company the first three floors, approximately 64,800 sq ft., for the Company's management of the Bank's operating site.

The land sold to the Bank, however, was a replacement for a land owned by the Company that was designated by the Taipei County Government (TPG) as part of a special economic zone. The Company believes that the replacement was improper because the replacement land was smaller than the land originally owned by the Company. Thus, the Company brought a complaint before the Ministry of the Interior (MOTI), which referred the matter to the Taipei High Administrative Court (the "Court"). The Court, however, ruled against the Company. Thus, the Company raised an appeal to the Supreme Administrative Court (SAC); however, the SAC rejected the appeal on December 25, 2008. The Company disagreed with the SAC's decision and requested on February 4, 2009 a retrial. This case was still pending before the court as of December 31, 2008.

- g. Under a ruling by the Ministry of Economic Affairs, in April 2007, the Company and Pacific Sogo Department Stores Co., Ltd. signed an agreement to have mutual performance guarantees on gift certificates bought by customers. The guarantee period was from April 1, 2008 to March 31, 2009. As of December 31, 2008, the Company's guarantee amount for SOGO was \$1,911,709 thousand and that by SOGO for the Company was \$1,363,311 thousand.

## 28. FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments were as follows:

	December 31			
	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Nonderivative Financial Instruments</b>				
<b>Assets</b>				
Cash	\$ 288,988	\$ 288,988	\$ 232,948	\$ 232,948
Notes receivable	14,062	14,062	15,858	15,858
Accounts receivable	168,760	168,760	237,931	237,931
Accounts receivable - related parties	530,713	530,713	420,037	420,037
Other receivable	89,254	89,254	81,706	81,706
Available-for-sale financial assets	1,991,549	1,991,549	3,443,132	3,443,132
Financial assets carried at cost	160,035	160,035	162,570	162,570
Refundable deposits	158,828	158,828	159,941	159,941
<b>Liabilities</b>				
Short-term debts	2,950,000	2,950,000	2,050,000	2,050,000
Short-term notes and bills payable	1,794,234	1,794,234	699,204	699,204
Accounts payable	1,826,379	1,826,379	2,084,553	2,084,553
Accounts payable - related parties	168,970	168,970	110,490	110,490
Accrued expense	531,884	531,884	545,878	545,878
Balance payables - property	100,978	100,978	78,013	78,013
Bonds issued	1,700,000	1,695,877	1,700,000	1,687,605
Long-term borrowings	9,362,252	9,362,252	9,478,316	9,478,316
Franchise liability	-	-	298,588	298,588
Deposits received	39,373	39,373	42,659	42,659

- b. Methods and assumptions used in the determination of fair values of financial instruments

- 1) The carrying values of financial instruments approximate fair values because of the short maturity of these instruments. This assumption was applied to cash, notes receivable, accounts receivable, short-term debts, short-term notes and bills payable, accounts payable.
- 2) Available-for-sale financial assets are based on quoted market prices.

- 3) The fair values of the financial assets carried at cost and long-term investments in non-publicly listed companies accounted for by the equity method cannot be estimated because they have no quoted market prices in an active market and determining their fair values entails an unreasonably high cost.
  - 4) The fair values of refundable deposits and deposits received are based on book values because there is no big difference between the book values and the amounts of future cash flows.
  - 5) The fair value of the bonds issued are based on their market values on the balance sheet date.
  - 6) The fair value of long-term borrowings and the accrued franchise liability are based on the present values of expected cash outflows discounted at the rate of bank loans with similar maturities.
- c. As of December 31, 2008 and 2007, financial liabilities exposed to fair value interest rate risk amounted to \$7,182,252 thousand and \$9,376,904 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk amounted to \$8,624,234 thousand and \$4,849,204 thousand, respectively.

d. Financial risks

1) Market risk

The Company's available-for-sale assets mostly had fair values that are affected by changes in market prices. But since the Company carefully chooses its investments, there is no significant market risk.

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breach contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The amount of the largest credit risk on financial instruments held by the Company is the same as their carrying amounts.

3) Liquidity risk

The Company has sufficient working capital to meet cash needs upon settlement of obligations. Thus, no material liquidity risk was anticipated.

The Company's available-for-sale financial instruments are publicly traded in an active market and can be sold in the market at their approximate fair values. However, financial assets measured at holding cost have significant liquidity risks because these investments do not have quoted market prices in an active market.

4) Cash flow interest rate risk

Changes in market interest rates will affect the cash flows on the repayment of short-term debts and of some long-term borrowings with floating interest rates.

## 29. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau:

- a. Financing provided: Table 3 (attached)
- b. Endorsement/guarantee provided: Table 4 (attached)

- c. Marketable securities held: Table 5 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- e. Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: None
- f. Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: None
- g. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 7 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 8 (attached)
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Table 9 (attached)
- j. Derivative financial transactions: None
- k. Investment in Mainland China
  - 1) Investee company name, the description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Table 10 (attached)
  - 2) Significant direct or indirect transactions with the investee company, prices, payment terms and unrealized gain or loss:
    - a) Amount and percentage of purchases; the balance and percentage of related accounts payables: None
    - b) Amount and percentage of sales; the balance and percentage of related accounts receivables: None
    - c) Gain (loss) on and amounts of asset: None
    - d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: Table 4 (attached)
    - e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: None
    - f) Other transactions which have significant influence over current year's gain or loss or financial status: None

### **30. SEGMENT INFORMATION**

- a. Industry information: The Company solely operates department stores.
- b. Geographic information: The Company operates entirely in the Republic of China in 2008 and 2007.

- c. Export sales: There were no export sales in 2008 and 2007.
- d. Sales to major customers: In 2008 and 2007, no revenue from a single customer was at least 10% of total operating revenues.

**TABLE 1**

**FAR EASTERN DEPARTMENT STORES, LTD.**

**SUMMARY OF RELATED-PARTY BALANCES**

**DECEMBER 31, 2008 AND 2007**

**(In Thousands of New Taiwan Dollars)**

Related Party	Accounts Receivable - Related Parties (Notes B and C)		Unfinished Construction		Accounts Payable - Related Parties		Deposits Received		Deferred Credits	
	Amount	% to	Amount	% to	Amount	% to	Amount	% to	Amount	% to
		Total		Total		Total		Total		Total
<u>2008</u>										
Far Eastern Geant Co., Ltd.	\$ 10,607	2	\$ -	-	\$ 53,898	32	\$ -	-	\$ 5,919	52
Bai Ding Investment Co.	5,030	1	-	-	-	-	-	-	5,447	48
Ya Tung Department Stores	1,714	-	-	-	776	1	-	-	-	-
Oriental Securities Corporation	30	-	-	-	1,871	1	-	-	-	-
Yu Ming Advertising Agency Co.	168	-	-	-	-	-	-	-	-	-
Far Eastern Textile Ltd.	526	-	-	-	15,120	9	-	-	-	-
Asia Cement Corp.	73	-	3,950	-	6,890	4	-	-	-	-
Far Eastern International Bank	61	-	-	-	27	-	1,409	4	-	-
Far EastTone Telecommunication Co., Ltd.	247	-	-	-	11	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	214	-	-	-	-	-
Ding Ding Integrated Marketing Service	12,294	2	-	-	30,383	18	-	-	-	-
Far Eastern Apparel Co., Ltd.	9,262	2	-	-	59,336	35	-	-	-	-
Far Eastern General Contractor Inc.	-	-	313,798	5	-	-	-	-	-	-
Pacific Liu Tong Investment Co., Ltd.	466,168	(Note A) 88	-	-	-	-	-	-	-	-
Pacific Sogo Department Stores Co., Ltd.	21,230	4	-	-	411	-	-	-	-	-
Other	3,303	1	-	-	33	-	408	1	-	-
	<u>\$ 530,713</u>	<u>100</u>	<u>\$ 317,748</u>	<u>5</u>	<u>\$ 168,970</u>	<u>100</u>	<u>\$ 1,817</u>	<u>5</u>	<u>\$ 11,366</u>	<u>100</u>

(Continued)

Related Party	Accounts Receivable - Related Parties (Notes B and C)		Unfinished Construction		Accounts Payable - Related Parties		Deposits Received		Deferred Credits	
	Amount	% to	Amount	% to	Amount	% to	Amount	% to	Amount	% to
		Total		Total		Total		Total		Total
<u>2007</u>										
Far Eastern Geant Co., Ltd.	\$ 53,221	13	\$ -	-	\$ 19	-	\$ -	-	\$ 5,919	52
Far Eastern Hon Li Do Co., Ltd.	177	-	-	-	-	-	-	-	-	-
Bai Ding Investment Co.	11,699	3	-	-	866	1	-	-	5,447	48
Ya Tung Department Stores	2,637	1	-	-	505	1	-	-	-	-
Oriental Securities Corporation	35	-	-	-	1,990	2	-	-	-	-
Yu Ming Advertising Agency Co.	310	-	-	-	33	-	-	-	-	-
Far Eastern Textile Ltd.	198	-	-	-	8,530	7	-	-	-	-
Asia Cement Corp.	62	-	-	-	6,890	6	-	-	-	-
Far Eastern International Bank	129	-	-	-	22	-	1,409	3	-	-
Far EastTone Telecommunication Co., Ltd.	564	-	-	-	10	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	193	-	-	-	-	-
Ding Ding Integrated Marketing Service	9,341	2	-	-	25,986	24	-	-	-	-
Far Eastern Apparel Co., Ltd.	10,388	2	-	-	54,178	49	-	-	-	-
Far Eastern General Contractor Inc.	-	-	204,556	4	-	-	-	-	-	-
Pacific Liu Tong Investment Co., Ltd.	326,454	(Note A) 78	-	-	-	-	-	-	-	-
Pacific Sogo Department Stores Co., Ltd.	-	-	-	-	11,157	10	-	-	-	-
Other	4,822	1	-	-	111	-	408	1	-	-
	<u>\$ 420,037</u>	<u>100</u>	<u>\$ 204,556</u>	<u>4</u>	<u>\$ 110,490</u>	<u>100</u>	<u>\$ 1,817</u>	<u>4</u>	<u>\$ 11,366</u>	<u>100</u>

Note A: Mainly cash dividend receivables.

Note B: The balances of the Company's accounts receivable from and accounts payable to Far Eastern Geant Co., Ltd. and Pacific Sogo Department Stores Co., Ltd. mainly referred to the consignment and redemption of gift certificates and gift vouchers. The related issuance fee is based on an agreed rate and is received or paid monthly.

Note C: The balance of the Company's handling fee receivables on endorsements or guarantees provided to its subsidiaries were \$19,812 thousand and S\$46,441 thousand as of December 31, 2008 and December 31, 2007.

(Concluded)

## FAR EASTERN DEPARTMENT STORES, LTD. AND INVESTEEES

SUMMARY OF RELATED-PARTY TRANSACTIONS  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(In Thousands of New Taiwan Dollars)

Related Party	Sales (Note A)		Purchases (Note A)		Other Operating Revenue - Rental (Note B)		Operating Expenses (Note B)		Nonoperating Income and Gains - Other Income (Note C)		Nonoperating Expenses and Losses - Other Expenses		Payable to Affiliates							
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Highest Balance During the Year	Date of Highest Balance	Year-end Amount	Rate (%)	Interest Expense Amount	% to Total		
<b>2008</b>																				
Far Eastern Geant Co., Ltd.	\$ 2,898	-	\$ -	-	\$ -	-	\$ 124	-	\$ 5,486	4	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Far Eastern Hon Li Do Co., Ltd.	-	-	-	-	23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ya Tung Department Stores	17,268	-	-	-	-	-	902	-	4	-	-	-	-	-	-	-	-	-	-	-
Oriental Securities Corporation	2,661	-	-	-	-	-	-	-	-	-	7,394	8	-	-	-	-	-	-	-	-
FEDS Asia Pacific Development Co., Ltd.	-	-	-	-	-	-	230,771	7	3,729	3	-	-	-	-	-	-	-	-	-	-
Bai Yang Investment Co.	-	-	-	-	23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yu Ming Advertising Agency Co.	-	-	-	-	23	-	2,785	-	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	3,465	-	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Textile Ltd.	-	-	-	-	-	-	30,704	1	12,150	11	5	-	-	-	-	-	-	-	-	-
Asia Cement Corp.	-	-	-	-	-	-	87,204	2	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern International Bank	591	-	-	-	5,440	2	-	-	3,365	3	304	-	330,000	2008.9.30-2008.10.1	200,000	2.40-2.87	280	-	-	-
Far EasTone Telecommunications Co., Ltd.	-	-	-	-	2,413	1	772	-	-	-	-	-	-	-	-	-	-	-	-	-
Yuan Bo Asset Management Company	-	-	-	-	-	-	220	-	-	-	-	-	-	-	-	-	-	-	-	-
Ding Ding Integrated Marketing Service	80,204	1	-	-	-	-	21,178	1	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	18,704	-	171,053	1	36	-	12,196	-	-	-	1,594	2	-	-	-	-	-	-	-	-
Pacific Sogo Department Stores Co., Ltd.	19,236	-	-	-	-	-	115	-	32,065	28	14,063	15	-	-	-	-	-	-	-	-
Other	3,319	-	-	-	2,114	1	7,928	-	12,381	11	-	-	-	-	-	-	-	-	-	-
	<u>\$ 144,881</u>	<u>1</u>	<u>\$ 171,053</u>	<u>1</u>	<u>\$ 10,072</u>	<u>4</u>	<u>\$ 398,364</u>	<u>11</u>	<u>\$ 69,180</u>	<u>60</u>	<u>\$ 23,360</u>	<u>25</u>			<u>\$ 200,000</u>			<u>\$ 280</u>	<u>-</u>	
<b>2007</b>																				
Far Eastern Geant Co., Ltd.	\$ 1,297	-	\$ 479	-	\$ 34,064	12	\$ 395	-	\$ 8,828	8	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Far Eastern Hon Li Do Co., Ltd.	-	-	-	-	102	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-
Ya Tung Department Stores	11,108	-	-	-	-	-	643	-	8	-	-	-	-	-	-	-	-	-	-	-
Oriental Securities Corporation	802	-	-	-	2,198	1	-	-	-	-	7,344	9	-	-	-	-	-	-	-	-
FEDS Asia Pacific Development Co., Ltd.	-	-	-	-	-	-	229,014	7	3,561	3	-	-	-	-	-	-	-	-	-	-
Bai Yang Investment Co.	-	-	-	-	23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yu Ming Advertising Agency Co.	351	-	48,285	-	2,070	1	3,337	-	135	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	3,683	-	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Textile Ltd.	-	-	-	-	-	-	28,047	1	12,500	11	-	-	-	-	-	-	-	-	-	-
Asia Cement Corp.	130	-	-	-	-	-	87,203	2	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern International Bank	1,714	-	-	-	5,412	2	-	-	2,587	2	1	-	500,000	2007.6.15-2007.7.13	300,000	1.85-2.90	2,497	1	-	
Far EasTone Telecommunications Co., Ltd.	250	-	-	-	2,132	1	467	-	6	-	-	-	-	-	-	-	-	-	-	-
Yuan Bo Asset Management Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ding Ding Integrated Marketing Service	16,955	-	-	-	-	-	22,352	1	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	15,395	-	174,502	1	47	-	11,141	-	-	-	1,551	2	-	-	-	-	-	-	-	-
Pacific Sogo Department Stores Co., Ltd.	12,631	-	-	-	-	-	125	-	18,434	16	393	1	-	-	-	-	-	-	-	-
Other	1,051	-	-	-	2,074	1	7,362	-	14,476	12	1,091	1	-	-	-	-	-	-	-	-
	<u>\$ 61,684</u>	<u>-</u>	<u>\$ 223,266</u>	<u>1</u>	<u>\$ 48,122</u>	<u>18</u>	<u>\$ 393,769</u>	<u>11</u>	<u>\$ 60,704</u>	<u>52</u>	<u>\$ 10,380</u>	<u>13</u>			<u>\$ 300,000</u>			<u>\$ 2,497</u>	<u>1</u>	

Note A: Sales to and purchases from related parties were under normal terms.

Note B: The rent pertaining to related parties is based on market rates and is received or paid monthly or yearly.

Note C: The handling fee revenue was calculated at 0.4% of the endorsement or guarantee used by each subsidiary. This rate was based on the prevailing handling fee rates of banks.



## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED  
 YEAR ENDED DECEMBER 31, 2008  
 (In Thousands of New Taiwan Dollars)

No.	Lender	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Nature of Financing	Amount of Sales to (Purchases from) Counter-party	Reason of Financing	Allowance of Doubtful Accounts	Collateral		Limit of Financing Amount for Individual Counter-party	Limit of Total Financing Amount
											Item	Value		
1	Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Other receivables	\$ 435,000	\$ -	3.4-3.7429%	(Note A)	\$ -	Transaction	\$ -	-	\$ -	\$ 2,428,422 (Note B)	\$ 2,428,422 (Note B)

Note A: Short-term financing

Note B: 40% of the financing company's net worth

Note C: The investment amount of Lian Ching Investment Co. and Pacific Sogo Investment Co. had been written off to zero, and their liabilities would not be undertaken by the company. Thus, their accounts are excluded from the financial statements.

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED  
YEAR ENDED DECEMBER 31, 2008  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Counter-party		Limits on the Amount that Can be Endorsed/ Guaranteed by Each	Highest Balance for the Period (Note H)	Ending Balance (Note H)	Value of Property, Plant, or Equipment Used as Collateral	Ratio of Accumulated Amount of Collateral to Net Equity Based on the Latest Financial Statement of the Endorser/Guarantor	Maximum Collateral/ Guarantee Amounts Allowable	
		Name	Nature of Relationship of the Company (Note A)							
0	Far Eastern Department Stores, Ltd. (the "Company")	Pacific Sogo Department Stores Co., Ltd	d.	\$ 12,387,617 (Note B)	\$ 7,101,149	\$ 6,689,456	\$ -	32	\$ 20,646,029 (Note C)	
		Bai Ding Investment Co.	a.	12,387,617 (Note B)	3,900,000	3,700,000	-	18	20,646,029 (Note C)	
		Far Eastern Geant Co., Ltd.	a.	12,387,617 (Note B)	3,725,000	2,958,000	-	14	20,646,029 (Note C)	
		Feds Asia Pacific Development Ltd.	d.	12,387,617 (Note B)	1,600,000	1,600,000	-	8	20,646,029 (Note C)	
		Tianjin FEDS Limits., Co.	d.	12,387,617 (Note B)	724,424	668,884	-	3	20,646,029 (Note C)	
						(RMB151,300,000)	(RMB139,700,000)			
		Far Eastern CitySuper Ltd.	a.	12,387,617 (Note B)	450,000	385,000	-	2	20,646,029 (Note C)	
		Yu Ming Advertising Agency Co.	a.	12,387,617 (Note B)	200,000	100,000	-	-	20,646,029 (Note C)	
		Far Eastern Hon Li Do Co., Ltd.	a.	12,387,617 (Note B)	80,000	-	-	-	20,646,029 (Note C)	
		Bai Yang Investment Co.	a.	12,387,617 (Note B)	80,000	50,000	-	-	20,646,029 (Note C)	
1	Yu Ming Advertising Agency Co.	Pacific Sogo Department Stores Co., Ltd.	c.	38,032 (Note B)	333	333	-	1	63,386 (Note C)	
2	Bai Ding Investment Co.	Pacific Sogo Department Stores Co., Ltd.	c.	1,846,048 (Note B)	208,458	208,458	-	7	3,076,747 (Note C)	
3	Bai Yang Investment Co.	Pacific Sogo Department Stores Co., Ltd.	c.	4,914,577 (Note B)	41,292	41,292	-	1	8,190,962 (Note C)	
4	Feds Asia Pacific Development Ltd.	Pacific Sogo Department Stores Co., Ltd.	c.	1,330,133 (Note B)	41,292	41,292	-	2	2,216,889 (Note C)	
5	Feds New Century Development Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	c.	121,733 (Note B)	41,292	41,292	-	20	202,889 (Note C)	
6	Far Eastern Hon Li Do Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	c.	11,927 (Note B)	2,997	2,997	-	15	19,878 (Note C)	
7	Ya Tung Department Stores, Ltd.	Pacific Sogo Department Stores Co., Ltd.	c.	59,573 (Note C)	22,977	22,977	-	39	119,146 (Note D)	
8	Feds Development (BVI) Ltd.	Tianjin FEDs Limits., Co.	a.	376,092 (Note C)	134,064 (RMB28,000,000)	134,064 (RMB28,000,000)	-	36	752,185 (Note D)	
9	Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	a.	30,355,270 (Note E)	11,675,000	2,515,000	-	41	60,710,540 (Note F)	
10	Pacific Sogo Department Stores Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	a.	12,581,976 (Note D)	700,000	700,000	-	11	25,163,952 (Note G)	
		Taiwan Chong-Guang Ltd.	e.	12,581,976 (Note D)	164,297	94,297	-	1	25,163,952 (Note G)	
		Hong-Tong Comprehensive Commercial Developing Co., Ltd.	e.	12,581,976 (Note D)	4,000,000	3,892,000	-	62	25,163,952 (Note G)	
		Far Eastern Department Stores, Ltd.	f.	12,581,976 (Note D)	2,002,533	1,363,311	-	22	25,163,952 (Note G)	
		Pacific China Holdings Ltd.	d.	12,581,976 (Note D)	1,699,040	1,451,072	-	23	25,163,952 (Note G)	
				(US\$51,800,000)	(US\$44,240,000) (Note I)					

Note A:

- Company's subsidiary.
- Investee of Company's subsidiary.
- Subsidiary of the Company and its subsidiaries.
- Investee of subsidiary of the Company's subsidiary.
- Business transactions.
- Investee of subsidiary of parent company.
- Parent company.

(Continued)

Note B: The amount is 60% of net assets based on the latest financial statements of the endorser/guarantor.

Note C: The maximum is 100% of net assets based on the latest financial statements of the endorser/guarantor.

Note D: The amount is 200% of net assets based on the latest financial statements of the endorser/guarantor.

Note E: The amount is 500% of net assets based on the latest financial statements of the endorser/guarantor.

Note F: The amount is 1,000% of net assets based on the latest financial statements of the endorser/guarantor.

Note G: The amount is 400% of net assets based on the latest financial statements of the endorser/guarantor.

Note H: The endorsement or guarantee amounts of contracts or notes for Pacific Sogo Department Stores Co., Ltd. ("Sogo") for issuing credit cards in alliance with Cathay United Bank was based on the percentage of ownership of Sogo by Pacific Liu Tong Investment Company, FEDS, Bai Ding Investment Co., Bai Yang Investment Co., Far Eastern Hon Li Do Co., Ltd., Feds Asia Pacific Development Ltd., Feds New Century Development Co., Ltd., Yu Ming Advertising Agency Co. and Ya Tung Department Store Ltd.

Note I: Pacific Sogo Department Stores Co., Ltd. guaranteed for Pacific China Holdings Ltd., which applied an amendment of letter of credit to guarantee for the loans of Chongqing Pacific Consultant & Management Co., Ltd.

Note J: The investment amount of Lian Ching Investment Co., Ltd. and Pacific Sogo Investment Co., Ltd. had been written off to zero, and their liabilities would not be undertaken by the company. Thus, their accounts are excluded from the financial statements.

(Concluded)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2008

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Securities Type and Issuer Name	Relationship with the Investor Company (Note A)	Financial Statement Account	December 31, 2008				Note	
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value		
Far Eastern Department Stores, Ltd. (FEDS)	<u>Stock</u> Bai Yang Investment Co.	b	Investments accounted for by the equity method	652,991	\$ 8,157,622	100	\$ 8,190,962 (Note D)	83,200 thousand shares of Oriental Securities Corporation pledged for loans of the investor company	
	Bai Ding Investment Co.	b	Investments accounted for by the equity method	96,735	1,916,336	67	2,050,843 (Note D)		
	Oriental Securities Corporation	a	Investments accounted for by the equity method	140,297	1,665,693	20	1,665,693 (Note D)		
	Pacific Liu Tong Investment Co., Ltd.	b	Investments accounted for by the equity method	140,867	2,153,911	35	2,132,695 (Note D)		
	Far Eastern Geant Co., Ltd.	b	Investments accounted for by the equity method	167,160	1,620,761	100	1,191,622 (Note D)		
	Feds Development (BVI) Ltd.	b	Investments accounted for by the equity method	218	286,189	76	286,189 (Note D)		
	Yu Ming Advertising Agency Co.	b	Investments accounted for by the equity method	6,500	63,386	100	63,386 (Note D)		
	Far Eastern CitySuper Ltd.	b	Investments accounted for by the equity method	44,830	124,436	90	138,869 (Note D)		
	Ya Tung Department Stores, Ltd.	b	Investments accounted for by the equity method	13,000	59,573	100	59,573 (Note D)		
	Ding Ding Integrated Marketing Service	a	Investments accounted for by the equity method	3,000	2,900	10	2,900 (Note D)		
	Asians Merchandise Company	b	Investments accounted for by the equity method	950	3,999	100	3,999 (Note D)		
	Far Eastern Hon Li Do Co., Ltd.	b	Investments accounted for by the equity method	3,330	5,596	56	11,032 (Note D)		
	Asia Cement Corp.	i	Available-for-sale financial assets - noncurrent	52,793	964,657 (Note F)	2	1,501,956 (Note B)		45,000 thousand shares of Asia Cement Corp. pledged for loans of the investor company
	Far Eastern Textile Co., Ltd.	f	Available-for-sale financial assets - noncurrent	17,044	123,679 (Note F)	-	357,931 (Note B)		
	Far Eastern International Bank	c	Available-for-sale financial assets - current	23,099	179,771 (Note F)	1	131,662 (Note B)		
	Kaohsiung M.R.T.	-	Financial assets carried at cost	10,000	97,465	1	70,473 (Note E)		
	Far Eastern Finance & Leasing Corp.	-	Financial assets carried at cost	7,309	62,560	9	71,093 (Note D)		
	Yuan Ding Co., Ltd.	i	Financial assets carried at cost	3	10	-	53 (Note D)		
Bai Ding Investment Co.	<u>Stock</u> Oriental Securities Corporation	a	Investments accounted for by the equity method	97,116	1,153,022	14	1,153,022 (Note D)	22,030 thousand shares of Oriental Securities Co., Ltd. pledged for loans of the investor company	
	Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	50,125	780,168	13	758,882 (Note D)		
	Far Eastern International Leasing Corp.	a	Investments accounted for by the equity method	19,360	306,441	5	262,369 (Note D)		

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Investor Company (Note A)	Financial Statement Account	December 31, 2008				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Pacific Sogo Department Stores Co., Ltd.	a	Investments accounted for by the equity method	4,914	\$ 86,163	1	\$ 86,163 (Note D)	
	Yue Ming Co.	a	Investments accounted for by the equity method	1,102	39,352	47	39,352 (Note D)	
	Far Eastern Hon Li Do Co., Ltd.	a	Investments accounted for by the equity method	2,670	8,846	44	8,846 (Note D)	
	Far Eastern Department Stores, Ltd.	e	Available-for-sale financial assets - current	17,473	253,535 (Note F)	1	325,000 (Note B)	
	Asia Cement Corp.	i	Available-for-sale financial assets - noncurrent	58,885	1,056,778 (Note F)	2	1,675,292 (Note B)	7,700 thousand shares of Asia Cement Corp. pledged for loans of the investor company
	Far Eastern Textile Co., Ltd.	i	Available-for-sale financial assets - noncurrent	30,686	508,140 (Note F)	1	644,399 (Note B)	25,000 thousand shares of Far Eastern Textile Co., Ltd. pledged for loans of the investor company
	New Century Infocom Tech., Co., Ltd.	i	Financial assets carried at cost	37,524	271,863	1	277,805 (Note D)	28,084 thousand shares of New Century InfoCom Tech., Co., Ltd. pledged for loans of the investor company
	Chung-Nan Textile Co., Ltd.	-	Financial assets carried at cost	2,984	81,390	5	115,492 (Note E)	
	Ding Ding Management Consultants Co., Ltd.	-	Financial assets carried at cost	216	11,817	5	2,824 (Note D)	
	Yue Ding Industry Co., Ltd.	-	Financial assets carried at cost	1,000	10,000	2	7,933 (Note D)	
	Ya Tung Securities Investment Advisory Co., Ltd.	-	Financial assets carried at cost	1	10	-	11 (Note D)	
Feds Asia Pacific Development Co., Ltd.	<u>Stock</u> Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	9,900	171,168	2	149,884 (Note D)	
Feds New Century Development Co., Ltd.	<u>Stock</u> Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	9,900	171,168	2	149,884 (Note D)	
Feds Development (BVI) Ltd.	<u>Stock</u> Tianjin FEDS Limits., Co.	a	Other liabilities	-	( 112,693)	49	(112,693) (Note D)	
	Shanghai Bai Ding Business Management Consulting Co., Ltd.	b	Investments accounted for by the equity method	-	44,429	100	44,429 (Note D)	
	Chongqing Far East Department Store	b	Investments accounted for by the equity method	-	136,796	100	134,203 (Note D)	
	Kowloon Cement Corp., Ltd.	-	Financial assets carried at cost	46	9,646	2	15,632 (Note E)	
	Millennium Microtech Holding Corporation	-	Financial assets carried at cost	43	524	-	- (Note E)	
Bai Yang Investment Co.	<u>Stock</u> Pacific China Holdings Co., Ltd.	a	Investments accounted for by the equity method	7,600	2,768,832	40	3,340,784 (Note D)	
	Far Eastern International Leasing Corp.	a	Investments accounted for by the equity method	115,433	1,564,807	29	1,564,742 (Note D)	
	Feds Asia Pacific Development Ltd.	b	Investments accounted for by the equity method	140,000	1,554,869	70	1,551,822 (Note D)	
	Bai Ding Investment Co.	a	Investments accounted for by the equity method	48,390	1,002,152	33	1,025,913 (Note D)	
	Feds New Century Development Co., Ltd.	b	Investments accounted for by the equity method	13,800	203,218	100	202,889 (Note D)	
	Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	9,900	171,168	2	149,884 (Note D)	
	Feds Development (BVI) Ltd.	a	Investments accounted for by the equity method	68	89,904	24	89,904 (Note D)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Investor Company (Note A)	Financial Statement Account	December 31, 2008				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Far Eastern International Bank	-	Available-for-sale financial assets - current	18,854	\$ 290,376 (Note F)	1	\$ 107,468 (Note B)	Stocks of New Century Infocomm Tech., Co., Ltd. pledged for loans by investor company
	Asia Cement Corp.	j	Available-for-sale financial assets - noncurrent	3,320	57,644 (Note F)	-	94,443 (Note B)	
	Far Eastern Textile Co., Ltd.	j	Available-for-sale financial assets - noncurrent	1,892	27,659 (Note F)	-	39,739 (Note B)	
	New Century Infocom Tech., Co., Ltd.	j	Financial assets carried at cost	17,314	125,438	-	128,182 (Note D)	
	Ya Tung Securities Investment Advisory Co., Ltd.	-	Financial assets carried at cost	1	10	-	11 (Note D)	
	<u>Beneficiary certificate</u> DWS Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	39,603	438,039 (Note F)	-	441,367 (Note C)	
Ya Tung Department Stores	<u>Stock</u> Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	5,500	95,091	1	83,269 (Note D)	
Yu Ming Advertising Agency Co.	<u>Stock</u> Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	100	290	-	1,513 (Note D)	
	Asia Cement Corp.	k	Available-for-sale financial assets - noncurrent	1,298	20,176 (Note F)	-	36,938 (Note B)	
	<u>Beneficiary certificate</u> DWS Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	2,244	25,000 (Note F)	-	25,009 (Note C)	
Far Eastern Hon Li Do Co., Ltd.	<u>Stock</u> Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	700	10,598	-	10,598 (Note D)	
	<u>Beneficiary certificate</u> DWS Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	898	10,000 (Note F)	-	10,005 (Note C)	
Pacific Liu Tong Investment Co.	<u>Stock</u> Pacific Sogo Department Stores Co., Ltd.	b	Investments accounted for by the equity method	284,153	6,571,688	79	4,944,719 (Note D)	71,500 thousand shares of Pacific Sogo Department Store Co. pledged for loans or bonds issued by investor company
	<u>Beneficiary certificate</u> DWS Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	65,590	730,000 (Note F)	-	730,982 (Note C)	
Pacific Sogo Department Stores Co., Ltd.	<u>Stock</u> ASUSTek Computer Inc.	-	Financial assets at fair value through profit or loss - current	378	49,612 (Note F)	-	13,915 (Note B)	
	CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss - current	510	29,401 (Note F)	-	2,637 (Note B)	
	China Development Financial Holding Co.	-	Financial assets at fair value through profit or loss - current	568	23,133 (Note F)	-	4,108 (Note B)	
	Quanta computer Inc.	-	Financial assets at fair value through profit or loss - current	196	14,921 (Note F)	-	6,773 (Note B)	
	Pacific Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	6,849	14,315 (Note F)	1	13,904 (Note B)	
	DBTEL Inc.	-	Financial assets at fair value through profit or loss - current	40	971 (Note F)	-	59 (Note B)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Investor Company (Note A)	Financial Statement Account	December 31, 2008				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Pacific Liu Tong Investment Co., Ltd.	-	Financial assets carried at cost	400	\$ 4,019	-	\$ 6,238 (Note D)	
	Pacific Securities Co., Ltd.	-	Financial assets carried at cost	20,279	81,116	5	147,212 (Note E)	
	E-Shou Hi-tech Co., Ltd.	-	Financial assets carried at cost	18,300	-	15	- (Note E)	
	Tain Yuan Investment Co., Ltd.	-	Financial assets carried at cost	98,000	-	20	- (Note E)	
	PURETEK Corp.	-	Financial assets carried at cost	119	-	-	-	
	Invenpec Besta Co., Ltd.	-	Available-for-sale financial assets - current	4	99	-	74 (Note B)	
	Oriental Union Chemical Co., Ltd.	-	Available-for-sale financial assets - current	900	15,655 (Note F)	-	12,420 (Note B)	
	U-Ming Marine Transport Corporation	-	Available-for-sale financial assets - current	300	17,477 (Note F)	-	11,790 (Note B)	
	Pacific China Holdings (HK) Co., Ltd.	b	Investments accounted for by the equity method	11,400	5,011,176	60	5,011,176 (Note D)	
	Pacific Department Store Co., Ltd.	a	Investments accounted for by the equity method	30,726	286,937	26	353,140 (Note E)	
	Lian Ching Investment Co., Ltd.	b	Investments accounted for by the equity method	26,764	-	50	- (Note E)	
	Pacific 88 Co., Ltd.	a	Investments accounted for by the equity method	85	-	24	- (Note E)	
	Pacific Venture Investment Ltd.	a	Investments accounted for by the equity method	100,000	-	48	- (Note E)	
	Sogo Department Store Co., Ltd.	a	Investments accounted for by the equity method	7,120	-	34	- (Note E)	
	Pacific Sogo Investment Co., Ltd.	b	Investments accounted for by the equity method	99,990	-	100	- (Note E)	
	Ding Ding Integrated Marketing Service	a	Investments accounted for by the equity method	3,000	2,900	10	2,900 (Note D)	
	<u>Beneficiary certificate</u>							
	The First Global Investment Trust OTC Equity Fund	-	Financial assets at fair value through profit or loss - current	1,000	10,000 (Note F)	-	4,610 (Note C)	
	First Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	500	11,008 (Note F)	-	3,530 (Note C)	
	HSBC Taiwan MID & Small Cap Fund	-	Financial assets at fair value through profit or loss - current	726	7,277 (Note F)	-	3,113 (Note C)	
	Fubon Elite Fund	-	Financial assets at fair value through profit or loss - current	2,000	20,060 (Note F)	-	8,120 (Note C)	
	HSBC Taiwan Growth Fund	-	Financial assets at fair value through profit or loss - current	511	10,029 (Note F)	-	6,767 (Note C)	
	DWS Taiwan Flagship Security Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	150	1,507 (Note F)	-	1,389 (Note C)	
	HSBC Trinity Balanced Fund	-	Financial assets at fair value through profit or loss - current	900	9,027 (Note F)	-	9,316 (Note C)	
	HSBC New Japan Fund of Funds	-	Financial assets at fair value through profit or loss - current	994	9,966 (Note F)	-	6,667 (Note C)	
	HSBC Global Emerging Markets Equity Fund	-	Financial assets at fair value through profit or loss - current	1,011	10,138 (Note F)	-	7,409 (Note C)	
Pacific China Holdings (HK) Co., Ltd.	<u>Stock</u> Pacific China Holdings Ltd.	b	Investments accounted for by the equity method	19,000	8,351,959	100	3,043,120 (Note D)	
Pacific China Holdings Ltd.	<u>Stock</u> Shanghai Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	863,093	73	863,093 (Note D)	
	Chengdu Shangxia Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	608,893	100	608,893 (Note D)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Investor Company (Note A)	Financial Statement Account	December 31, 2008				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	\$ 110,482	100	\$ 110,482 (Note D)	
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	420,158	100	420,158 (Note D)	
	Beijing Xidan Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	192,088	55	192,088 (Note D)	
	Chongqing Pacific Consultant & Management Co., Ltd.	b	Investments accounted for by the equity method	-	1,342,250	100	1,342,250 (Note D)	
	Shanghai Pacific Business Management Consulting Co., Ltd.	a	Investments accounted for by the equity method	-	6,960	49	6,960 (Note D)	
	Bai-Fa China Holdings (HK) Co., Ltd.	b	Investments accounted for by the equity method	2	-	100	- (Note E)	
	Taiwan Ocean Farming Corp.	-	Financial assets carried at cost	2,250	73,800	15	73,800 (Note E)	
	Oversea Development Corp.	-	Financial assets carried at cost	2,250	73,800	15	73,800 (Note E)	
Chongqing Pacific Consultant & Management Co., Ltd.	<u>Stock</u> Chengdu Baiyang Industry Co., Ltd.	a	Investments accounted for by the equity method	-	2,406,778	33	363,343 (Note D)	
	Dalian Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	6,541	100	5,957 (Note D)	
	Chongqing Liyang Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	-	100	(199,375) (Note D)	
	Tianjin FEDS Limits., Co.	b	Investments accounted for by the equity method	-	(115,005)	51	(115,005) (Note D)	

- Note A:
- Equity-method investee.
  - Subsidiary.
  - Same director.
  - A director of FEDS is one of its directors.
  - Parent company.
  - Equity-method investor.
  - Its director related by consanguinity to FEDS's director.
  - Cost-method investee.
  - Same Chairman of the Board of Directors.
  - Its director and the director of Bai Yang Investment Co. are relatives.
  - Its director and the director of Yu Ming Advertising Agency Co. are relatives.

Note B: The market values of the investment were determined at the closing price in December 31, 2008.

Note C: The market values of the investment were determined at the net asset value of the mutual funds on the last trading day in December 2008.

Note D: The market values of the investment were based on audited financial statements for the year ended December 31, 2008.

Note E: The market values of the investments were based on unaudited financial statements for the year ended December 31, 2008.

Note F: The carrying amount of financial assets at fair value through profit or loss and available-for-sale assets were the original carrying amount without adjusting to the market value.

Note G: Bai-Fa China Holdings (HK) Co., Ltd. was set up by Pacific China Holdings Co., Ltd. for US\$2 thousand in December 2008. The investment had not been remitted.

Note H: The investment amount of Lian Ching Investment Co. and Pacific Sogo Investment Co. had been written off to zero, and their liabilities would not be undertaken by the company. Thus, their accounts are excluded from the financial statements.

(Concluded)



## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 YEAR ENDED DECEMBER 31, 2008  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Issuer/Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares (Thousands)	Amount (Note L)
Far Eastern Department Stores, Ltd. (FEDS)	<u>Stock</u> Asia Cement Corp.	Available-for-sale financial assets - noncurrent	-	-	54,134	\$ 1,048,504	2,988 (Note A)	\$ -	4,329	\$ 240,235	\$ 83,847	\$ 156,388	52,793	\$ 964,657
	Far Eastern Geant Co., Ltd.	Investments accounted for by the equity method	-	-	167,160	1,324,335	76,000	296,426 (Note B)	76,000 (Note C)	-	-	-	167,160	1,620,761
	Ya Tung Department Stores, Ltd.	Investments accounted for by the equity method	-	-	13,000	36,265	10,000	23,308 (Note D)	10,000 (Note C)	-	-	-	13,000	59,573
	Far Eastern CitySuper Ltd.	Investments accounted for by the equity method	-	-	39,780	11,076	28,000	113,360 (Note E)	22,950 (Note C)	-	-	-	44,830	124,436
Bai Yang Investment Co.	<u>Stock</u> Far Eastern International Leasing Corp.	Investments accounted for by the equity method	-	-	104,196	1,539,206	11,237 (Note F)	25,601 (Note G)	-	-	-	-	115,433	1,564,807
	Pacific China Holdings (HK) Co.,	Investments accounted for by the equity method	-	-	-	-	7,600	2,768,832 (Note H)	-	-	-	-	7,600	2,768,832
	<u>Beneficiary certificate</u> DWS Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	26,136	282,034	51,660	570,807	38,193	420,819	414,802	6,017	39,603	438,039
Bai Ding Investment Co.	<u>Stock</u> Far Eastern Department Stores, Ltd.	Available-for-sale financial assets - current	-	-	28,770	438,326	832 (Note A)	-	12,129	592,737	184,791	407,946	17,473	253,535
	Far Eastern Textile Co., Ltd.	Available-for-sale financial assets - noncurrent	-	-	25,790	334,564	8,746 (Note I)	223,521	3,850	185,474	49,945	135,529	30,686	508,140
Pacific Liu Tong Investment Co., Ltd.	<u>Beneficiary certificate</u> DWS Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	65,590	730,000	-	-	-	-	65,590	730,000
Chongqing Pacific Consultant & Management Co., Ltd.	<u>Stock</u> Chengdu Baiyang Industry Co., Ltd.	Investments accounted for by the equity method	-	-	-	-	-	2,406,778 (Note J)	-	-	-	-	-	2,406,778
	Tianjin FEDS Limits., Co.	Investments accounted for by the equity method	-	-	-	-	-	(115,005) (Note K)	-	-	-	-	-	(115,005)

Note A: The amount represented as stock dividend.

Note B: The amount included (a) a subscription for additional shares for cash amounting to \$760,000 thousand; (b) equity of \$469,337 thousand in losses; and (c) unrecognized net losses of \$5,763 thousand not recognized as pension cost.

Note C: The outstanding shares decreased because of capital reduction.

Note D: The amount included (a) a subscription for additional shares for cash amounting to \$100,000 thousand; (b) equity of \$76,988 thousand in losses; and (c) an increase of \$1,805 thousand in cumulative translation adjustments; and (d) a decrease of capital surplus \$1,411 thousand. (e) an unrealized loss of \$98 thousand on the valuation of financial instruments.

Note E: The amount included (a) a subscription for additional shares for cash amounting to \$280,000 thousand; (b) equity of \$139,593 thousand in losses; and (c) adjustment amounting to (\$27,047) thousand to capital surplus because of nonproportional subscription for an investee's newly issued shares.

Note F: The amount included (a) a subscription for additional shares for cash amounting to \$8,966 thousand; (b) stock dividend 2,271 thousand shares

Note G: The amount included (a) a subscription for additional shares for cash amounting to \$107,588 thousand; (b) equity of \$1,388 thousand in gain; and (c) an increase of \$115 thousand in cumulative translation adjustments; and (d) an unrealized loss of \$86,404 thousand on the valuation of financial instruments; and (e) unrecognized net losses of \$3 thousand not recognized as pension cost; and (f) an increase of capital surplus \$3,141 thousand.

Note H: The amount included (a) the payment of \$2,442,344 thousand for share acquisition; (b) equity of \$161,822 thousand in gain; and (c) a decrease of capital surplus \$87,228 thousand; and (d) an increase of \$251,894 thousand in cumulative translation adjustments

Note I: The amount included (a) stock dividend 491 thousand shares; (b) the payment of \$223,521 thousand for 8,255 thousand shares.

Note J: The amount included (a) RMB 50,000 thousand of investment; (b) equity of RMB 471 thousand in gain;

Note K: The amount included (a) a subscription for additional shares for cash amounting to RMB34,149 thousand; and (b) equity of RMB8,804 thousand in losses; and (c) a decrease of capital surplus RMB49,266 thousand.

Note L: The carrying amount of financial assets at fair value through profit or loss and available-for-sale assets were the original carrying amount without adjusting to the market value.

Note M: The investment amount of Lian Ching Investment Co. and Pacific Sogo Investment Co. had been written off to zero, and their liabilities would not be undertaken by the company. Thus, their accounts are excluded from the financial statements.

**FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE CAPITAL STOCK**

**YEAR ENDED DECEMBER 31, 2008**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts (Payable) or Receivable		
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Subject	Ending Balance	% to Total
Pacific Sogo Department Stores Co., Ltd.	Far Eastern CitySuper, Ltd.	The ultimate parent company's subsidiary	Purchase	469,745	1.81	10-45 days	-	-	Accounts payable	\$ (17,769)	
Far Eastern CitySuper, Ltd.	Pacific Sogo Department Stores Co., Ltd.	The ultimate parent company's subsidiary	Sale	(469,745)	(63)	10-45 days	-	-	Accounts receivable	17,769	88

Note: The investment amount of Lian Ching Investment Co., Ltd. and Pacific Sogo Investment Co., Ltd. had been written off to zero, and their liabilities would not be undertaken by the company. Thus, their accounts are excluded from the financial statements.

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2008

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Far Eastern Department Stores, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Equity-method investee	\$ 466,168 (Note A)	-	\$ -	-	\$ 1,307	\$ -
Bai Ding Investment Co.	Pacific Liu Tong Investment Co., Ltd.	Equity-method investee	165,853 (Note A)	-	-	-	440	-
Pacific Sogo Department Stores Co., Ltd.	Pacific 88 Co., Ltd.	Equity-method investee	238,655	-	238,655	Collection expedited	-	220,538
	Pacific Sogo Investment Co., Ltd.	Equity-method investee	534,323	-	534,323	Collection expedited	-	534,323

Note A: This balance refers to the cash dividend receivable.

Note B: The investment amount of Lian Ching Investment Co., Ltd. and Pacific Sogo Investment Co., Ltd. had been written off to zero, and their liabilities would not be undertaken by the company. Thus, their accounts are excluded from the financial statements.

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 YEAR ENDED DECEMBER 31, 2008  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products of the Investee Company	Investment Amount		Balance as of December 31, 2008			Net Income (Loss) of the Investee	Equity in Net Income (Net Loss) (Note B)	Note A
				Dec. 31, 2008	Dec. 31, 2007	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Far Eastern Department Stores, Ltd.	Bai Yang Investment Co.	Taipei City, R.O.C.	Investment	\$ 5,422,181	\$ 5,422,181	652,991	100	\$ 8,157,622	\$ 323,868	\$ 323,531	b
	Oriental Securities Corporation	Taipei City, R.O.C.	Securities brokerage	143,652	143,652	140,297	20	1,665,693	(1,752,653)	(348,605)	a
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	1,764,210	1,764,210	140,867	35	2,153,911	870,732	310,575	b
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	33,357	33,357	96,735	67	1,916,336	517,049	(175,270)	b
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	1,570,901	1,487,083	167,160	100	1,620,761	(469,337)	(469,337)	b
	Feds Department (BVI) Ltd.	British Virgin Island	Investment	125,058	125,058	218	76	286,189	(54,250)	(41,282)	b
	Ya Tung Department Stores, Ltd.	Taipei City, R.O.C.	Department store	128,907	125,262	13,000	100	59,573	(76,988)	(76,988)	b
	Yu Ming Advertising Agency Co.	Taipei City, R.O.C.	Advertising and importation of certain merchandise	60,000	60,000	6,500	100	63,386	13,458	13,458	b
	Far Eastern CitySuper Ltd.	Taipei City, R.O.C.	Shopping mall	448,300	397,800	44,830	90	124,436	(139,593)	(139,593)	b
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	40,278	40,278	3,330	56	5,596	1,591	1,080	b
	Ding Ding Integrated Marketing Service	Taipei City, R.O.C.	Marketing	30,000	30,000	3,000	10	2,900	(91,562)	(9,147)	a
	Asian Merchandise Company	U.S.A.	Trading	5,316	5,316	950	100	3,999	69	69	b
	Bai Ding Investment Co.	Oriental Securities Corporation	Taipei City, R.O.C.	Securities brokerage	163,563	163,563	97,116	14	1,153,022	(1,752,653)	
Pacific Liu Tong Investment Co., Ltd.		Taipei City, R.O.C.	Investment	658,129	658,129	50,125	13	780,168	870,732		b
Far Eastern International Leasing Corp.		Taipei City, R.O.C.	Leasing	273,044	255,000	19,360	5	306,441	8,063		a
Pacific Sogo Department Stores Co., Ltd.		Taipei City, R.O.C.	Department store	33,490	33,490	4,914	1	86,163	1,166,476		c
Yu Ming Co.		Taipei City, R.O.C.	Importation of certain merchandise	21,291	21,291	1,102	47	39,352	9,016		a
Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	28,672	28,672	2,670	44	8,846	1,591		b	
Feds Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	99,000	99,000	9,900	2	171,168	870,732		b
Feds New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	99,000	99,000	9,900	2	171,168	870,732		b
Feds Development (BVI) Ltd.	Tianjin FEDS Limits., Co.	Mainland China	Department store	160,720	160,720	-	49	(112,693)	(154,651)		c
	Shanghai Bai Ding Business Management Consulting Co., Ltd.	Mainland China	Consulting service	3,280	3,280	-	100	44,429	20,194		c
	Chongqing Far Eastern Department Store	Mainland China	Department store	98,355	-	-	100	136,796	83,334		c
Bai Yang Investment Co.	Feds Asia Pacific Development Ltd.	Taipei City, R.O.C.	Shopping mall	1,522,761	1,522,761	140,000	70	1,554,869	126,275		c
	Far Eastern International Leasing Corp.	Taipei City, R.O.C.	Leasing	1,388,157	1,280,569	115,433	29	1,564,807	8,063		a
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	577,457	577,457	48,390	33	1,002,152	517,049		b
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	185,272	185,272	13,800	100	203,218	22,295		c
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	99,000	99,000	9,900	2	171,168	870,732		b
	Feds Development (BVI) Ltd.	British Virgin Island	Investment	123,778	123,778	68	24	89,904	(54,250)		b
	Pacific China Holdings (HK) Co., Ltd.	Hong Kong	Investment	2,442,344	-	7,600	40	2,768,832	516,403		c
Ya Tung Department Stores	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	55,000	55,000	5,500	1	95,091	870,732		b
Yu Ming Advertising Agency Co.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	1,200	1,200	100	-	290	870,732		b
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	8,400	8,400	700	-	10,598	870,732		b
Pacific Liu Tong Investment Co.	Pacific Sogo Department Stores Co., Ltd.	Taipei City, R.O.C.	Department store	4,469,904	4,469,904	284,153	79	6,571,688	1,166,476		c
Pacific Sogo Department Stores Co., Ltd.	Sogo Department Store Co., Ltd.	Taipei City, R.O.C.	Credit card business	32,984	32,984	7,120	34	-	-		d
	Pacific Department Store Co., Ltd.	Taipei City, R.O.C.	Department store	525,000	525,000	30,726	26	286,937	280,226		d
	Pacific 88 Co., Ltd.	Taipei City, R.O.C.	Clothing, restaurant	19,900	19,900	85	24	-	-		d
	Pacific Sogo Investment Co., Ltd.	Taipei City, R.O.C.	Investment	999,900	999,900	99,990	100	-	-		c

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products of the Investee Company	Investment Amount		Balance as of December 31, 2008			Net Income (Loss) of the Investee	Equity in Net Income (Net Loss) (Note B)	Note A
				Dec. 31, 2008	Dec. 31, 2007	Shares (Thousands)	Percentage of Ownership	Carrying Value			
	Pacific Venture Investment Ltd.	Hong Kong	Investment	\$ 357,050	\$ 357,050	100,000	48	\$ -	\$ -	d	
	Lian Ching Investment Co., Ltd.	Taipei City, R.O.C.	Investment	270,641	270,641	26,764	50	-	-	c	
	Ding Ding Integrated Marketing Service	Taipei City, R.O.C.	Marketing	30,000	30,000	3,000	10	2,900	(91,562)	d	
	Pacific China Holdings (HK) Co., Ltd.	Hong Kong	Investment	4,000,000	4,000,000	11,400	60	5,011,176	516,403	c	
Pacific China Holdings (HK) Co., Ltd.	Pacific China Holdings Co.	British Virgin Island	Investment	623,200	623,200	19,000	100	8,351,959	740,312	c	
Pacific China Holdings Co.	Shanghai Pacific Department Store Co., Ltd.	Mainland China	Department store	420,906	420,906	-	73	863,093	447,674	c	
	Chengdu Shangxia Pacific Department Store Co., Ltd.	Mainland China	Department store	229,600	229,600	-	100	608,893	333,188	c	
	Chengdu Quaxing Mansion Pacific Department Store Co., Ltd.	Mainland China	Department store	32,472	32,472	-	100	110,482	69,395	c	
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	Mainland China	Department store	98,400	98,400	-	100	420,158	254,848	c	
	Beijing Xidan Pacific Department Store Co., Ltd.	Mainland China	Department store	216,480	216,480	-	55	192,088	30,913	c	
	Chongqing Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	6,560	6,560	-	100	1,342,250	(100,211)	c	
	Shanghai Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	5,625	5,625	-	49	6,960	454	d	
	Bai-Fa China Holdings (HK) Co., Ltd.	Hong Kong	Investment	-	-	2	100	-	-	c	
Chongqing Pacific Consultant & Management Co., Ltd.	Chengdu Baiyang Industry Co., Ltd.	Mainland China	Department store	360,545	-	-	33	2,406,778	4,744	d	
	Tianjin FEDS Limits., Co.	Mainland China	Department store	164,000	-	-	51	(115,005)	(154,651)	c	
	Dalian Pacific Department Store Co., Ltd.	Mainland China	Department store	4,807	-	-	100	6,541	20,758	c	
	Chongqing Liyang Department Store Co., Ltd.	Mainland China	Department store	-	-	-	100	-	(14,122)	c	

Note A: a. Equity-method investee.  
b. Subsidiary.  
c. Subsidiary of FEDS's subsidiary.  
d. Indirect investee.

Note B: The equity in earnings (losses) of equity-method investees was based on audited financial statements as of and for the year ended December 31, 2008.

Note C: The investment amount of Lian Ching Investment Co., Ltd. and Pacific Sogo Investment Co., Ltd. had been written off to zero, and their liabilities would not be undertaken by the company. Thus, their accounts are excluded from the financial statements.

Note D: The foreign-currency investments were translated at the rate of US\$1:NT\$32.8 prevailing on December 31, 2008.

(Concluded)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2008  
(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note A)	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2008 (Note A)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2008 (Note A)	% Ownership of Direct and Indirect Investment	Investment Gain (Loss) (Note E)	Carrying Value as of Dec. 31, 2008	Accumulated Inward Remittance of Earnings as of Dec. 31, 2008	Accumulated Investment in Mainland China as of Dec. 31, 2008	Investment Amounts Authorized by Investment Commission, MOEA (Note A and E)	Upper Limit on Investment Defined by Investment Commission, MOEA
					Outflow	Inflow								
Shanghai Pacific Department Store Co., Ltd.	Department store	\$ 580,560	Note C	\$ 420,906 (Note B)	\$ -	\$ -	\$ 420,906 (Note B)	49	\$ 182,937	\$ 579,691	\$ -	\$ - (Note D)	\$ 160,720 (US\$4,900,000) (Notes A and D)	\$ - (Note F)
Chengdu Shangxia Pacific Department Store Co., Ltd.	Department store	229,600	Note C	229,600 (Note B)	-	-	229,600 (Note B)	67	217,948	408,959				
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Department store	32,472	Note C	32,472 (Note B)	-	-	32,472 (Note B)	67	44,511	74,204				
Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	Department store	98,400	Note C	98,400 (Note B)	-	-	98,400 (Note B)	67	171,167	282,196				
Beijing Xidan Pacific Department Store Co., Ltd.	Department store	393,600	Note C	216,480 (Note B)	-	-	216,480 (Note B)	37	4,295	129,014				
Chongqing Pacific Consultant & Management Co., Ltd.	Business management consulting	1,348,080	Note C	6,560 (Note B)	-	-	6,560 (Note B)	67	(33,937)	901,512				
Shanghai Pacific Consultant & Management Co., Ltd.	Business management consulting	11,480	Note C	5,625 (Note B)	-	-	5,625 (Note B)	33	150	4,675				
Shanghai Bai Ding Business Management Consulting Co., Ltd.	Business management consulting	3,280	Notes C	-	-	-	-	100	20,194	44,429				
Tianjin FEDS Limits., Co.	Department store	324,720	Note C	95,120 (Note C)	-	-	95,120 (Note C)	83	(147,333)	(189,920)				
Chongqing Far East Department Store	Department store	91,840	Note C	-	-	-	-	100	34,319	136,796				
Chengdu Baiyang Industry Co., Ltd. Operating	Department store	1,081,636	Note C	-	-	-	-	22	1,437	1,616,264				
Dalian Pacific Department Store Co., Ltd.	Department store	4,807	Note C	-	-	-	-	67	1,099	4,393				
Chongqing Liyang Department Store Co., Ltd.	Department store	24,036	Note C	-	-	-	-	67	-	-				

Note A: Translated at the rate of US\$1:NT\$32.8 prevailing on December 31, 2008.

Note B: The payment was made by Pacific Construction Company (the former stockholder).

Note C: The payment was made by Bai Yang Investment Company.

Note D: The payment made by the Company and the investment amount approved by the Investment Commission did not include the payment made by Subsidiary and the Subsidiary's investment amount approved by the Investment Commission.

Note E: The financial report was audited by an international accounting firm with a cooperative working relationship with an R.O.C.-based accounting firm.

Note F: There is no upper limit, as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China (No. 09600794030), which was issued by the Investment Commission of the Ministry of Economic Affairs, ROC.