

**Far Eastern Department Stores, Ltd. and  
Subsidiaries**

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

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the consolidated balance sheets of Far Eastern Department Stores, Ltd. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated 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 misstatements. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Far Eastern Department Stores, Ltd. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, Far Eastern Department Stores, Ltd. (the "Company") and all of its direct and indirect subsidiaries 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 and the consolidated subsidiaries also adopted Statements of Financial Accounting Standards No. 37 - "Intangible Assets" and No. 38 - "Noncurrent Assets Held for sale and Discontinued Operations" on January 1, 2007.

Our audits also comprehended the translation of the 2008 and 2007 New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers.

March 3, 2009

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the financial position and 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 consolidated 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. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2008 AND 2007**  
**(In Thousands, Except Par Value)**

ASSETS	2008			2007			LIABILITIES AND STOCKHOLDERS' EQUITY	2008			2007		
	New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%		New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash and cash equivalents (Notes 2 and 5)	\$ 9,970,860	\$ 303,990	12	\$ 12,746,191	\$ 388,603	15	Short-term debts (Notes 18 and 29)	\$ 6,947,670	\$ 211,819	8	\$ 4,935,939	\$ 150,486	6
Financial assets at fair value through profit or loss (Notes 2 and 6)	1,299,680	39,624	2	462,876	14,112	1	Short-term notes and bills payable (Notes 19 and 29)	3,433,776	104,688	4	3,608,945	110,029	4
Available-for-sale financial assets - current (Notes 2 and 7)	263,414	8,031	-	438,620	13,373	1	Notes and accounts payable (Notes 28 and 30)	14,484,837	441,611	18	15,141,062	461,618	18
Notes and accounts receivable, net of allowance for doubtful accounts of NTS\$230,022 thousand (US\$7,013 thousand) in 2008 and NTS\$221,369 thousand (US\$6,749 thousand) in 2007 (Notes 2 and 28)	537,713	16,394	1	846,438	25,806	1	Income tax payable (Notes 2 and 24)	373,787	11,596	-	690,619	21,056	1
Other receivables (Notes 28 and 30)	418,708	12,765	-	362,247	11,044	-	Accrued expenses (Notes 28 and 30)	2,368,949	72,224	3	1,664,292	50,741	2
Inventories, net (Notes 2 and 8)	2,298,944	70,090	3	2,081,008	63,445	3	Other payables (Note 30)	3,182,581	97,030	4	2,210,665	67,398	3
Prepayments (Notes 17 and 28)	855,117	26,071	1	766,821	23,379	1	Balance payable - property (Notes 28 and 30)	307,554	9,377	-	134,498	4,101	-
Deferred tax assets (Notes 2 and 24)	288,548	8,797	-	241,077	7,350	-	Advance receipts	4,405,384	134,311	5	4,525,563	137,975	5
Pledged time deposits (Note 29)	25,690	783	-	13,092	399	-	Current portion of bonds issued (Notes 20 and 29)	-	-	-	1,200,000	36,585	2
Refundable deposits - current (Notes 15 and 28)	156,000	4,756	-	-	-	-	Current portion of long-term borrowings (Notes 21 and 29)	3,711,065	113,142	5	2,477,133	75,522	3
Other current assets	460,203	14,030	1	338,815	10,330	-	Current portion of franchise liability (Notes 2 and 13)	-	-	-	298,588	9,103	-
<b>Total current assets</b>	<b>16,574,877</b>	<b>505,331</b>	<b>20</b>	<b>18,297,185</b>	<b>557,841</b>	<b>22</b>	Other current liabilities	1,547,116	47,168	2	1,220,369	37,206	2
							<b>Total current liabilities</b>	<b>40,762,719</b>	<b>1,242,766</b>	<b>49</b>	<b>38,107,673</b>	<b>1,161,820</b>	<b>46</b>
<b>LONG-TERM INVESTMENTS</b>							<b>LONG-TERM LIABILITIES, NET OF CURRENT PORTION</b>						
Investments accounted for by the equity method (Notes 2, 9 and 29)	7,505,783	228,835	9	6,283,912	191,583	8	Bonds issued (Notes 20 and 29)	1,700,000	51,829	2	500,000	15,244	1
Real estate, net (Notes 2 and 11)	93,600	2,854	-	93,600	2,854	-	Long-term borrowings (Notes 21 and 29)	12,752,349	388,791	16	13,634,871	415,697	16
Available-for-sale financial assets - noncurrent (Notes 2, 7 and 29)	4,350,698	132,643	6	6,986,502	213,003	8	<b>Total long-term liabilities</b>	<b>14,452,349</b>	<b>440,620</b>	<b>18</b>	<b>14,134,871</b>	<b>430,941</b>	<b>17</b>
Financial assets carried at cost (Notes 2, 7, 10 and 29)	888,532	27,089	1	889,288	27,112	1							
<b>Total long-term investments</b>	<b>12,838,613</b>	<b>391,421</b>	<b>16</b>	<b>14,253,302</b>	<b>434,552</b>	<b>17</b>	<b>RESERVE</b>						
							Reserve for land revaluation increment tax (Note 12)	575,490	17,545	1	575,490	17,545	1
<b>PROPERTY (Notes 2, 12, 13, 14, 28, 29 and 30)</b>							<b>OTHER LIABILITIES</b>						
Cost							Accrued pension costs (Notes 2 and 27)	314,033	9,574	-	276,287	8,423	-
Land	6,546,471	199,587	8	6,590,291	200,924	8	Deposits received (Note 14)	356,619	10,873	1	169,163	5,158	-
Buildings and equipment	18,553,635	565,660	23	17,818,773	543,255	21	Miscellaneous (Note 28)	32,045	977	-	32,608	994	-
Furniture and equipment	9,076,515	276,723	11	8,963,564	273,279	11	<b>Total other liabilities</b>	<b>702,697</b>	<b>21,424</b>	<b>1</b>	<b>478,058</b>	<b>14,575</b>	<b>-</b>
Leasehold improvements	1,220,047	37,197	1	1,212,736	36,974	1	<b>Total liabilities</b>	<b>56,493,255</b>	<b>1,722,355</b>	<b>69</b>	<b>53,296,092</b>	<b>1,624,881</b>	<b>64</b>
Total cost	35,396,668	1,079,167	43	34,585,364	1,054,432	41							
Revaluation increment	1,193,498	36,387	1	1,193,498	36,387	2	<b>STOCKHOLDERS' EQUITY</b>						
Cost and appreciation	36,590,166	1,115,554	44	35,778,862	1,090,819	43	Capital stock of parent company, NTS\$10.00 par value						
Less: Accumulated depreciation	12,434,718	379,107	15	11,043,263	336,685	13	Authorized - 1,350,000 thousand shares						
	24,155,448	736,447	29	24,735,599	754,134	30	Issued and outstanding - 1,177,015 thousand shares in 2008 and 1,120,967 thousand shares in 2007	11,770,154	358,846	14	11,209,670	341,758	14
Construction in progress	6,192,677	188,801	8	5,500,893	167,710	6	Capital surplus:						
Leasehold rights, net	8,267,540	252,059	10	8,392,695	255,875	10	Additional paid-in capital - share issuance in excess of par	2,175,718	66,333	3	2,175,718	66,333	3
Properties leased to others, net	1,012,661	30,874	1	1,028,045	31,343	1	Treasury stock transactions	835,591	25,475	1	312,682	9,533	-
<b>Net properties</b>	<b>39,628,326</b>	<b>1,208,181</b>	<b>48</b>	<b>39,657,232</b>	<b>1,209,062</b>	<b>47</b>	Long-term investments	372,157	11,346	-	323,895	9,875	-
							Total capital surplus	3,383,466	103,154	4	2,812,295	85,741	3
<b>INTANGIBLE ASSETS</b>							Retained earnings:						
Goodwill (Notes 2)	7,417,111	226,131	9	5,365,259	163,575	7	Legal reserve	1,496,641	45,629	2	1,335,926	40,729	2
Deferred pension costs (Notes 2 and 27)	83,167	2,536	-	48,455	1,477	-	Special reserve	1,484,033	45,245	2	2,156,588	65,750	2
<b>Total intangible assets</b>	<b>7,500,278</b>	<b>228,667</b>	<b>9</b>	<b>5,413,714</b>	<b>165,052</b>	<b>7</b>	Unappropriated earnings	286,864	8,746	-	1,607,152	48,999	2
							Total retained earnings	3,267,538	99,620	4	5,099,666	155,478	6
<b>OTHER ASSETS</b>							Other equity adjustments						
Refundable deposits - noncurrent (Notes 13, 15, 17, 28 and 30)	1,263,448	38,519	2	1,359,390	41,445	2	Cumulative translation adjustments	317,743	9,687	1	(16,162)	(493)	-
Idle assets, net (Notes 2, 12, 16 and 29)	384,595	11,725	-	387,636	11,818	1	Net losses not recognized as pension costs	(6,584)	(201)	-	(12,351)	(377)	-
Long-term prepayments (Notes 17 and 28)	3,700,797	112,829	5	3,720,206	113,421	4	Unrealized valuation gains on financial instruments	1,125,491	34,314	1	4,465,999	136,159	5
Prepaid pension costs (Notes 2 and 27)	194,156	5,919	-	143,314	4,369	-	Unrealized asset revaluation increment	883,944	26,950	1	883,944	26,950	1
Deferred tax assets (Notes 2 and 24)	165,859	5,056	-	230,733	7,035	-	Total other equity adjustments	2,320,594	70,750	3	5,321,430	162,239	6
Pledged assets (Notes 29 and 30)	20,293	621	-	30,526	931	-	Treasury stock - 17,473 thousand shares in 2008 and 28,770 thousand shares in 2007	(95,723)	(2,918)	-	(165,492)	(5,046)	-
Miscellaneous	82,980	2,530	-	123,311	3,759	-	Minority interest	5,214,938	158,992	6	6,042,888	184,234	7
<b>Total other assets</b>	<b>5,812,128</b>	<b>177,199</b>	<b>7</b>	<b>5,995,116</b>	<b>182,778</b>	<b>7</b>	<b>Total stockholders' equity</b>	<b>25,860,967</b>	<b>788,444</b>	<b>31</b>	<b>30,320,457</b>	<b>924,404</b>	<b>36</b>
<b>TOTAL</b>	<b>\$ 82,354,222</b>	<b>\$ 2,510,799</b>	<b>100</b>	<b>\$ 83,616,549</b>	<b>\$ 2,549,285</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 82,354,222</b>	<b>\$ 2,510,799</b>	<b>100</b>	<b>\$ 83,616,549</b>	<b>\$ 2,549,285</b>	<b>100</b>

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

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

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands, Except Per Share Amounts)

	2008			2007		
	New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%
<b>REVENUES</b>						
Sales (Notes 2 and 28)	\$ 88,043,718	\$2,684,259	98	\$ 86,504,688	\$2,637,338	98
Other operating revenues (Notes 2 and 28)	<u>1,585,117</u>	<u>48,327</u>	<u>2</u>	<u>1,876,619</u>	<u>57,214</u>	<u>2</u>
Total revenues	<u>89,628,835</u>	<u>2,732,586</u>	<u>100</u>	<u>88,381,307</u>	<u>2,694,552</u>	<u>100</u>
<b>COSTS (Notes 25 and 28)</b>						
Cost of goods sold	70,539,429	2,150,592	79	68,678,872	2,093,868	78
Other operating costs	<u>107,678</u>	<u>3,283</u>	<u>-</u>	<u>98,996</u>	<u>3,018</u>	<u>-</u>
Total costs	<u>70,647,107</u>	<u>2,153,875</u>	<u>79</u>	<u>68,777,868</u>	<u>2,096,886</u>	<u>78</u>
<b>GROSS PROFIT</b>	<u>18,981,728</u>	<u>578,711</u>	<u>21</u>	<u>19,603,439</u>	<u>597,666</u>	<u>22</u>
<b>OPERATING EXPENSES (Notes 12, 13, 17, 25, 28 and 30)</b>						
Selling	10,496,984	320,030	12	10,050,701	306,424	11
General and administrative	<u>5,705,836</u>	<u>173,958</u>	<u>6</u>	<u>6,093,228</u>	<u>185,769</u>	<u>7</u>
Total operating expenses	<u>16,202,820</u>	<u>493,988</u>	<u>18</u>	<u>16,143,929</u>	<u>492,193</u>	<u>18</u>
<b>OPERATING INCOME</b>	<u>2,778,908</u>	<u>84,723</u>	<u>3</u>	<u>3,459,510</u>	<u>105,473</u>	<u>4</u>
<b>NONOPERATING INCOME AND GAINS</b>						
Dividend income	362,182	11,042	1	229,836	7,007	-
Equity in earnings of equity-method investees, net (Notes 2 and 9)	-	-	-	474,924	14,479	1
Gain on disposal of investments, net	193,344	5,895	-	235,049	7,166	-
Interest income	189,946	5,791	-	258,296	7,875	-
Gain on disposal of property (Notes 2 and 12)	-	-	-	381,790	11,640	1
Other income (Note 28)	<u>338,664</u>	<u>10,325</u>	<u>-</u>	<u>372,308</u>	<u>11,351</u>	<u>-</u>
Total nonoperating income and gains	<u>1,084,136</u>	<u>33,053</u>	<u>1</u>	<u>1,952,203</u>	<u>59,518</u>	<u>2</u>
<b>NONOPERATING EXPENSES AND LOSSES</b>						
Interest expenses (Notes 12, 28 and 30)	639,926	19,510	1	715,710	21,820	1
Equity in losses of equity-method investees, net (Notes 2 and 9)	544,564	16,603	1	-	-	-
Impairment loss on goodwill (Note 2)	188,832	5,757	-	-	-	-
Valuation loss on financial instruments, net (Note 2)	73,781	2,250	-	22,688	692	-
Loss on disposal of property and idle assets (Note 2)	58,125	1,772	-	30,456	929	-
Loss on physical inventory	56,231	1,714	-	49,454	1,508	-
Unrealized loss on physical inventory and slow-moving inventories (Notes 2 and 8)	39,730	1,211	-	30,585	932	-
Other expenses (Notes 2, 16, 25 and 30)	<u>231,710</u>	<u>7,064</u>	<u>-</u>	<u>170,228</u>	<u>5,190</u>	<u>-</u>
Total nonoperating expenses and losses	<u>1,832,899</u>	<u>55,881</u>	<u>2</u>	<u>1,019,121</u>	<u>31,071</u>	<u>1</u>

(Continued)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands, Except Per Share Amounts)

	2008			2007		
	New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%
INCOME BEFORE INCOME TAX	\$ 2,030,145	\$ 61,895	2	\$ 4,392,592	\$ 133,920	5
INCOME TAX (Notes 2 and 24)	804,287	24,521	1	1,161,416	35,409	1
SUBSIDIARIES' BONUS TO EMPLOYEES AND REMUNERATION TO DIRECTORS AND SUPERVISORS	(202)	(6)	-	(39,034)	(1,190)	-
NET INCOME	<u>\$ 1,225,656</u>	<u>\$ 37,368</u>	<u>1</u>	<u>\$ 3,192,142</u>	<u>\$ 97,321</u>	<u>4</u>
ATTRIBUTED TO:						
Stockholders of the parent	\$ 286,864	\$ 8,746	-	\$ 1,607,152	\$ 48,998	2
Minority interest	<u>938,792</u>	<u>28,622</u>	<u>1</u>	<u>1,584,990</u>	<u>48,323</u>	<u>2</u>
	<u>\$ 1,225,656</u>	<u>\$ 37,368</u>	<u>1</u>	<u>\$ 3,192,142</u>	<u>\$ 97,321</u>	<u>4</u>

	2008				2007			
	Before Tax		After Tax		Before Tax		After Tax	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
CONSOLIDATED EARNINGS PER SHARE (Note 26)								
Basic	<u>\$ 0.19</u>	<u>\$ 0.01</u>	<u>\$ 0.25</u>	<u>\$ 0.01</u>	<u>\$ 1.29</u>	<u>\$ 0.04</u>	<u>\$ 1.40</u>	<u>\$ 0.04</u>
Diluted	<u>\$ 0.19</u>	<u>\$ 0.01</u>	<u>\$ 0.25</u>	<u>\$ 0.01</u>				

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

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

(Concluded)

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

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

	Capital Surplus (Notes 2, 22 and 23)				Retained Earnings (Notes 2, 22 and 24)			Other Equity Adjustments					Total Stockholders' Equity	
	Capital Stock Issued and Outstanding	Share Issuance in Excess of Par	Treasury Stock Transactions	Long-term Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized as Pension Cost (Note 27)	Unrealized Valuation Gain or Loss on Financial Instrument (Note 2)	Reserve for Asset Revaluation Increment (Notes 2 and 12)	Treasury Stock (Notes 2 and 23)		Minority Interests
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)	\$ 5,971,744	\$ 26,834,014
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)
Adjustments 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	-	-	-	-	-	-	1,607,152	-	-	-	-	-	1,584,990	3,192,142
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,513,846)	(1,513,846)
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)	6,042,888	30,320,457
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 shares	-	-	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)
Adjustments 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	-	-	-	-	-	-	286,864	-	-	-	-	-	938,792	1,225,656
Changes in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,766,742)	(1,766,742)
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>\$ 5,214,938</u>	<u>\$ 25,860,967</u>

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

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

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

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(In Thousands of U.S. Dollars, Except Amounts Per Share)**

	Capital Stock				Capital Surplus (Notes 2, 22 and 23)			Retained Earnings (Notes 2, 22 and 24)			Other Equity Adjustments				Total Stockholders' Equity
	Issued and Outstanding	Share Issuance in Excess of Par	Treasury Stock Transactions	Long-term Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized as Pension Cost (Note 27)	Unrealized Valuation Gain or Loss on Financial Instrument (Note 2)	Reserve for Asset Revaluation Increment (Notes 2 and 12)	Treasury Stock (Notes 2 and 23)	Minority Interests		
BALANCE, JANUARY 1, 2007	\$ 328,613	\$ 79,478	\$ 8,155	\$ 10,522	\$ 38,942	\$ 65,853	\$ 19,344	\$ (590)	\$(356)	\$ 64,682	\$ 26,950	\$ (5,548)	\$ 182,065	\$ 818,110	
Appropriation of prior year's earnings:															
Legal reserve	-	-	-	-	1,787	-	(1,787)	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	-	-	(103)	103	-	-	-	-	-	-	-	
Cash dividends - NT\$0.5 per share	-	-	-	-	-	-	(16,431)	-	-	-	-	-	-	(16,431)	
Employee bonuses	-	-	-	-	-	-	(702)	-	-	-	-	-	-	(702)	
Remuneration to directors and supervisors	-	-	-	-	-	-	(527)	-	-	-	-	-	-	(527)	
Capital surplus transferred to common stock	13,145	(13,145)	-	-	-	-	-	-	-	-	-	-	-	-	
Adjustment due to subsidiaries' disposal of parent's stocks	-	-	1,378	-	-	-	-	-	-	-	-	502	-	1,880	
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(163)	-	-	-	-	-	(163)	
Adjustments reported by equity-method investees	-	-	-	(647)	-	-	-	260	(21)	39,249	-	-	-	38,841	
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	32,228	-	-	-	32,228	
Net income in 2007	-	-	-	-	-	-	48,999	-	-	-	-	-	48,323	97,322	
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(46,154)	(46,154)	
BALANCE, DECEMBER 31, 2007	341,758	66,333	9,533	9,875	40,729	65,750	48,999	(493)	(377)	136,159	26,950	(5,046)	184,234	924,404	
Appropriation of prior year's earnings:															
Legal reserve	-	-	-	-	4,900	-	(4,900)	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	-	-	(20,505)	20,505	-	-	-	-	-	-	-	
Stock dividends - 5%	17,088	-	-	-	-	-	(17,088)	-	-	-	-	-	-	-	
Cash dividends - NT\$1.3 per share	-	-	-	-	-	-	(44,429)	-	-	-	-	-	-	(44,429)	
Employee bonuses	-	-	-	-	-	-	(1,764)	-	-	-	-	-	-	(1,764)	
Remuneration to directors and supervisors	-	-	-	-	-	-	(1,323)	-	-	-	-	-	-	(1,323)	
Adjustment due to subsidiaries' disposal of parent's shares	-	-	15,942	-	-	-	-	-	-	-	-	2,128	-	18,070	
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	142	-	-	-	-	-	142	
Adjustment arising from changes in percentage of ownership in investees	-	-	-	(825)	-	-	-	-	-	-	-	-	-	(825)	
Adjustments reported by equity-method investees	-	-	-	2,296	-	-	-	10,038	176	(60,146)	-	-	-	(47,636)	
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(41,699)	-	-	-	(41,699)	
Net income in 2008	-	-	-	-	-	-	8,746	-	-	-	-	-	28,622	37,368	
Changes in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(53,864)	(53,864)	
BALANCE, DECEMBER 31, 2008	<u>\$ 358,846</u>	<u>\$ 66,333</u>	<u>\$ 25,475</u>	<u>\$ 11,346</u>	<u>\$ 45,629</u>	<u>\$ 45,245</u>	<u>\$ 8,746</u>	<u>\$ 9,687</u>	<u>\$(201)</u>	<u>\$ 34,314</u>	<u>\$ 26,950</u>	<u>\$ (2,918)</u>	<u>\$ 158,992</u>	<u>\$ 788,444</u>	

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

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



## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands)

	2008		2007	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	\$ 1,225,656	\$ 37,368	\$ 3,192,142	\$ 97,321
Depreciation	1,697,192	51,744	1,676,288	51,106
Amortization	20,858	636	23,046	703
Amortization of leasehold rights included in rental expenses	317,840	9,690	317,685	9,685
Valuation loss on financial instruments	73,781	2,250	22,688	692
Unrealized loss on physical inventory and slow-moving inventories	39,730	1,211	30,585	932
Equity in losses (earnings) of equity-method investees, net	544,564	16,603	(474,924)	(14,479)
Cash dividends from equity-method investees	313,133	9,547	187,556	5,718
Gain on disposal of investments, net	(193,344)	(5,895)	(235,049)	(7,166)
Loss (gain) on disposal of property and idle assets, net	58,125	1,772	(351,334)	(10,712)
Other expenses	198	6	10,000	305
Amortization of prepaid rent	411,263	12,538	198,464	6,051
Deferred income taxes	17,403	531	63,883	1,948
Increase in prepaid pension costs	(50,842)	(1,550)	(32,216)	(982)
Impairment loss on goodwill	188,832	5,757	-	-
Increase in accrued pension costs	3,034	93	10,295	314
<b>Net changes in operating assets and liabilities</b>				
Financial assets at fair value through profit or loss	(1,009,158)	(30,767)	1,158,318	35,315
Notes and accounts receivable	308,725	9,412	248,829	7,586
Other receivables	(30,567)	(932)	211,461	6,447
Inventories	(219,725)	(6,699)	7,898	241
Prepayments	6,962	212	146,372	4,462
Refundable deposits	(156,000)	(4,756)	293,975	8,963
Other current assets	(121,388)	(3,701)	118,577	3,615
Notes and accounts payable	(668,729)	(20,388)	(198,796)	(6,061)
Income tax payable	(316,832)	(9,660)	167,838	5,117
Accrued expenses	682,850	20,819	(137,523)	(4,193)
Other payables	289,904	8,839	167,398	5,104
Advance receipts	124,490	3,795	629,461	19,191
Other current liabilities	<u>326,747</u>	<u>9,962</u>	<u>155,232</u>	<u>4,733</u>
Net cash provided by operating activities	<u>3,884,702</u>	<u>118,437</u>	<u>7,608,149</u>	<u>231,956</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Increase in pledged time deposits	(12,598)	(384)	(2,160)	(66)
Acquisition of investments accounted for by the equity method	(2,529,266)	(77,112)	(120,000)	(3,659)
Proceeds of the disposal of investments accounted for by the equity method	-	-	170,262	5,191
Acquisition of available-for-sale financial assets	(33,132)	(1,010)	-	-
Proceeds of the disposal of available-for-sale financial assets	425,710	12,979	241,950	7,376
Acquisition of financial assets carried at cost	-	-	(145,936)	(4,449)
Return of capital due to subsidiary's capital reduction	-	-	102,820	3,135
Acquisition of the minority interest's shares	(2,442,344)	(74,462)	-	-
Cash paid for acquisition of subsidiary	(19,538)	(596)	-	-
Cash acquired from acquisition of subsidiary	181,567	5,536	-	-
Acquisition of property	(2,319,045)	(70,702)	(2,242,027)	(68,355)
Proceeds of the disposal of property and land held for future construction	86,477	2,636	546,864	16,673
Decrease (increase) in refundable deposits	95,942	2,925	(42,456)	(1,294)
Increase in long-term prepayments	(312,500)	(9,527)	(648,860)	(19,782)

(Continued)

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands)

	2008		2007	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Decrease in pledged assets	\$ 10,233	\$ 312	\$ 179,972	\$ 5,487
Decrease in other assets	<u>22,471</u>	<u>685</u>	<u>186,986</u>	<u>5,701</u>
Net cash used in investing activities	<u>(6,846,023)</u>	<u>(208,720)</u>	<u>(1,772,585)</u>	<u>(54,042)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase in short-term debts	1,903,567	58,036	312,939	9,541
Decrease in short-term notes and bills payable	(175,169)	(5,341)	(1,128,637)	(34,410)
Issuance of bonds	1,200,000	36,585	-	-
Repayments of bonds issued	(1,200,000)	(36,585)	(2,000,000)	(60,975)
Increase in long-term borrowings	351,410	10,714	960,248	29,276
Increase (decrease) in deposits received	187,456	5,715	(8,550)	(261)
Decrease in other liabilities	(563)	(17)	(35)	(1)
Proceeds of subsidiaries' disposal of parent's shares	592,737	18,071	61,581	1,877
Decrease in minority interests	-	-	(709,384)	(21,628)
Dividends paid to minority interests	(1,043,774)	(31,822)	(439,413)	(13,397)
Cash dividends and payment of bonus to employees and remuneration to supervisors and directors	<u>(1,563,240)</u>	<u>(47,660)</u>	<u>(595,985)</u>	<u>(18,170)</u>
Net cash used in (provided by) financing activities	<u>252,424</u>	<u>7,696</u>	<u>(3,547,236)</u>	<u>(108,148)</u>
EFFECT ON EXCHANGE RATE CHANGES	<u>(66,434)</u>	<u>(2,026)</u>	<u>13,580</u>	<u>414</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,775,331)	(84,613)	2,301,908	70,180
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,746,191</u>	<u>388,603</u>	<u>10,444,283</u>	<u>318,423</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,970,860</u>	<u>\$ 303,990</u>	<u>\$ 12,746,191</u>	<u>\$ 388,603</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>				
Interest paid	\$ 1,560,472	\$ 47,576	\$ 693,697	\$ 21,149
Less: Capitalized interest	<u>147,918</u>	<u>4,510</u>	<u>140,978</u>	<u>4,298</u>
Interest paid, excluding capitalized interest	<u>\$ 1,412,554</u>	<u>\$ 43,066</u>	<u>\$ 552,719</u>	<u>\$ 16,851</u>
Income tax paid	<u>\$ 639,806</u>	<u>\$ 19,506</u>	<u>\$ 973,682</u>	<u>\$ 29,685</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>				
Financial assets carried at cost	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99</u>	<u>\$ 3</u>
Idle assets reclassified to construction in progress	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,247</u>	<u>\$ 2,081</u>
Adjustment to advance receipts and depreciation	<u>\$ 237,423</u>	<u>\$ 7,239</u>	<u>\$ 128,317</u>	<u>\$ 3,912</u>
Balance payable-property reclassified into notes payable	<u>\$ 150,733</u>	<u>\$ 4,596</u>	<u>\$ -</u>	<u>\$ -</u>
Current portion of bonds issued	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>	<u>\$ 36,585</u>
Current portion of long-term borrowings	<u>\$ 3,711,065</u>	<u>\$ 113,142</u>	<u>\$ 2,477,133</u>	<u>\$ 75,522</u>
Current portion of franchise liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,588</u>	<u>\$ 9,103</u>
Dividends payable to minority interest shown under notes payable	<u>\$ 573,236</u>	<u>\$ 17,477</u>	<u>\$ 400,218</u>	<u>\$ 12,202</u>
<b>CASH PAID FOR ACQUISITION OF PROPERTY</b>				
Acquisition of property	\$ 2,050,833	\$ 62,525	\$ 1,075,262	\$ 32,782
Decrease in construction in progress	(8,053)	(245)	(3,041)	(93)
(Increase) decrease in balance payable - property	(173,056)	(5,276)	867,112	26,436
Balance payable-property reclassified into notes payable	150,733	4,596	-	-
Decrease in franchise liabilities	298,588	9,103	302,694	9,229
	<u>\$ 2,319,045</u>	<u>\$ 70,703</u>	<u>\$ 2,242,027</u>	<u>\$ 68,354</u>

(Continued)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands)

In May 2008, Feds Development Ltd. (BVI), an indirect subsidiary of Far Eastern Department Stores, Ltd. (FEDS), acquired the entire holdings of FEDS and its consolidated subsidiaries in Chongqing Far East Department Store, whose assets and liabilities at fair value on the acquisition date were as follows:

	New Taiwan Dollars	U.S. Dollars (Note 3)
Cash	\$ 54,403	\$ 1,659
Other receivables	25,894	790
Inventories	16,234	495
Prepayments	8,321	254
Property	123,440	3,763
Other assets	1,282	39
Accounts payable	(121,839)	(3,715)
Accrued expenses	(21,807)	(665)
Other payables	(27,643)	(843)
Advance receipts	<u>(45,952)</u>	<u>(1,401)</u>
Total	12,333	376
Acquisition percentage	<u>100%</u>	<u>100%</u>
Cost of the acquisition of the equity in the investee, net	12,333	376
Goodwill	<u>2,398</u>	<u>73</u>
Price of the acquisition of Chongqing Far East Department Store	<u>\$ 14,731</u>	<u>\$ 449</u>
Cash payment to acquire Chongqing Far East Department Store	<u>\$ 14,731</u>	<u>\$ 449</u>

In November 2008, Chongqing Pacific Consultant and Management Co. Ltd., an indirect subsidiary of FEDS, the acquired the entire equity of FEDS and its consolidated subsidiaries in Dalian Pacific Department Store Co., Ltd., whose assets and liabilities at fair value as of the acquisition date were as follows:

	New Taiwan Dollars	U.S. Dollars (Note 3)
Cash	\$ 123,292	\$ 3,759
Accounts receivable	165,476	5,045
Inventories	21,140	645
Property	37,432	1,141
Short-term loans	(108,164)	(3,298)
Accrued payables	<u>(235,060)</u>	<u>(7,166)</u>
Total	4,116	126
Acquisition percentage	<u>100%</u>	<u>100%</u>
Cost of the acquisition of the equity in the investee, net	4,116	126
Goodwill	653	20
Effect of exchange rate changes	<u>38</u>	<u>1</u>
Price of the acquisition of Dalian Pacific Department Store Co., Ltd.	<u>\$ 4,807</u>	<u>\$ 147</u>
Cash paid to acquire of Dalian Pacific Department Store Co., Ltd.	<u>\$ 4,807</u>	<u>\$ 147</u>

(Continued)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands)

In December 2008, Chongqing Pacific Consultant and Management Co. Ltd., an indirect subsidiary of FEDS, acquired the entire equity of FEDS and its consolidated subsidiaries in Chongqing Liyang Department Store Co. Ltd., whose assets and liabilities at fair value as of the acquisition date were as follows:

	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>
Cash	\$ 3,872	\$ 118
Accounts receivable	815	25
Inventories	567	17
Property	1,927	59
Accrued payables	<u>(206,556)</u>	<u>(6,297)</u>
Total	(199,375)	(6,078)
Acquisition percentage	<u>100%</u>	<u>100%</u>
Cost of the acquisition of the equity in the investee, net	(199,375)	(6,078)
Goodwill	188,179	5,737
Effect of exchange rate changes	<u>11,196</u>	<u>341</u>
 Price of the acquisition of Chongqing Liyang Department Store Co., Ltd.	 <u>\$ -</u>	 <u>\$ -</u>
Cash paid to acquire Chongqing Liyang Department Store Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>

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

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

(Concluded)

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars and U.S. Dollars, Except Per Share Amounts)

---

### 1. ORGANIZATION AND OPERATIONS

Far Eastern Department Stores, Ltd. (the “Company” or FEDS) 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.

Far Eastern Geant Co., Ltd. (“FE Geant”) operates wholesale and retail stores. It also processes and markets fresh food items.

Feds Development (BVI) Ltd. increased its equity in Chongqing Far East Department Store to 100% in May 2008.

Bai Yang Investment Co. bought the shares of Pacific China Holdings (HK) Co., Ltd. (PCH) from the ABN AMRO bank to make an indirect investment in a China-based company. This acquisition resulted in the holdings of the Company and its subsidiaries in PCH increasing to 100%. This investment was approved by the Investment Commission in the second quarter of 2008.

In the fourth quarter of 2008, Chongqing Pacific Consultant & Management Co., Ltd. increased its equity in Dalian Pacific Department Store Co., Ltd. and Chongqing Liyang Department Store Co., Ltd. to 100% each.

In December 2008, Pacific China Holdings Ltd. set up Bai-Fa China Holdings (HK) Co., Ltd. which engages in investments.

Pacific SOGO Department Store Co., Ltd. (SOGO), Shanghai Pacific Department Store Co., Ltd., Chengdu Shangxia Pacific Department Store Co., Ltd., Chengdu Quanxing Mansion Pacific Department Store Co., Ltd., Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd., Beijing Xidan Pacific Department Store Co., Ltd., Chongqing Far East Department Store Co., Ltd., Dalian Pacific Department Store Co., Ltd., Chongqing Liyang Department Store Co., Ltd. and Tianjin FEDS Limits., Co. all manage and operate a chain of department stores.

Ya Tung Department Stores, Ltd. (YTDS), Feds Asia Pacific Development Co. Ltd. (FAPD), Feds New Century Development Co., Ltd. (FNCD) and Far Eastern CitySuper Ltd. (FECS) manage department stores and shopping malls. Far Eastern Hon Li Do Co., Ltd. (FEHLD) leases building to Far Eastern Geant Co., Ltd. for shopping mall, but the building had been sold to Far Eastern Geant Co., Ltd. on April 2007. Yu Ming Advertising Agency Co. (Yu Ming) operate advertising. FNCD was still in the development stage as of December 31, 2008.

Bai Ding Investment Co. (“Bai Ding”), Bai Yang Investment Co. (“Bai Yang”), Pacific Liu Tong Investment Co., Ltd. (“Pacific Liu Tong Investment”), FEDS Development (BVI) Ltd., Pacific China Holdings (HK) Co., Ltd. and Pacific China Holdings Ltd. operate investing and holding business. Chongqing Pacific Consultant and Management Co., Ltd. and Shanghai Bai Ding Business Management Consulting Co., Ltd. render consulting services.

Asians Merchandise Co. (AMC) runs a trading business.

The diagram of the Company-subsidiary relationship (including unconsolidated subsidiaries) as of December 31, 2008 is shown in Table 1.

As of December 31, 2008 and 2007, the Company and its subsidiaries had 9,986 and 9,161 employees, 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 and accounting principles generally accepted in the R.O.C. In preparing financial statements in conformity with 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 consolidated 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 significant accounting policies of the Company and consolidated subsidiaries (collectively, “the Group”) are summarized as follows:

### **Consolidation**

As required by the revised ROC Statement of Financial Accounting Standards (SFAS) No. 7 - “Consolidated Financial Statements,” starting from January 2008 and 2007, consolidated financial statements should include the accounts of the Company and its direct and indirect subsidiaries and other investees in which the Company has controlling interests. However, the investment in Pacific Sogo Investment Co., Ltd. and Lian Ching Investment Co., Ltd. had been written off to zero, and their liabilities would not be undertaken by the Group. Therefore, their accounts are excluded from the consolidated financial statements.

Bai-Fa China Holdings (HK) Co., Ltd., Chongqing Far East Department Stores and Dalian Pacific Department store Co., Ltd. and Chongqing Liyang Department Store Co., Ltd. were respectively set up or had its equity up to 100% by Pacific China Holdings Ltd., Feds Development (BVI) Ltd. and Chongqing Pacific Consultant & Management Co., Ltd. in 2008. Therefore, they were only included in the consolidated financial statements of 2008.

Based on the revised SFAS No. 7, the consolidated financial statements as of and for the year ended December 31, 2008 and 2007 included the accounts of FEDS and of Far Eastern Geant Co., Ltd., Feds New Century Development, Feds Asia Pacific Development Co. Ltd., Bai Yang Investment Co., Ya Tung Department Stores, Bai Ding Investment Co., Far Eastern Hon Li Do Co., Ltd., Asians Merchandise Co., Yu Ming Advertising Agency Co., Feds development (BVI) Ltd., Far Eastern CitySuper Ltd., Pacific Liu Tong Investment, Shanghai Bai Ding Business Management Consulting Co., Ltd., Tianjin FEDS Limits., Co., Pacific Sogo Department Stores Co., Ltd., Pacific China Holdings (HK) Co., Ltd., Pacific China Holdings Ltd., Shanghai Pacific Department Store Co., Ltd., Chengdu Shangxia Pacific Department Store Co., Ltd., Chengdu Quanxing Mansion Pacific Department Store Co., Ltd., Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd., Beijing Xidan Pacific Department Store Co., Ltd. and Chongqing Pacific Consultant and Management Co., Ltd. All significant intercompany transactions and accounts have been eliminated and the financial statements of all subsidiaries had been audited.

The financial statements of entities with functional currencies other than the New Taiwan dollars are translated at the following rates: (a) assets and liabilities - at rates as of the balance sheet date; (b) equity accounts - at historical rates; and (c) income and expense items - at the average exchange rates for the year.

The Group's significant accounting policies are summarized as follows:

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

Current assets are cash (unrestricted) and cash equivalents or assets held for trading-purposes 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, 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.

### **Cash Equivalents**

Cash equivalents are commercial paper with maturities of three months or less from the purchase date, callable bond and the exchanger bills. The carrying amount approximates fair value.

### **Financial Instruments at Fair Value through Profit or Loss**

These instruments include trading-purpose financial assets or liabilities. On initial recognition, the financial instruments are recognized at fair value plus transaction costs and are subsequently measured at fair value, with fair value changes recognized as profit or loss. Cash dividends received are recognized as current income. The purchase or sale of the financial instruments is accounted for using trade date accounting.

The bases of the fair values of the financial instruments at fair value through profit or loss are the closing prices of publicly traded stocks and close-end mutual funds on the balance sheet date; the net asset values of open-end mutual funds on the balance sheet date; and the prices of bonds on the balance sheet date as shown on the over-the-counter securities exchange of the Republic of China.

### **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.

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**

Allowances for doubtful accounts are provided on the basis of a review of the aging and collectibility of individual receivables.

## **Inventories**

Merchandise is stated at the lower of the aggregate of the weighted-average cost or market value, using the retail method, except for the weighted-average method used for the merchandise of Far Eastern Geant Co., Ltd. and Far Eastern CitySuper Ltd. 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 Using the Equity Method**

Investments in companies in which ownership interest with voting rights is 20% or more or in which the Group has significant influence over the investee are valued under the equity method. The Group'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 investee'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. 25 - "Business Combinations - Accounting Treatment for Merger under Purchase Method," 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 Group 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 Group 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.

## **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.

## **Properties, Properties Leased to Others and Investments in Real Estate**

Properties and investments in real estate 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.



Depreciation on costs and revaluation increment on properties acquired by FEDS is computed using the following methods: (i) acquired as of December 31, 1998 - fixed-percentage-of-declining-balance method and (ii) acquired starting January 1, 1999 - straight-line method. Ya Tung Department Stores Ltd. is computed uses the fixed-percentage-of-declining-balance method and other subsidiaries are computed by using the straight-line method. The estimated service lives used in depreciating the properties are: buildings and equipment, 8 to 55 years; furniture and equipment, 3 to 17 years; leasehold assets, 3 to 17 years; and leasehold improvements, 3 to 10 years. Revaluation increment is depreciated on the basis of the remaining service lives when assets are revalued. Investment in real estate is depreciated on the basis of the estimation of the building's service lives, 55 years. The carrying value of properties and properties leased to others, which were fully depreciated using the foregoing service lives, but are still being used by the Group are depreciated over their newly estimated service lives.

Upon sale or other disposal of items of properties and investments in real estate, 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 rights and the construction cost of a commercial building that the Group 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 Properties**

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.

### **Goodwill**

Goodwill which was the difference between the acquisition cost and the Company's proportionate share in the investee's equity was amortized by the straight-line method 5 to 20 years. Effective January 1, 2006, based on a newly released SFAS No. 37, goodwill arising on acquisitions of other companies is no longer amortized.

### **Impairment of Assets**

For impairment testing, if the recoverable amount of an asset (mainly property, leasehold rights, intangible assets, 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 treated as a deduction to the unrealized revaluation 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.

### **Pension Costs**

The Company and consolidated subsidiaries have two types of pension plans: Defined benefit and defined contribution.

FEDS, FE Geant, YTDS, Yu Ming, FECS, SOGO and Bai Yang have pension plans for all regular employees. Under the defined benefit plan, pension cost is recognized on the basis of actuarial calculations. Under the defined contribution plan, the required monthly contributions to employees' individual pension accounts are recognized as current pension expense throughout the employees' remaining service periods.

According to the regulation in China, Chongqing Bai Ding Business Management Consulting Co., Ltd., Chongqing Far East Department Store, Pacific China Holdings Ltd. and its subsidiaries follow a defined contribute pension plan, and the related payments are made to the provincial government.

Other subsidiaries have no regular employees and have no pension plans.

### **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 Group 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 Group and subsidiary's stores are recorded as revenue at an agreed ratio based on contracts with the Group and subsidiary. 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 Group and subsidiary's inventories.

### **Treasury Stock**

If the Company buys back its issued shares, the cost of the payment is debited as treasury stock, which is treated as 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.

### **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 is expensed in the year when the stockholders resolve to retain the earnings.

Income tax on subsidiaries overseas is based on local regulations.

### **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 2007 accounts have been reclassified to conform to the 2008 consolidated financial statement presentation.

### 3. TRANSLATION INTO U.S. DOLLARS

The financial statements are stated in New Taiwan dollars. The translations of the 2008 and 2007 New Taiwan dollar amounts into U.S. dollar amounts are included solely for the convenience of readers, using the rate of NT\$32.80 to US\$1.00 as of December 31, 2008, as published by the Bank of Taiwan. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could be, converted into U.S. dollars at this or any other exchange rate.

### 4. ACCOUNTING CHANGES

In March 2007, the Company and its subsidiaries adopted 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 decrease of NT\$46,501 thousand in net income and a decrease in after income tax basic earnings per share of NT\$0.03 for the year ended December 31, 2008.

On January 1, 2007, the Company and its subsidiaries 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.

### 5. CASH AND CASH EQUIVALENTS

	2008		2007	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Cash				
Cash on hand and petty cash	\$ 206,376	\$ 6,292	\$ 165,583	\$ 5,048
Checking and savings accounts	1,419,664	43,282	4,254,047	129,697
Time deposits - interest of 1.40% to 3.33% in 2008 and 1.80% to 4.40% in 2007	<u>8,261,820</u>	<u>251,885</u>	<u>7,064,744</u>	<u>215,388</u>
	<u>9,887,860</u>	<u>301,459</u>	<u>11,484,374</u>	<u>350,133</u>
Cash equivalents				
Commercial paper - interest of 1.90% to 1.95%	-	-	1,008,521	30,748
Repurchase bond - interest of 1.90% to 2.00%	-	-	253,296	7,722
Exchequer bill - interest of 0.405% to 0.99%	<u>83,000</u>	<u>2,531</u>	-	-
	<u>83,000</u>	<u>2,531</u>	<u>1,261,817</u>	<u>38,470</u>
	<u>\$ 9,970,860</u>	<u>\$ 303,990</u>	<u>\$ 12,746,191</u>	<u>\$ 388,603</u>

## 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008		2007	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<u>Trading-purpose financial assets</u>				
Mutual funds	\$ 1,292,051	\$ 39,392	\$ 381,466	\$ 11,630
Common stock - listed and OTC	<u>132,353</u>	<u>4,035</u>	<u>132,353</u>	<u>4,035</u>
	1,424,404	43,427	513,819	15,665
Less: Valuation adjustment	<u>(124,724)</u>	<u>(3,803)</u>	<u>(50,943)</u>	<u>(1,553)</u>
	<u>\$ 1,299,680</u>	<u>\$ 39,624</u>	<u>\$ 462,876</u>	<u>\$ 14,112</u>

## 7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008				2007			
	Current		Noncurrent		Current		Noncurrent	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Listed and OTC stocks	\$ 503,378	\$ 15,347	\$ 2,758,733	\$ 84,108	\$ 470,246	\$ 14,337	\$ 2,593,245	\$ 79,062
Add (deduct): Valuation adjustment	<u>(239,964)</u>	<u>(7,316)</u>	<u>1,591,965</u>	<u>48,535</u>	<u>(31,626)</u>	<u>(964)</u>	<u>4,393,257</u>	<u>133,941</u>
	<u>\$ 263,414</u>	<u>\$ 8,031</u>	<u>\$ 4,350,698</u>	<u>\$ 132,643</u>	<u>\$ 438,620</u>	<u>\$ 13,373</u>	<u>\$ 6,986,502</u>	<u>\$ 213,003</u>

Inventec Besta Co., Ltd. (an investee of SOGO) became listed in October 2007. Thus, this investment was reclassified from “financial assets carried at cost” into “available-for-sale financial assets.”

## 8. INVENTORIES

	2008		2007	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Merchandise	\$ 2,502,933	\$ 76,309	\$ 2,232,078	\$ 68,051
Others	<u>9,730</u>	<u>297</u>	<u>9,452</u>	<u>288</u>
	2,512,663	76,606	2,241,530	68,339
Less: Allowance for slow-moving inventories	118,794	3,622	79,064	2,411
Allowance for purchase discount	59,000	1,799	54,000	1,646
Allowance for losses on physical inventory	<u>35,925</u>	<u>1,095</u>	<u>27,458</u>	<u>837</u>
	<u>\$ 2,298,944</u>	<u>\$ 70,090</u>	<u>\$ 2,081,008</u>	<u>\$ 63,445</u>

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

	2008			2007		
	New Taiwan Dollars	U.S. Dollars (Note 3)	% of Ownership	New Taiwan Dollars	U.S. Dollars (Note 3)	% of Ownership
Stocks with no quoted market prices:						
Oriental Securities Corporation	\$ 2,811,286	\$ 85,710	34	\$ 4,026,004	\$ 122,744	34
Chengdu Baiyang Industry Co., Ltd.	2,406,778	73,377	33	-	-	-
Far Eastern International Leasing Corp.	1,948,670	59,412	34	1,918,775	58,499	34
Pacific Department Store	286,937	8,748	26	239,477	7,301	26
Yu Ming Commerce	39,352	1,200	47	68,900	2,101	47
Shanghai Pacific Consultant & Management Co., Ltd.	6,960	212	49	6,662	203	49
Ding Ding Integrated Marketing Service Co., Ltd.	5,800	176	20	24,094	735	20
Pacific 88	-	-	24	-	-	24
Pacific Sogo Investment	-	-	100	-	-	100
Lian Ching Investment	-	-	50	-	-	50
Sogo Department Store	-	-	34	-	-	34
Pacific Venture Investment Ltd.	-	-	48	-	-	48
	<u>\$ 7,505,783</u>	<u>\$ 228,835</u>		<u>\$ 6,283,912</u>	<u>\$ 191,583</u>	

In 2008, Chongqing Pacific Consultant & Management Co., Ltd. acquired 33% equity interest in Chengdu Baiyang Industry Co., Ltd. for RMB500,000 thousand (US\$73,377 thousand).

Pacific 88 Co., Ltd. ("Pacific 88") issued additional shares for cash in October 2007, but the Group decided not to subscribe for these shares. Thus, the Group's equity in Pacific 88 decreased from 28% to 24%.

The financial statements used as basis for calculating the carrying values of equity-method investments had all been audited, except those of Pacific Department Store for 2008 and 2007. Had this investee's financial statements been audited, any adjustments would not have had a significant impact on the Group's consolidated financial statements.

The carrying amounts of the investments in Pacific Sogo Investment Co., Ltd. and Lian Ching Investment Co., Ltd. had been written off to zero, and the Company and its subsidiaries did not commit to assume these investees' liabilities. Thus, these investees' accounts were not included in the consolidated financial statements for 2008 and 2007.

## 10. FINANCIAL ASSETS CARRIED AT COST

	2008		2007	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Unlisted and non-OTC stocks	\$ 730,762	\$ 22,279	\$ 733,297	\$ 22,356
Unlisted and non-OTC stocks - overseas	<u>157,770</u>	<u>4,810</u>	<u>155,991</u>	<u>4,756</u>
	<u>\$ 888,532</u>	<u>\$ 27,089</u>	<u>\$ 889,288</u>	<u>\$ 27,112</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.

FEDS invested NT\$100,000 thousand (US\$3,049 thousand) in Kaohsiung Rapid Transit System in April 2008, and amortized this amount in the concession period. The amortization amounted to NT\$2,535 thousand (US\$77 thousand) in the end of 2008.

In July 2007, Pacific China Holdings (B.V.I.) Ltd. invested US\$2,250 thousand each in Taiwan Ocean Farming Corp. and Oversea Development Corp. and acquired 15% each in equity interest.

In August 2007, New Century reduced its capital and returned to the Company NT\$102,820 thousand (US\$3,135 thousand).

## 11. INVESTMENTS IN REAL ESTATE

	2008		2007	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Cost				
Land	\$ 93,600	\$ 2,854	\$ 93,600	\$ 2,854

## 12. PROPERTIES

	2008		2007	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Cost	\$ 35,396,668	\$ 1,079,167	\$ 34,585,364	\$ 1,054,432
Revaluation increment				
Land	1,183,852	36,093	1,183,852	36,093
Buildings and equipment	9,646	294	9,646	294
	<u>1,193,498</u>	<u>36,387</u>	<u>1,193,498</u>	<u>36,387</u>
Total cost and appreciation	<u>36,590,166</u>	<u>1,115,554</u>	<u>35,778,862</u>	<u>1,090,819</u>
Less: Accumulated depreciation				
On cost				
Buildings and equipment	6,136,618	187,092	5,485,604	167,244
Furniture and equipment	5,374,364	163,853	4,713,233	143,696
Leasehold improvements	916,439	27,940	837,247	25,526
	<u>12,427,421</u>	<u>378,885</u>	<u>11,036,084</u>	<u>336,466</u>
On appreciation				
Buildings and equipment	7,297	222	7,179	219
Total accumulated depreciation	<u>12,434,718</u>	<u>379,107</u>	<u>11,043,263</u>	<u>336,685</u>
	<u>24,155,448</u>	<u>736,447</u>	<u>24,735,599</u>	<u>754,134</u>
Construction in progress	6,192,677	188,801	5,500,893	167,710
Leasehold rights (Note 13)	8,267,540	252,059	8,392,695	255,875
Properties leased to others, net (Note 14)	<u>1,012,661</u>	<u>30,874</u>	<u>1,028,045</u>	<u>31,343</u>
	<u>\$ 39,628,326</u>	<u>\$ 1,208,181</u>	<u>\$ 39,657,232</u>	<u>\$ 1,209,062</u>

Under government regulations, FEDS revalued its land in 1980, 1981, 1984 and 1995 and other properties 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 NT\$1,694,349 thousand (US\$51,657 thousand) in 2008 and NT\$1,673,199 thousand (US\$51,012 thousand) in 2007. Capitalized interests were NT\$147,918 thousand (US\$4,510 thousand) in 2008 and NT\$140,978 thousand (US\$4,298 thousand) in 2007. The interest rates used in computing the amounts capitalized ranged from 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 NT\$68,247 thousand (US\$2,081 thousand) of the related land, buildings and equipment were transferred from idle assets to construction in progress. As of December 31, 2008, the cost of this construction had reached NT\$441,262 thousand (US\$13,453 thousand).

In February 2005, FEDS entered into a contract with Far Eastern Construction Company (FECC) to build a mall on the land owned by FEDS and FECC for FEDS'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 NT\$5,651,477 thousand (US\$172,301 thousand).

On April 24, 2007, the board of directors of FE Geant approved the proposal to cooperate with FECC to exploit the market of Taichung District. Then, on May 2, 2007, FE Geant entered into a contract with FECC to sell a certain piece of land in the Guang-Ming Section of the Ci-Tuen District in Taichung City for NT\$411,500 thousand (US\$12,546 thousand). The gain on disposal of the land was NT\$370,131 thousand (US\$11,284 thousand), shown under nonoperating income and gains - gain on disposal of property. The rights to the land were transferred on June 15, 2007.

### 13. LEASEHOLD RIGHTS, NET

	2008		2007	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
FAPD	\$ 3,275,408	\$ 99,860	\$ 3,359,393	\$ 102,421
FEDS - Xinyi division A13	3,202,183	97,628	3,186,357	97,145
FEDS - Taoyuan	698,339	21,291	773,161	23,572
FEDS - Shiue Chan - Taichung	217,146	6,620	40,287	1,228
FE Geant - Fu Shin - Taichung	581,578	17,731	639,930	19,510
FE Geant - Ping Deng - Kaohsiung	239,730	7,309	288,215	8,787
FE Geant - Taoyuan	48,521	1,479	97,043	2,959
FE Geant - Yuanlin	4,635	141	8,309	253
	<u>\$ 8,267,540</u>	<u>\$ 252,059</u>	<u>\$ 8,392,695</u>	<u>\$ 255,875</u>

Amortization expenses of leasehold rights were NT\$317,840 thousand (US\$9,690 thousand) in 2008 and NT\$317,685 thousand (US\$9,686 thousand) in 2007, shown as operating expenses - rental.

- a. On January 1, 1998, FAPD signed a contract with Asia Cement and other related parties on the construction of the Kaohsiung Asian Business and Finance Building (Feds Asia Pacific Shopping Center) on land provided by Asia Cement. Under this contract, FAPD will own the leasehold rights for 50 years from the date of the contract and should pay Asia Cement NT\$1,073,000 thousand (US\$32,713 thousand) as premium for land use rights (shown as leasehold rights). The land use rights are amortized during the land use period. Annual land rent is payable in November of every year for 50 years at 5% of the government declared value of the land.

The construction was completed in October 2001 and the building was rented out to FEDS and Warner Village Co. The construction cost is amortized over the rental period from October 2001 to December 2047.



- b. In September 2003, FEDS 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 NT\$3,196,888 thousand (US\$97,466 thousand), and FEDS completed the registration of its acquisition of the land use right in October 2003. Under the contract, FEDS has the right to use the land for 50 years from the completion of the right registration. The initial monthly rent is NT\$3,771 thousand (US\$115 thousand), to be adjusted annually according to the land price announced on the contract date. The monthly rent has been adjusted to NT\$4,844 thousand (US\$148 thousand) since January 2007. The monthly rent were NT\$58,134 thousand (US\$1,772 thousand) in 2008 and 2007, shown as rent expense (under operating expense).

In September 2003, FEDS paid NT\$959,066 thousand (US\$29,240 thousand), or 30% of the total land use rights payment. The rest, amounting to NT\$2,237,822 thousand (US\$68,226 thousand), would be paid annually in five consecutive years at no interest. After the deduction of unrealized interest expenses of NT\$78,937 thousand (US\$2,407 thousand), the net value of the rights was NT\$2,158,885 thousand (US\$65,820 thousand), shown as accrued franchise liabilities, which have been settled in October 2008.

- c. Under an agreement made in March 1997, FEDS built a commercial building on land owned by the Tao-Yuan Farmers' Association. FEDS paid a refundable deposit of NT\$150,000 thousand (US\$4,573 thousand) shown as a refundable deposit. The initial monthly rent is NT\$3,000 thousand (US\$91 thousand), to be adjusted according to increases in the consumer price index.

Building and improvements pertaining 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.

- d. 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 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 NT\$140,288 thousand (US\$4,277 thousand), to be adjusted every three years. The Company used a guarantee amounting to NT\$280,576 thousand (US\$8,554 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 required 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 NT\$217,146 thousand (US\$6,620 thousand).

- e. FE Geant entered into agreements with several companies for the joint construction the branches of Fu Shin - Taichung, Ping Deng - Kaohsiung and Taoyuan hypermarkets. Under these agreements, the lessors will provide the land and FE Geant will be responsible for hypermarket construction. By the end of the lease term, the titles to the land and building should be transferred to the lessors.

In April 2005, FE Geant's branch, Yuanlin, entered into a new agreement to change the rental term (leasehold rights) from three years to five years ending April 4, 2010.

#### 14. PROPERTIES LEASED TO OTHERS, NET

	2008		2007	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Cost				
Land	\$ 420,762	\$ 12,828	\$ 421,052	\$ 12,837
Buildings and equipment	523,089	15,948	522,449	15,928
Furniture and equipment	<u>255</u>	<u>8</u>	<u>255</u>	<u>8</u>
	<u>944,106</u>	<u>28,784</u>	<u>943,756</u>	<u>28,773</u>
Appraisal increase				
Land	211,744	6,456	211,744	6,456
Buildings and equipment	<u>3,027</u>	<u>92</u>	<u>3,027</u>	<u>92</u>
	<u>214,771</u>	<u>6,548</u>	<u>214,771</u>	<u>6,548</u>
Total cost and appreciation	<u>1,158,877</u>	<u>35,332</u>	<u>1,158,527</u>	<u>35,321</u>
Accumulated depreciation				
Buildings and equipment	143,868	4,386	128,182	3,908
Furniture and equipment	<u>249</u>	<u>8</u>	<u>242</u>	<u>7</u>
	144,117	4,394	128,424	3,915
Appraisal increase				
Buildings and equipment	<u>2,099</u>	<u>64</u>	<u>2,058</u>	<u>63</u>
	<u>146,216</u>	<u>4,458</u>	<u>130,482</u>	<u>3,978</u>
	<u>\$ 1,012,661</u>	<u>\$ 30,874</u>	<u>\$ 1,028,045</u>	<u>\$ 31,343</u>

- FEDS leases the site located in Kaohsiung City to two related parties, Far Eastern International Bank and Oriental Securities Co., for their office building; the lease terms will end in February 2010.
- FEDS leases sections of sites separately located at the Taiwan 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 Taiwan branch has been adjusted to NT\$3,297 thousand (US\$101 thousand) since July 2008 and for the Hsin-Chu branch adjusted to NT\$4,378 thousand (US\$133 thousand) since November 2008. Under the contract, the Company obtained NT\$33,000 thousand (US\$1,006 thousand) and classified as deposits received.
- FEDS leases the site located in Ren-Ai road Taipei City to Wellcome Department Store Co., for their office building, the lease term will end in August 2011.

The minimum rents on all lease contracts for the next five years are summarized below:

Year	Rental Income	
	New Taiwan Dollars	U.S. Dollars (Note 3)
2009	\$ 188,974	\$ 5,761
2010	179,224	5,464
2011	180,748	5,511
2012	181,188	5,524
2013	184,407	5,622

## 15. REFUNDABLE DEPOSITS

	2008				2007			
	Current		Noncurrent		Current		Noncurrent	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Deposits on leases	\$ 156,000	\$ 4,756	\$ 1,105,998	\$ 33,719	\$ -	\$ -	\$ 1,183,083	\$ 36,070
Others	-	-	157,450	4,800	-	-	176,307	5,375
	<u>\$ 156,000</u>	<u>\$ 4,756</u>	<u>\$ 1,263,448</u>	<u>\$ 38,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,359,390</u>	<u>\$ 41,445</u>

## 16. IDLE PROPERTIES

	2008		2007	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Cost				
Land	\$ 85,232	\$ 2,599	\$ 85,430	\$ 2,605
Buildings and equipment	223,645	6,818	223,645	6,818
Furniture and equipment	8,151	248	8,151	248
	<u>317,028</u>	<u>9,665</u>	<u>317,226</u>	<u>9,671</u>
Appraisal increase				
Land	255,291	7,783	255,291	7,783
Buildings and equipment	16,058	490	16,058	490
	<u>271,349</u>	<u>8,273</u>	<u>271,349</u>	<u>8,273</u>
	<u>588,377</u>	<u>17,938</u>	<u>588,575</u>	<u>17,944</u>
Accumulated depreciation				
Buildings and equipment	181,718	5,540	178,996	5,457
Furniture and equipment	7,804	238	7,772	237
	<u>189,522</u>	<u>5,778</u>	<u>186,768</u>	<u>5,694</u>
Appraisal increase				
Buildings and equipment	14,260	435	14,171	432
	<u>203,782</u>	<u>6,213</u>	<u>200,939</u>	<u>6,126</u>
	<u>\$ 384,595</u>	<u>\$ 11,725</u>	<u>\$ 387,636</u>	<u>\$ 11,818</u>

Depreciation expenses, classified as nonoperating expenses and losses - others, were NT\$2,843 thousand (US\$87 thousand) in 2008 and NT\$3,089 thousand (US\$94 thousand) in 2007.

## 17. LONG-TERM PREPAYMENT

	2008		2007	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Long-term rent prepayment				
a. SOGO - BR4	\$ 3,607,437	\$ 109,983	\$ 3,553,612	\$ 108,342
b. SOGO - Dunhua	100,000	3,049	150,000	4,573
c. FE Geant - Hsin-Chu	325,269	9,916	348,502	10,625
d. FE Geant - Dajhih	-	-	79,355	2,419
	<u>4,032,706</u>	<u>122,948</u>	<u>4,131,469</u>	<u>125,959</u>
Less: Current portion (included in prepayments)	<u>331,909</u>	<u>10,119</u>	<u>411,263</u>	<u>12,538</u>
	<u>\$ 3,700,797</u>	<u>\$ 112,829</u>	<u>\$ 3,720,206</u>	<u>\$ 113,421</u>

The amortization expense, classified as operating expense - rental, were NT\$411,263 thousand (US\$12,539 thousand) in 2008 and NT\$198,464 thousand (US\$6,051 thousand) in 2007.

- a. SOGO constructed a building within the Zhongxiao-Fuxing Station (land BR4) of the Taipei Rapid Transit System Muzha line under a lease agreement with the Department of Rapid Transit Systems (DRTS) of the Taipei City Government (TCG), Bureau of Finance-TCG and Hong-Tong Comprehensive Commercial Developing Co., Ltd. The lease term is 20 years from the opening of Sogo's Branch BR4. SOGO pays a monthly fixed rental of NT\$12,701 thousand (US\$387 thousand) to DRTS-TCG and the Bureau of Finance-TCG. In addition, SOGO pays a rental premium at a certain percentage of annual net sales.

SOGO recognized rental expenses of NT\$152,408 thousand (US\$4,647 thousand) for 2008 and 2007 based on its operating days. In 2006, SOGO paid deposits of NT\$14,363 thousand (US\$438 thousand) to DRTS and NT\$24,423 thousand (US\$745 thousand) to TCG. Also in 2006, SOGO also paid DRTS operating deposits of NT\$95,962 thousand (US\$2,926 thousand) and warranty deposit of NT\$33,439 thousand (US\$1,019 thousand). Refundable deposits were NT\$168,187 thousand (US\$5,128 thousand) as of December 31, 2008.

SOGO paid other prepayment as of December 2006, to a development rights owner - Hong-Tong Comprehensive Commercial Developing Co., Ltd. ("Hong-Tong") - to obtain the right to lease the building housing SOGO's Branch BR4. On December 8, 2006, SOGO entered into a 15-year lease agreement with Hong-Tong. Under this agreement, when the amount paid by SOGO exceeds the rent payable, the premium will be deemed as prepaid rent to be deducted from future rental expenses. SOGO recognized a rental expense of NT\$452,347 thousand (US\$13,791 thousand) and NT\$283,905 thousand (US\$8,656 thousand) based on its operating days in 2008 and 2007. A prepaid amount of NT\$3,607,437 thousand (US\$109,983 thousand) in 2008 and NT\$3,553,612 thousand (US\$108,342 thousand) in 2007 was shown as a prepayment of NT\$258,675 thousand (US\$7,886 thousand) as of December 31, 2008 and 2007.

- b. For operating purposes, SOGO rents a building located in Taipei City from Min-Yang Development Co. The renewable lease is up to December 31, 2004. In July 2003, SOGO extend the lease contract up to December 23, 2009 and prepaid NT\$300,000 thousand (US\$9,146 thousand) for rent. Prepaid rent will be deducted for rent expense between 2005 and 2010. The long-term prepaid amount of NT\$100,000 thousand (US\$3,049 thousand) in 2008 and NT\$150,000 thousand (US\$4,573 thousand) in 2007 was shown as a prepayment of NT\$50,000 thousand (US\$1,524 thousand) as of December 31, 2008 and 2007. Under the extended contract, the refundable deposit amount of NT\$350,000 thousand (US\$10,671 thousand) will be deducted NT\$13,000 thousand (US\$396 thousand) for rent expense every monthly between 2008 and 2010 and SOGO may renew the lease contract under the same terms for one year. The refundable deposit amount of NT\$311,000 thousand (US\$9,482 thousand) in 2008 and NT\$350,000 thousand (US\$10,671 thousand) in 2007 was shown as a prepayment of NT\$156,000 thousand (US\$4,756 thousand) as of December 31, 2008. The rent was NT\$206,000 thousand (US\$6,280 thousand) in 2008 and 2007.
- c. Under an agreement, FE Geant will lease a hypermarket from the Hsin-Chu Chemical Industry, Ltd. (HCCI). HCCI will provide the land and build the hypermarket. The related construction expenses, except for the previous development expenses paid by FE Geant, will be paid by HCCI and FE Geant at the ratio of 1:2 ("1" refers to HCCI). The payment by FE Geant will be regarded as prepaid rent and amortized over the rent period upon the completion of the building (19 years and 3 months). The Hsin-Chu branch of FE Geant was opened in October 2003.

- d. FE Geant entered into an operating lease agreement with Liang Ji Company and three other companies to lease a hypermarket under construction for the Dajhih branch in September 2003. Upon the completion of the hypermarket, FE Geant is authorized to use the hypermarket for 20 years. Starting from the opening day of the hypermarket, FEDS will pay NT\$13,750 thousand (US\$419 thousand) for rental expenses monthly, plus a certain percentage of the sale that exceeds a specific amount yearly. In addition to the payments of NT\$55,000 thousand (US\$1,677 thousand) as deposit upon the signing of the agreement and another NT\$27,500 thousand (US\$838 thousand) upon the use of the hypermarket, FE Geant should pay NT\$165,000 thousand (US\$5,030 thousand) in advance upon receiving the construction license (in 2004) and usage license (in 2005), respectively. Under the contract, FE Geant had to provide a credit letter guaranteed by a bank and its own promissory note. The amount of the credit letter and the note is calculated at a certain percentage of the total building cost (approximately NT\$837,623 thousand (US\$25,537 thousand)). FE Geant issued another promissory note for NT\$547,647 thousand (US\$16,697 thousand) in December 31, 2008. The Dajhih Branch started operations on December 29, 2005.

## 18. SHORT-TERM DEBTS

	<u>2008</u>		<u>2007</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Unsecured bank loans: Interest - 1.80% to 5.58% in 2008 and 1.84% to 6.156% in 2007	\$ 5,847,670	\$ 178,283	\$ 4,170,939	\$ 127,163
Secured bank loans: Interest - 2.363% to 2.70% in 2008 and 2.259% to 2.70% in 2007	<u>1,100,000</u>	<u>33,536</u>	<u>765,000</u>	<u>23,323</u>
	<u>\$ 6,947,670</u>	<u>\$ 211,819</u>	<u>\$ 4,935,939</u>	<u>\$ 150,486</u>

## 19. SHORT-TERM NOTES AND BILLS PAYABLE

Commercial paper were issued at discounts ranging from 1.13% to 2.75% in 2008 and from 1.92% to 3.10% in 2007.

## 20. BONDS ISSUED

	<u>December 31, 2008</u>					
	<u>Current</u>		<u>Long-term</u>		<u>Total</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
<u>FEDS</u>						
Domestic secured bonds issued on:						
August 12, 2005	\$ -	\$ -	\$ 500,000	\$ 15,244	\$ 500,000	\$ 15,244
October 7, 2008	-	-	<u>1,200,000</u>	<u>36,585</u>	<u>1,200,000</u>	<u>36,585</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,700,000</u>	<u>\$ 51,829</u>	<u>\$ 1,700,000</u>	<u>\$ 51,829</u>

	<b>December 31, 2007</b>					
	<b>Current</b>		<b>Long-term</b>		<b>Total</b>	
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>
<b>FEDS</b>						
Domestic secured bonds issued on:						
August 25, 26, 27 and 28, 2003	\$ 1,200,000	\$ 36,585	\$ -	\$ -	\$ 1,200,000	\$ 36,585
August 12, 2005	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>15,244</u>	<u>500,000</u>	<u>15,244</u>
	<u>\$ 1,200,000</u>	<u>\$ 36,585</u>	<u>\$ 500,000</u>	<u>\$ 15,244</u>	<u>\$ 1,700,000</u>	<u>\$ 51,829</u>

- a. The average face value of FEDS domestic secured bonds issued on August 12, 2005 was NT\$500,000 thousand (US\$15,244 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 FEDS domestic secured bonds issued on October 7, 2008 was NT\$1,200,000 thousand (US\$36,585 thousand). These bonds will mature on October 7, 2013. Interest on these bonds is 2.75%, payable annually.
- c. The average face value of FEDS domestic secured bonds issued on August 25 to 28, 2003 was NT\$1,200,000 thousand (US\$36,585 thousand). These instruments consisted of Types A, B, C and D bonds with face value of NT\$300,000 thousand (US\$9,146 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

## 21. LONG-TERM BORROWINGS

	<b>2008</b>		<b>2007</b>	
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>
Syndicated loans - interest of 1.05% to 3.0254% in 2008 and 2.6374% to 4.0539% in 2007				
a. Taiwan Cooperative Bank, Land Bank and Hua Nan Bank	\$ 2,199,355	\$ 67,054	\$ -	\$ -
b. Hua Nan Bank, First Bank and Sunny Bank	1,940,000	59,146	1,750,000	53,354
c. Taiwan Cooperative Bank, First Bank and Chang Hwa Bank	<u>-</u>	<u>-</u>	<u>3,150,000</u>	<u>96,036</u>
	4,139,355	126,200	4,900,000	149,390
Commercial paper issued- discount rates of 1.712% to 2.262% in 2008 and 1.609% to 2.262% in 2007	5,981,059	182,349	6,577,004	200,518
Secured loans - interest of 1.666% to 2.96% in 2008 and 2.13% to 2.409% in 2007	4,780,000	145,732	2,300,000	70,122
Unsecured loans - interest of 1.947% to 2.94% in 2008 and 1.81% to 2.95% in 2007	<u>1,563,000</u>	<u>47,652</u>	<u>2,335,000</u>	<u>71,189</u>
	16,463,414	501,933	16,112,004	491,219
Less: Current portion	<u>3,711,065</u>	<u>113,142</u>	<u>2,477,133</u>	<u>75,522</u>
	<u>\$ 12,752,349</u>	<u>\$ 388,791</u>	<u>\$ 13,634,871</u>	<u>\$ 415,697</u>

- a. SOGO obtained from the Cooperative Bank, Land Bank and Hua Nan Bank a NT\$2,200,000 thousand (US\$67,073 thousand) syndicated loan, consisting of Types A and B. Type A is a NT\$1,760,000 thousand (US\$53,659 thousand) long-term secured loan obtained in October 2008 and maturing in October 2013. The principal is repayable every six months in four installments of NT\$440,000 thousand (US\$13,415 thousand) each from April 2012 to October 2014. The interest is payable monthly. Type B is a NT\$440,000 thousand (US\$13,415 thousand) medium-term unsecured loan obtained in October 2008 and maturing in October 2013. The principal is repayable every six months in four installments of NT\$110,000 thousand (US\$3,354 thousand) each from April 2012 to October 2014.
- b. In November 2006, FEDS and five of its subsidiaries - FAPD, Bai-Ding Investment (“Bai-Ding”), Bai-Yang Investment (“Bai-Yang”), Far Eastern Hon Li Do Co., Ltd. and Yu Ming - jointly signed an unsecured syndicated loan contract with Sunny Bank (lead bank), Hua Nan Commercial Bank (HNCB), First Bank and other banks. Under this contract, FEDS and these five subsidiaries obtained a NT\$2,500,000 thousand (US\$76,220 thousand) credit, with floating interest by floating rate, and a term of three years ending November 2009.
- c. SOGO obtained an NT\$6,000,000 thousand (US\$182,927 thousand) syndicated loan from the Cooperative Bank, First Bank and Chang Hwa Bank, consisting of Types A and B. Type A is an NT\$1,500,000 thousand (US\$45,732 thousand) long-term secured loan obtained in October 2003 and maturing in October 2013. The principal is repayable every six months in ten installments of NT\$150,000 thousand (US\$4,573 thousand) each from April 2009 to October 2013. The interest is payable monthly. Type B is an NT\$4,500,000 thousand (US\$137,195 thousand) medium-term unsecured loan obtained in October 2003 and maturing in October 2008. The interest is payable monthly. The principal is repayable every six month in seven installments. Each installment is NT\$450,000 thousand (US\$13,720 thousand), and the last installment is NT\$1,800,000 thousand (US\$54,878 thousand).

On the Type B loan, NT\$600,000 thousand (US\$18,293 thousand), a part of the last installment, was repaid early in 2005.

- d. The Company negotiated other medium-term and long-term loan contracts, and the Group allowed the extension of the repayment deadlines for these loans. Thus, these obligations were classified as long-term liabilities.
- e. Some secured bank loans repayable within one year but with repayment deadlines that the Group may extend, were classified as long-term liabilities. Of these loans, there was a balance of NT\$1,500,000 thousand (US\$45,732 thousand) as of October, 2008 and maturing in October 2013 on a loan obtained by SOGO from Taiwan Cooperative Bank. The principal is repayable in twenty-four installments from April 2011. The interest is payable monthly.
- f. For the unsecured loans amounting to NT\$900,000 thousand (US\$27,439 thousand) and NT\$1,200,000 thousand (US\$36,585 thousand), the Company negotiated medium-term and long-term loan contracts, and the Group allowed the extension of the repayment deadlines for these loans. Thus, these obligations were classified as long-term liabilities. The unsecured loans with the following banks as of December 31, 2008 were as follows:
  - 1) Bank of Kaohsiung: FE Geant credit loan of NT\$100,000 thousand (US\$3,049 thousand); fixed regular time deposit interest rate as of December 31, 2008 and 2007; maturity in May 2009;
  - 2) Hua Nan Bank: FE Geant credit loan of NT\$200,000 thousand (US\$6,098 thousand) floating interest rate, based on regular time deposit rate plus 0.77% as of December 31, 2008; first installment payment due after twenty-four months; second installment due six months after the first installment; final installment due six months after the second installment, each installment paid one third of the loans; the loan balance of NT\$133,000 thousand (US\$4,055 thousand) and NT\$200,000 thousand (US\$6,098 thousand) as of 2008 and 2007;

- 3) Taipei Fubon Bank: FE Geant credit loan of NT\$200,000 thousand (US\$6,098 thousand); 2.81% interest rate; repayable every six months in four installments after the first installment due after eighteen months from December 26, 2006; each installment is NT\$50,000 thousand (US\$1,524 thousand); the loan balance of NT\$100,000 thousand (US\$3,049 thousand) and NT\$200,000 thousand (US\$6,098 thousand) as of 2008 and 2007;
- 4) First Bank: FE Geant credit loan of NT\$300,000 thousand (US\$9,146 thousand); floating interest rate, based on regular time deposit rate plus 0.6% as of December 31, 2008; repayable every six months in four installments after the first installment due after 18 months from February 14, 2007; each installment is NT\$75,000 thousand (US\$2,287 thousand); the loan balance were NT\$225,000 thousand (US\$6,860 thousand) and NT\$300,000 thousand (US\$9,146 thousand) as of 2008 and 2007;
- 5) First Bank: Far Eastern CitySuper Ltd. credit loan of NT\$60,000 thousand (US\$1,829 thousand); floating interest rate, based on two years' fixed regular time deposit rate plus 0.465% as of December 31, 2008; repayable three months in twelve installments; each installment is NT\$5,000 thousand (US\$152 thousand); loan balance of NT\$35,000 thousand (US\$1,067 thousand) and NT\$55,000 thousand (US\$1,677 thousand) as of December 31, 2008 and 2007;
- 6) Shin Kong Bank: Far Eastern CitySuper Ltd. credit loan of NT\$70,000 thousand (US\$2,134 thousand); floating interest rate, based on fixed regular time deposit rate plus 0.42%; repayable on maturity in December 2009;
- 7) Chinatrust Bank: FE Geant Credit loan of NT\$50,000 thousand (US\$1,524 thousand); 2.83% interest rate, and maturity in February 2008;
- 8) Mega International Commercial Bank (originally the Chiao Tung Bank): SOGO Credit loan of NT\$600,000 thousand (US\$18,293 thousand) obtained in November 2003; repayable quarterly from May 2005 to November 2008 in fifteen installments of NT\$40,000 thousand (US\$1,220 thousand) each; loan balances of NT\$160,000 thousand (US\$4,878 thousand) in 2007 which were repaid in November 2008.

## 22. STOCKHOLDERS' EQUITY

Under relevant regulations, capital surplus from the Company's 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.

FEDS'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%

FEDS'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.



FEDS's bonus to employees of NT\$10,125 thousand (US\$309 thousand) and the remuneration to directors and supervisors of NT\$7,593 thousand (US\$231 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 FEDS's 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 FEDS'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 FEDS on earnings generated when distributing unappropriated earnings.

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

	<b>Earnings Appropriation</b>				<b>Dividend Per Shares</b>			
	<b>2007</b>		<b>2006</b>		<b>2007</b>		<b>2006</b>	
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>
Legal reserve	\$ 160,715	\$ 4,900	\$ 58,615	\$ 1,787				
Stock dividend - common stock	560,484	17,088	-	-	\$ 0.5	\$ 0.02	\$ -	\$ -
Cash dividend - common stock	1,457,257	44,429	538,926	16,431	1.3	0.04	0.50	0.02
Bonus to employees - cash paid	57,858	1,764	23,034	702				
Remuneration to directors and supervisors - cash paid	43,393	1,323	17,275	527				
	<u>\$ 2,279,707</u>	<u>\$ 69,504</u>	<u>\$ 637,850</u>	<u>\$ 19,447</u>				

In their meeting on June 15, 2007, the stockholders approved the use of capital surplus to issue of additional stocks amounting to NT\$431,141 thousand (US\$13,145 thousand).

The stock issuance in the year of 2007 and 2006 for the above appropriation of stock dividends was approved by the Securities and Futures Bureau (SFB), and the board of directors resolved that the effective date of stock dividend appropriation was July 30, 2008 and August 18, 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 (US\$0.04) to NT\$1.31 (US\$0.04) in 2007 and from NT\$0.54 (US\$0.02) to NT\$0.50 (US\$0.02) in 2006.

Information on the bonus to employees and remunerations to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

## 23. 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:

Subsidiary	Shares in Thousands	<u>Carrying Value</u>		<u>Market Value</u>	
		New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<u>2008</u>					
BDIC	17,473	\$ <u>95,723</u>	\$ <u>2,918</u>	\$ <u>324,968</u>	\$ <u>9,908</u>
<u>2007</u>					
BDIC	28,770	\$ <u>165,492</u>	\$ <u>5,045</u>	\$ <u>1,129,225</u>	\$ <u>34,428</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 NT\$592,737 thousand (US\$18,071 thousand) and NT\$61,581 thousand (US\$1,877 thousand), respectively. After deducting the treasury stock acquisition costs of NT\$69,776 thousand (US\$2,127 thousand) and NT\$16,368 thousand (US\$499 thousand) from these proceeds, the Company credited NT\$522,909 thousand (US\$15,942 thousand) and NT\$45,213 thousand (US\$1,378 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.

## 24. 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	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Income tax expense at statutory income tax rate (25%)	\$ 787,898	\$ 24,021	\$ 1,102,048	\$ 33,599
Income tax expenses - deferred	17,403	531	63,883	1,948
Income tax expense on short-term negotiable instruments taxed at 20%	653	20	135	4
Investment tax credit	-	-	1,450	44
Prior year's adjustment	(1,667)	(51)	(6,100)	(186)
Income tax expenses	<u>\$ 804,287</u>	<u>\$ 24,521</u>	<u>\$ 1,161,416</u>	<u>\$ 35,409</u>

- b. Deferred income tax consisted of the following:

	2008		2007	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Current				
Deferred income tax assets				
Allowance for losses on lawsuit	\$ 86,209	\$ 2,628	\$ 79,249	\$ 2,416
Allowance for doubtful accounts	67,343	2,053	64,986	1,981
Allowance for doubtful prepayments	56,250	1,715	56,250	1,715
Allowance for losses on obsolescent inventory	49,157	1,499	35,147	1,072
Unrealized interest expense	33,647	1,026	-	-
Unrealized rent expense	17,920	546	7,680	234
Unrealized foreign exchange expense	6,045	184	1,826	56
Loss carryforward	91	3	225,159	6,865
Unrealized foreign exchange loss	-	-	2,834	86
Investment tax credits	-	-	1,341	41
Others	6,461	197	5,456	166
	<u>323,123</u>	<u>9,851</u>	<u>479,928</u>	<u>14,632</u>
Less: Valuation allowance	<u>(34,268)</u>	<u>(1,045)</u>	<u>(238,730)</u>	<u>(7,278)</u>
	<u>288,855</u>	<u>8,806</u>	<u>241,198</u>	<u>7,354</u>
Deferred income tax liability				
Others	<u>(307)</u>	<u>(9)</u>	<u>(121)</u>	<u>(4)</u>
Net deferred income tax assets	<u>\$ 288,548</u>	<u>\$ 8,797</u>	<u>\$ 241,077</u>	<u>\$ 7,350</u>

(Continued)

	<u>2008</u>		<u>2007</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Noncurrent				
Deferred income tax assets				
Loss carryforward	\$ 1,507,367	\$ 45,956	\$ 1,175,368	\$ 35,834
Cumulative equity in net loss of investees	728,130	22,199	600,984	18,323
Difference of pension cost between financial reporting and tax reporting	40,021	1,220	35,376	1,078
Investment tax credits	1,243	38	1,243	38
Others	<u>68,462</u>	<u>2,087</u>	<u>12,298</u>	<u>375</u>
	2,345,223	71,500	1,825,269	55,648
Less: Valuation allowance	<u>(1,629,287)</u>	<u>(49,673)</u>	<u>(1,345,606)</u>	<u>(41,024)</u>
	<u>715,936</u>	<u>21,827</u>	<u>479,663</u>	<u>14,624</u>
Deferred income tax liabilities				
Difference of depreciation expense between financial reporting and tax reporting	(242,100)	(7,381)	(248,930)	(7,589)
Cumulative equity in net income of foreign-domiciled investees	<u>(307,977)</u>	<u>(9,390)</u>	<u>-</u>	<u>-</u>
	<u>(550,077)</u>	<u>(16,771)</u>	<u>(248,930)</u>	<u>(7,589)</u>
Net deferred income tax assets	<u>\$ 165,859</u>	<u>\$ 5,056</u>	<u>\$ 230,733</u>	<u>\$ 7,035</u> (Concluded)

c. Information on the integrated income tax system is as follows:

	<u>2008</u>		<u>2007</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Balance of imputation credit account - FEDS	<u>\$ 198,291</u>	<u>\$ 6,045</u>	<u>\$ 175,077</u>	<u>\$ 5,338</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.

Unused investment tax credits as of December 31, 2008 were as follows:

Items	New Taiwan Dollars	U.S. Dollars (Note 3)	Year of Expiry	Examination Status
<u>FE Geant</u>				
Investment tax credits and training expense tax credit	\$ 344	\$ 11	2011	Examined
	461	14	2010	Examined
	438	13	2009	Examined

The loss carryforwards as of December 31, 2008 were as follows:

Company Name	Year of Loss	New Taiwan Dollars	U.S. Dollars (Note 3)	Year of Expiry
FE Geant	2008 (unexamined)	\$ 97,358	\$ 2,968	2018
	2007 (unexamined)	161,874	4,935	2017
	2006 (examined)	264,017	8,049	2016
	2005 (examined)	239,962	7,316	2015
	2004 (examined)	161,503	4,924	2014
	2003 (examined)	224,917	6,857	2013
YTDS	2008 (unexamined)	22,406	683	2018
	2007 (unexamined)	17,451	532	2017
	2006 (examined)	19,685	600	2016
	2005 (examined)	19,487	594	2015
	2004 (examined)	13,000	396	2014
	2003 (examined)	5,379	164	2013
FNCD	2008 (unexamined)	15	1	2018
	2003 (examined)	76	2	2013
FEHLD	2007 (unexamined)	50,106	1,528	2017
	2004 (examined)	42,643	1,300	2014
FECS	2008 (unexamined)	34,334	1,047	2018
	2007 (examined)	47,895	1,460	2017
	2006 (examined)	34,406	1,049	2016
	2005 (examined)	35,700	1,089	2015
	2004 (examined)	5,124	156	2014
Yu Ming	2007 (unexamined)	1,804	55	2017
	2006 (examined)	1,260	39	2016
	2005 (examined)	7,056	215	2015

On January 6, 2009, the Legislative Yuan of the Republic of China passed the amendment of Article 39 of the Income Tax Law, which extends the operating losses carryforward period from five years to ten years. The Company recalculated deferred tax assets according to the amended Article and recorded the resulting difference as valuation allowance.

The income tax return of Far Eastern CitySuper Ltd. for 2007 and SOGO for 2004, and the income tax returns through 2006 of FECS and its subsidiaries had been examined and cleared by the tax authorities. In addition, SOGO did not agree with the tax authorities' assessment of a tax payable on its returns for years 2001 to 2004 and filed an administrative appeal.

After examining SOGO's 2003 and 2002 income tax returns in November 2005 and December 2005, respectively, the tax authorities decided to subtract NT\$16,407 thousand (US\$500 thousand) from the income tax refund receivable on the 2003 return and to add NT\$11,902 thousand (US\$363 thousand) to the 2002 income tax payable. However, after paying NT\$998 thousand (US\$30 thousand), SOGO declined to pay the surtax balance of NT\$10,904 thousand (US\$332 thousand) and filed an administrative appeal. Nevertheless, it recognized income tax expenses of NT\$28,309 thousand (US\$863 thousand) in 2005 and paid NT\$5,452 thousand (US\$166 thousand) in 2008.

In May 2006, the tax authorities reexamined SOGO's 2001 income tax return and assessed a surtax of NT\$6,233 thousand (US\$190 thousand) and paid NT\$13,116 thousand (US\$400 thousand) in 2008.

In November 2006, the tax authorities decided not to recognize a portion of the withheld tax on the accrued interest on a long-term account receivable and interest and thus added NT\$12,847 thousand (US\$392 thousand) to the 2006 income tax payable and paid NT\$6,423 thousand (US\$196 thousand) in 2008.

SOGO did not agree with the tax authorities' assessment of the tax payable on its returns for years 2001 to 2004 and filed an administrative appeal.

## 25. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	2008							
	Included in Operating Cost		Included in Operating Expense		Included in Nonoperating Expense		Total	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Personnel expenses								
Salary	\$ 6,822	\$ 208	\$ 3,533,477	\$ 107,728	\$ -	\$ -	\$ 3,540,299	\$ 107,936
Insurance	1,005	31	348,193	10,615	-	-	349,198	10,646
Pension	-	-	202,956	6,188	-	-	202,956	6,188
Other	-	-	117,286	3,576	-	-	117,286	3,576
	<u>\$ 7,827</u>	<u>\$ 239</u>	<u>\$ 4,201,912</u>	<u>\$ 128,107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,209,739</u>	<u>\$ 128,346</u>
Depreciation expenses	<u>\$ 15,928</u>	<u>\$ 486</u>	<u>\$ 1,678,421</u>	<u>\$ 51,171</u>	<u>\$ 2,843</u>	<u>\$ 87</u>	<u>\$ 1,697,192</u>	<u>\$ 51,744</u>
Amortization expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 333,604</u>	<u>\$ 10,171</u>	<u>\$ 5,094</u>	<u>\$ 155</u>	<u>\$ 338,698</u>	<u>\$ 10,326</u>
	2007							
	Included in Operating Cost		Included in Operating Expense		Included in Nonoperating Expense		Total	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Personnel expenses								
Salary	\$ 6,846	\$ 209	\$ 3,319,498	\$ 101,204	\$ -	\$ -	\$ 3,326,344	\$ 101,413
Insurance	325	10	277,894	8,472	-	-	278,219	8,482
Pension	642	19	214,818	6,550	-	-	215,460	6,569
Other	-	-	150,723	4,595	-	-	150,723	4,595
	<u>\$ 7,813</u>	<u>\$ 238</u>	<u>\$ 3,962,933</u>	<u>\$ 120,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,970,746</u>	<u>\$ 121,059</u>
Depreciation expenses	<u>\$ 15,881</u>	<u>\$ 484</u>	<u>\$ 1,657,318</u>	<u>\$ 50,528</u>	<u>\$ 3,089</u>	<u>\$ 94</u>	<u>\$ 1,676,288</u>	<u>\$ 51,106</u>
Amortization expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 333,981</u>	<u>\$ 10,182</u>	<u>\$ 6,750</u>	<u>\$ 206</u>	<u>\$ 340,731</u>	<u>\$ 10,388</u>

## 26. CONSOLIDATED EARNINGS PER SHARE

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

	Amount (Numerator)				Shares (Denominator) (Thousands)	Earnings Per Share			
	Before Tax		After Tax			Before Tax		After Tax	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)		New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<u>2008</u>									
Consolidated net income	\$ 2,030,145	\$ 61,895							
Add: Minority interest and subsidiary employee benefits and directors' and supervisors' remuneration effect	(1,810,079)	(55,186)							
	<u>220,066</u>	<u>6,709</u>	\$ 286,864	\$ 8,746	1,158,602	<u>\$ 0.19</u>	<u>\$ 0.01</u>	<u>\$ 0.25</u>	<u>\$ 0.01</u>
Effect of dilutive potential common stock									
Bonus to employees	-	-	-	-	5				
	<u>\$ 220,066</u>	<u>\$ 6,709</u>	<u>\$ 286,864</u>	<u>\$ 8,746</u>	<u>1,159,146</u>	<u>\$ 0.19</u>	<u>\$ 0.01</u>	<u>\$ 0.25</u>	<u>\$ 0.01</u>
<u>2007</u>									
Consolidated net income	\$ 4,392,592	\$ 133,920							
Add: Minority interest and subsidiary employee benefits and directors' and supervisors' remuneration effect	(2,908,412)	(88,671)							
	<u>\$ 1,484,180</u>	<u>\$ 45,249</u>	<u>\$ 1,607,152</u>	<u>\$ 48,998</u>	<u>1,146,236</u>	<u>\$ 1.29</u>	<u>\$ 0.04</u>	<u>\$ 1.40</u>	<u>\$ 0.04</u>

The Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. 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. Such 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 denominators for the purposes of calculating the above basic EPS had been adjusted retroactively to reflect the issuance of stock dividends in July 2008 (see Note 22). This adjustment caused the basic EPS in 2007 before and after tax to decrease from NT\$1.36 (US\$0.04 thousand) to NT\$1.29 (US\$0.04 thousand) and from NT\$1.47 (US\$0.04 thousand) to NT\$1.40 (US\$0.04 thousand), respectively.

## 27. PENSION PLAN

Based on the Act, the Group'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 Group has accrued NT\$115,492 thousand (US\$3,521 thousand) and NT\$111,503 thousand (US\$3,399 thousand) as net pension cost for the defined contribution pension plan based on the Act.

The Group 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 Group contributes an amount equal to 6% 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 (Central Trust of China).

FEHLD closed its wholesale business in July 1, 2000 and transferred its employees to FE Great. The pension liabilities were accrued on the basis of length of service in FEHLD and FE Great. As of December 31 2008 and 2007, the balance of the accrued pension liabilities of FEHLD were NT\$4,571 thousand (US\$139 thousand) and NT\$6,534 thousand (US\$199 thousand).

For the overseas subsidiaries, pension costs under defined contribution plans were NT\$62,239 thousand (US\$1,898 thousand) in 2008 and NT\$46,748 thousand (US\$1,425 thousand) in 2007.

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

### a. Net pension cost

	2008									
	FEDS		FE Geant		YTDS		Yu Ming		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Service cost	\$ 13,418	\$ 409	\$ 7,623	\$ 233	\$ 66	\$ 2	\$ 208	\$ 6	\$ 15,029	\$ 458
Interest cost	13,950	426	4,730	144	279	8	24	1	11,952	365
Projected return on plan assets	(27,512)	(839)	(2,414)	(74)	(139)	(4)	(8)	-	(3,537)	(108)
Amortization	(26,855)	(819)	772	24	(76)	(2)	(31)	(1)	11,982	365
	<u>\$ (26,999)</u>	<u>\$ (823)</u>	<u>\$ 10,711</u>	<u>\$ 327</u>	<u>\$ 130</u>	<u>\$ 4</u>	<u>\$ 193</u>	<u>\$ 6</u>	<u>\$ 35,426</u>	<u>\$ 1,080</u>
	2007									
	FEDS		FE Geant		YTDS		Yu Ming		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Service cost	\$ 13,108	\$ 400	\$ 10,242	\$ 312	\$ 64	\$ 2	\$ 165	\$ 5	\$ 17,080	\$ 521
Interest cost	10,700	326	5,081	155	394	12	-	-	11,814	360
Projected return on plan assets	(14,709)	(448)	(2,572)	(78)	(136)	(4)	-	-	(3,160)	(96)
Amortization	(13,108)	(400)	2,764	84	39	1	-	-	11,982	365
	<u>\$ (4,009)</u>	<u>\$ (122)</u>	<u>\$ 15,515</u>	<u>\$ 473</u>	<u>\$ 361</u>	<u>\$ 11</u>	<u>\$ 165</u>	<u>\$ 5</u>	<u>\$ 37,716</u>	<u>\$ 1,150</u>

b. Reconciliation of the funded status of the plans and prepaid pension cost (accrued pension liabilities)

	FEDS		FE Geant		YTDS		Yu Ming		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<u>2008</u>										
Present value of benefit obligation:										
Vested	\$ (162,693)	\$ (4,960)	\$ (85,677)	\$ (2,612)	\$ -	\$ -	\$ -	\$ -	\$ (48,895)	\$ (1,491)
Non-vested	(244,991)	(7,469)	(81,679)	(2,490)	(6,734)	(205)	(799)	(24)	(292,259)	(8,910)
Accumulated	(407,684)	(12,429)	(167,356)	(5,102)	(6,734)	(205)	(799)	(24)	(341,154)	(10,401)
Additional benefits based on										
future salaries	(153,131)	(4,669)	(219)	(7)	(1,583)	(48)	(272)	(8)	(144,952)	(4,419)
Projected	(560,815)	(17,098)	(167,575)	(5,109)	(8,317)	(253)	(1,071)	(32)	(486,106)	(14,820)
Fair value of plan assets	575,466	17,545	84,150	2,566	5,844	178	280	8	120,970	3,688
Funded status	14,651	447	(83,425)	(2,543)	(2,473)	(75)	(791)	(24)	(365,136)	(11,132)
Unrecognized net transition obligation (assets)	(115,329)	(3,516)	(653)	(20)	33	1	(370)	(11)	155,767	4,749
Unrecognized prior service cost	(13,675)	(417)	(20,716)	(632)	1	-	-	-	-	-
Unrecognized net actuarial loss	308,509	9,405	49,182	1,499	(2,509)	(77)	36	1	50,982	1,554
Additional pension cost	-	-	(27,593)	(841)	-	-	-	-	(61,797)	(1,884)
Prepaid pension cost (accrued pension liabilities)	\$ 194,156	\$ 5,919	\$ (83,205)	\$ (2,537)	\$ (4,948)	\$ (151)	\$ (1,125)	\$ (34)	\$ (220,184)	\$ (6,713)
<u>2007</u>										
Present value of benefit obligation:										
Vested	\$ (139,171)	\$ (4,243)	\$ (82,483)	\$ (2,515)	\$ -	\$ -	\$ -	\$ -	\$ (48,489)	\$ (1,478)
Non-vested	(277,405)	(8,458)	(76,667)	(2,337)	(6,326)	(193)	(685)	(21)	(258,116)	(7,869)
Accumulated	(416,576)	(12,701)	(159,150)	(4,852)	(6,326)	(193)	(685)	(21)	(306,605)	(9,347)
Additional benefits based on										
future salaries	(93,279)	(2,844)	(12,169)	(371)	(1,645)	(50)	(172)	(5)	(128,004)	(3,903)
Projected	(509,855)	(15,545)	(171,319)	(5,223)	(7,971)	(243)	(857)	(26)	(434,609)	(13,250)
Fair value of plan assets	989,436	30,166	80,364	2,450	5,379	164	227	7	121,760	3,712
Funded status	479,581	14,621	(90,955)	(2,773)	(2,592)	(79)	(630)	(19)	(312,849)	(9,538)
Unrecognized net transition obligation (assets)	(134,550)	(4,102)	(979)	(30)	44	1	(402)	(12)	167,749	5,114
Unrecognized prior service cost	(15,043)	(459)	-	-	20	1	-	-	-	-
Unrecognized net actuarial loss	(186,674)	(5,691)	37,919	1,156	(2,616)	(80)	54	1	7,731	236
Additional pension cost	-	-	(24,771)	(755)	-	-	-	-	(47,476)	(1,447)
Prepaid pension cost (accrued pension liabilities)	\$ 143,314	\$ 4,369	\$ (78,786)	\$ (2,402)	\$ (5,144)	\$ (157)	\$ (978)	\$ (30)	\$ (184,845)	\$ (5,635)

c. Vested benefits - undiscounted

	FEDS		FE Geant		YTDS		Yu Ming		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
2008	\$ 229,634	\$ 7,001	\$ 85,677	\$ 2,612	\$ -	\$ -	\$ -	\$ -	\$ 63,698	\$ 1,942
2007	\$ 176,306	\$ 5,375	\$ 82,483	\$ 2,515	\$ -	\$ -	\$ -	\$ -	\$ 56,192	\$ 1,713

d. Actuarial assumptions

	FEDS	FE Geant	YTDS	Yu Ming	SOGO
<u>2008</u>					
Discount rate used in determining present value	2.75%	1.50%	3.50%	2.75%	2.75%
Future salary increase rate	2.50%	0.50%	2.00%	2.00%	2.50%
Expected rate of return on plan assets	2.75%	1.50%	2.50%	2.75%	2.75%
<u>2007</u>					
Discount rate used in determining present value	2.75%	3.00%	3.50%	2.75%	2.75%
Future salary increase rate	2.00%	1.50%	2.00%	2.00%	3.00%
Expected rate of return on plan assets	2.75%	3.00%	2.50%	2.75%	2.75%



e. Contributions to and payments from the fund

	FEDS		FE Geant		YTDS		Yu Ming		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<u>2008</u>										
Contributions	\$ 23,842	\$ 727	\$ 9,113	\$ 278	\$ 561	\$ 17	\$ 46	\$ 1	\$ 12,973	\$ 396
Payments	\$ 24,115	\$ 735	\$ 13,734	\$ 419	\$ -	\$ -	\$ -	\$ -	\$ 18,147	\$ 553
<u>2007</u>										
Contributions	\$ 28,207	\$ 860	\$ 10,917	\$ 333	\$ 583	\$ 18	\$ 96	\$ 3	\$ 13,693	\$ 417
Payments	\$ 36,122	\$ 1,101	\$ 22,516	\$ 686	\$ -	\$ -	\$ -	\$ -	\$ 2,683	\$ 82

## 28. RELATED-PARTY TRANSACTIONS

Significant related-party transactions, in addition to those shown in Notes 12, 13 to 14, 17 and 29, are summarized in the accompanying Tables 2 and 3.

The Group's related parties were as follows:

<u>Related Party</u>	<u>Relationship with the Group</u>
Far Eastern Textile Co., Ltd. (FET)	Equity-method investor of FEDS
City Super (Labuan) Ltd.	Equity-method investee of Far Eastern CitySuper Ltd.
City Super (Hong Kong)	Parent of City Super (Labuan) Ltd.
Oriental Securities Corporation	Equity-method investee
Ding Ding Integrated Marketing Service	Equity-method investee
Far Eastern International Leasing Corp.	Equity-method investee
Pacific Department Store Co., Ltd.	Equity-method investee
Sogo Department Store Co., Ltd.	Equity-method investee
Pacific 88 Co., Ltd.	Equity-method investee
Pacific Sogo Investment Co., Ltd.	Equity-method investee
Lian Ching Investment Co., Ltd.	Equity-method investee
Asia Cement Corp. (ACC)	ACC and FEDS have the same chairman
Yuan Ding Co., Ltd. (YDCL)	YDCL and FEDS have the same chairman
Far EasTone Telecom Co., Ltd. (FETCL)	FETCL and FEDS have the same chairman
Far Eastern Resource Development Ltd., Corp. (FERDL)	FERDL and FEDS have the same chairman
New Century Information Communication Technology Co., Ltd. (NCICT)	NCICT and FEDS have the same chairman
Yuan Ding Investment Co., Ltd. (YDIC)	A director of YDIC was FEDS's chairman
Far Eastern International Bank (FEIB)	FEIB and FEDS have the same chairman
Far Eastern Construction Company (FECC)	A director of FECC was FEDS's chairman
Hong-Tong Comprehensive Commercial Developing Co., Ltd. (HTCCD)	A director of HTCCD was FEDS's chairman
Asia Concrete Corporation (ACC)	A director of ACC was FEDS's chairman
Far Eastern Apparel Co., Ltd.	Indirect subsidiary of FET
Far Eastern General Contractor Inc. (FEGC)	A director of FEGC was FEDS's chairman
ISS Security Co., Ltd. (ISC)	Equity-method investee of IFS
Yuan Bo Asset Management Company	Indirect subsidiary of Far Eastern International Leasing Corp.
Chengdu People's Department Store (Group) Co., Ltd.	Joint venture partner of SOGO
Quanxing Wine Factory	Joint venture partner of SOGO
Hutchison Enterprises (Chongqing) Co., Ltd.	Joint venture partner of SOGO
Chengdu Pacific Department Store	Authorizing to manage
Others	Others (no transactions; Table 10)

Compensation of directors, supervisors and management personnel:

	<u>2008</u>		<u>2007</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Salaries and incentives	\$ 21,871	\$ 667	\$ 28,512	\$ 869
Bonus to directors and supervisors	24,200	738	23,600	720
Bonus	1,378	42	907	28
Operation allowance of directors	<u>333</u>	<u>10</u>	<u>363</u>	<u>11</u>
	<u>\$ 47,782</u>	<u>\$ 1,457</u>	<u>\$ 53,382</u>	<u>\$ 1,628</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.

## 29. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged as security for purchases of certain items; as mortgages to secure bank loans, commercial paper payable, and bonds issued; and as security in relation to tax appeals and lawsuit:

	<u>2008</u>		<u>2007</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Pledged time deposits	\$ 25,690	\$ 783	\$ 13,092	\$ 399
Investments accounted for by the equity method	1,249,300	38,088	1,787,766	54,505
Available-for-sale financial assets - noncurrent	2,024,315	61,717	838,980	25,579
Financial assets carried at cost	328,908	10,028	203,470	6,203
Properties, net	17,142,150	522,626	16,539,674	504,258
Idle properties, net	274,986	8,384	276,091	8,418
Pledged assets, net	<u>20,293</u>	<u>619</u>	<u>30,526</u>	<u>931</u>
	<u>\$ 21,065,642</u>	<u>\$ 642,245</u>	<u>\$ 19,689,599</u>	<u>\$ 600,293</u>

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

Significant commitments and contingent liabilities as of December 31, 2008, in addition those mentioned in Note 21, are summarized as follows:

- Unused letters of credit aggregated NT\$1,468 thousand (US\$45 thousand).
- Outstanding construction contracts aggregated NT\$4,057,583 thousand (US\$123,707 thousand).

c. Amounts of the guarantees on the loans of related parties and others were as follows:

	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	\$ 3,892,000	\$ 118,658
Taiwan Chong-Guang Ltd.	<u>94,297</u>	<u>2,875</u>
	<u>\$ 3,986,297</u>	<u>\$ 121,533</u>

d. In addition to the lease contracts mentioned in Notes 13, 14 and 17, other major operating lease contracts are listed below:

- 1) FEDS 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 FEDS to renew the lease upon its expiry. The monthly rent is NT\$6,562 thousand (US\$200 thousand).
- 2) SOGO leases from Taiwan Cooperative Bank (original lessor) a lot and building at Zhong Yang Xi S. 1Rd, Zhong Li City, Taoyuan for the Zhong Li branch. In July 2006, Taiwan Cooperative Bank subjected this land and building to public building, which Far Eastern International Leasing Corp. won. The lease agreement will expire in June 2011, but the new lessor allowed SOGO to receive precedence over others and renew the lease agreement upon expiry. The monthly rent is NT\$5,000 thousand (US\$152 thousand), and the refundable guarantee note amounted to NT\$100,000 thousand (US\$3,049 thousand). The rents paid were NT\$61,282 thousand (US\$1,868 thousand) in 2008 and NT\$60,000 thousand (US\$1,829 thousand) in 2007.
- 3) Under a contract, Taipei Liu-Gong Soil and Water Resources Institute agreed to transfer land use rights on a property located in Taipei City from Pacific Construction Co. to SOGO in 2002. The annual rent is 10% of the government-declared land value. The rent paid was NT\$102,704 thousand (US\$3,131 thousand) in 2008 and NT\$90,535 thousand (US\$2,760 thousand) in 2007. The refundable guarantee note was NT\$200,000 thousand (US\$6,098 thousand) as of December 31, 2008 and 2007.
- 4) For operating purposes, SOGO rents a building located in Chongli City from Liuhe Fextile Factory Co. and Haihua Construction Co. The renewable lease is up to December 2018, and SOGO receives preference over others in leasing the building. Monthly rent for the first three years is NT\$22,750 thousand (US\$694 thousand), and would be the higher of the basic rent or 6% of the sales revenue every year from 2002. The rent was NT\$399,713 thousand (US\$12,186 thousand) in 2008 and NT\$388,100 thousand (US\$11,832 thousand) in 2007. The refundable deposit was NT\$137,035 thousand (US\$4,178 thousand) in 2008 and NT\$65,001 thousand (US\$1,982 thousand) in 2007, and the refundable guarantee notes were NT\$253,041 thousand (US\$7,715 thousand) as of December 31, 2008 and 2007.

In 2004, Liuhe Textile Factory Co. ("Liuhe") and Haihua Construction Co. ("Haihua") could not agree with SOGO on a rent decrease. With the approval of the court, Liuhe and Haihua carried out a provisional seizure from SOGO of rent of NT\$6,735 thousand (US\$205 thousand) on January 15, 2004 and of court fees of NT\$55 thousand (US\$2 thousand) on February 11, 2004. To resolve the seizure, SOGO placed with the court two pledged amounts of NT\$6,735 thousand (US\$205 thousand) each on January 20, 2004 and February 18, 2004, for a total of NT\$13,470 thousand (US\$411 thousand), shown as refundable deposits. In the first trial, SOGO lost the lawsuit, and, under court approval, Liuhe and Haihua carried out a provisional seizure of SOGO's assets. When SOGO provided the equivalent negotiable certificate of deposit of NT\$179,500 thousand (US\$5,473 thousand) to stop the provisional seizure, the Civil Compulsory Execution of Taiwan Taipei District Court rescinded the seizure order.

On July 9, 2007, SOGO, Liuhe and Haihua reached an agreement for SOGO to pay the shortfall on the rental plus interest, or a total of NT\$390,537 thousand (US\$11,907 thousand). This total was paid on July 31, 2007. As a result, SOGO got back from Liuhe and Haihua its deposits as well as the cash placed with the court as pledge.

- 5) SOGO rents a building located in Hsinchu City from Hsinchu Bus Co. for operating purposes. The renewable lease is up to September 2019, and SOGO receives preference over others in renting the building. Quarterly rent is the higher of the basic rent or 6% of the sales revenue. The rent was NT\$200,830 thousand (US\$6,123 thousand) in 2008 and NT\$220,084 thousand (US\$6,710 thousand) in 2007. The refundable deposit was NT\$96,040 thousand (US\$2,928 thousand) in 2008 and 2007, and the refundable guarantee note was NT\$336,876 thousand (US\$10,271 thousand) as of December 31, 2008 and 2007, respectively.
- 6) For operating purposes, SOGO rents a building located in Taipei City from Pacific Department Stores Co., Ltd. in 2003. The renewable lease is up to December 31, 2004. The contract, renewed in July 2003, will expire on December 23, 2009. The monthly rent is NT\$8,500 thousand (US\$259 thousand). After the expiry date, SOGO may extend the contract for one year under the same terms. The rent was NT\$102,000 thousand (US\$3,110 thousand) in 2008 and 2007.
- 7) In November 2005, Tianjin FEDS Limits., Co. signed a house leasing contract with Tianjin Long Qiao Real Estate Development Co., Ltd. The lease term is from April 2006 to March 2026, with a total rent of RMB786,700 thousand (US\$115,301 thousand) till the end of the lease. FEDS provided a guarantee amount of RMB88,200 thousand (US\$12,927 thousand) for this lease.

The future minimum rental expenses for all lease contracts for the next five years are summarized below:

Year	Rental Expense	
	New Taiwan Dollars	U.S. Dollars (Note 3)
2009	\$ 1,576,169	\$ 48,054
2010	1,398,660	42,642
2011	1,411,153	43,023
2012	1,422,992	43,384
2013	1,363,308	41,564

- e. In 1997, FEDS and Taiwan Development and Trust Corporation (TDTC) entered into an agreement for FEDS to buy land and building located in Hsin-Chu. The cost of this property was NT\$4,046,030 thousand (US\$123,355 thousand) after deducting the public funds and discounts of NT\$68,426 thousand (US\$2,086 thousand) from NT\$4,114,456 thousand (US\$125,441 thousand) (total cost of property - pretax). The building construction was completed on November 2002. FEDS transferred the net amount of NT\$4,046,030 thousand (US\$123,355 thousand) from unfinished construction to the cost of property. However, as of December 31, 2002, FEDS had not paid the construction final payment of NT\$457,819 thousand (US\$13,958 thousand), shown as part of payable on properties.

On January 23, 2003, TDTC sued FEDS for not making the final payment of NT\$1,020,367 thousand (US\$31,109 thousand) (the final payment for the sales contract and additional payment for the change of design) and demanded that FEDS 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 NT\$725,000 thousand (US\$22,104 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 NT\$266,292 thousand (US\$8,119 thousand), classified as payable - property, and recognized a relevant depreciation expense of NT\$17,463 thousand (US\$532 thousand) in the second quarter of 2006. Later, however, the Company and TDTC made an agreement that the Company should pay TDTC NT\$715,906 thousand (US\$21,826 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, 2007, the Taiwan High Court ruled that the Company should pay TDTC NT\$715,906 thousand (US\$21,826 thousand) plus interests of (a) NT\$686,596 thousand (US\$20,933 thousand) based on the 0.03% daily interest rate from June 5, 2002 to the full-repayment date; (b) NT\$26,365 thousand (US\$804 thousand) based on the 0.03% daily interest rate; and (c) NT\$2,945 thousand (US\$90 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 NT\$126,705 thousand (US\$3,863 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, 2008 a Retrial. This case was still pending before the court as of December 31, 2008.

- g. In December 2003 and January 2004, Pacific Liu Tong Investment Co. (PLTIC) paid Cathay Leasing Ltd. (“Cathay”) NT\$138,545 thousand (US\$4,224 thousand) and NT\$5,000 thousand (US\$152 thousand), respectively, the balance of a secured loan due on October 1, 2006. However, Cathay, believing that PLTIC had broken the terms of the loan contract, cashed in 2006 PLTIC’s guarantee check for NT\$20,000 thousand (US\$610 thousand), shown as other receivable. In addition, in October 2007, Cathay sent PLTIC a mail showing that PLTIC still owed Cathay NT\$3,905 thousand (US\$119 thousand) as of September 2007. Thus, from Cathay’s payment to PLTIC of guarantee notes amounting to NT\$5,000 thousand (US\$152 thousand), Cathay deducted PLTIC’s debt and refunded NT\$1,095 thousand (US\$33 thousand) to PLTIC. The payment of the guarantee notes net of the refund totaled NT\$23,905 thousand (US\$729 thousand), shown as other payment receivable. As of December 31, 2008, PLTIC was still negotiating this matter with Cathay. Nevertheless, PLTIC recognized a bad-debt expense. Management believes the likelihood of significant loss on this case is remote.
- h. Pacific Liu Tong Investment Co. (PLTIC), a major stockholder of Pacific Sogo Department Store (SOGO), was sued by Zhang Ming Qiang (“Zhang”) for the allegedly illegal passing of resolutions by PLTIC’s stockholders in their meetings on May 9, 2002 and September 21, 2002 on capital subscription and the by-election of directors and supervisors. Zhang thus claimed that the registration of the capital subscription and the by-election results was invalid. In addition, Zhang further demanded that PLTIC pay him NT\$5,000 thousand (US\$152 thousand) plus interest as board member remuneration. This case remained pending before the Taipei District Civil Court as of December 31, 2008.
- i. On March 19, 2004, Cathay United Bank (CUB) sued SOGO for a dispute on SOGO’s compliance with a credit card contract with CUB and asked the court to (a) issue a restraining order to prevent SOGO from accessing its deposit in CUB of about NT\$1,650,000 thousand (US\$50,305 thousand) and (b) require SOGO to pay NT\$13,200 thousand (US\$402 thousand), the court fee paid by CUB for this case. On April 20, 2004, the Taipei District Court permitted SOGO to provide the court with certain stock securities in line with its plea to revoke the restraining order. Thus, SOGO provided 165,000 thousand common shares of common stocks (with an aggregate par value of NT\$1,650,000 thousand (US\$50,305 thousand) of Far Eastone Telecommunications Co., Ltd. which was owned by Yuan Ding Investment Co. (a related party), to the court to revoke the restraining order. SOGO also provided Yuan Ding a bank note of NT\$1,665,000 thousand (US\$50,762 thousand) endorsed individually by Pacific Liu Tong Investment and other stockholders of SOGO on the basis of their percentages of ownership of SOGO.

On December 31, 2004, SOGO made a negotiation with CUB on an amendment of a strategic alliance. However, on June 23, 2005, CUB filed a suit against SOGO for the violation of the unfinished negotiation and requested the court to issue a restraining order to prevent SOGO from accessing the NT\$900,000 thousand (US\$27,439 thousand) deposited by SOGO for this case. However, under a decision reached by the court on August 19, 2005, SOGO’s holdings of 90,000 thousand common shares of Far Eastone Telecom Co., Ltd. were distrained instead. SOGO would take other legal procedures to protect its own interests even though the appeals filed against the distraint had been rejected twice.

CUB asked the Taipei District Court to issue a temporary restraining order (TRO) to prohibit SOGO from issuing SOGO Point Cards and from granting benefits based on points earned by customers on the cards. The Taipei District Court rejected CUB’s request, and CUB then filed an appeal with the Taiwan High Court. On May 27, 2004, the Taiwan High Court approved the TRO issuance. SOGO disagreed with this decision and filed an appeal. According to the latest decision of the Taiwan High Court in 2005, CUB obtained the restraining order and requested the Taipei civil court to execute it. However, SOGO had filed an appeal again to revoke the restraining order. The lawsuit is in the processing of trial in the Supreme Court of the Republic of China.

CUB sued SOGO for allegedly serious breaches of related contracts and claimed a compensation of NT\$900,000 thousand (US\$27,439 thousand) plus interest. On September 14, 2006, the Taipei District Court ruled in favor of CUB. Dissatisfied with the court decision in terms of the debtor and creditor's rights, SOGO filed an appeal. In September 17, 2008, the Taiwan High Court rejected SOGO's request and SOGO then filed an appeal with the Taiwan High Court. Nevertheless, SOGO recognized a loss on this case of NT\$100,000 thousand (US\$3,049 thousand) in 2008 and NT\$200,000 thousand (US\$6,098 thousand) in 2006 under other expense and other payable.

In 2007, the Taiwan High Court ruled that the Taipei District Court's decision restricting SOGO from issuing point cards was inappropriate and should thus be reversed. On the rest of the issues with CUB on which the Taiwan High Court upheld the Taipei District Court's ruling in favor of CUB, SOGO raised an appeal to the Taiwan Supreme Court and the Taiwan Supreme Court approved. This case remained pending before the Taiwan High Court as of December 31, 2008.

- j. Pacific Sogo Department Stores Co., Ltd. ("Pacific Sogo") and Taiwan Chong-Guang Ltd. ("Chong-Guang") made a contract with Pacific Sogo Department Stores (Japan) Co., Ltd. ("Japan Sogo"). Under this contract, Chong-Guang had to pay Japan Sogo NT\$723,297 thousand (US\$22,052 thousand) and Pacific Sogo guaranteed this payment. However, when Chong-Guang failed to make this payment, Pacific Sogo paid Japan Sogo NT\$629,000 (US\$19,177 thousand) thousand in cash and issued to Japan Sogo a commercial paper amounting to NT\$94,297 thousand (US\$2,875 thousand) for the rest of the payment.

In 2002, Pacific Liu Tong Investment Co., Ltd. ("Pacific Liu Tong") acquired from Chong-Guang and Japan Sogo their holdings in Pacific Sogo. Chong-Guang had a payable to Pacific Sogo. To ensure its settlement rights on its credit to Chong-Guang, Pacific Sogo claimed that the account payable of Pacific Liu Tong to Chong-Guang should be transferred to Pacific Sogo to offset the Chong-Guang's obligation to Pacific Sogo. As a result of this transfer, Pacific Sogo had reduced Chong-Guang's debt by NT\$434,161 thousand (US\$13,236 thousand) as of December 31, 2008 but recognized a loss of NT\$124,839 (US\$3,806 thousand).

In December 2005, Chong-Guang ignored a debt to Japan Sogo. As guarantor for this debt, Pacific Sogo paid Japan Sogo NT\$70,000 thousand (US\$2,134 thousand). Since Pacific Sogo had spent so much to cover Chong-Guang's unpaid debts, in November 13, 2006, Pacific Sogo applied to the Taipei District Court of law for provisional seizure of Chong-Guang's assets, and the court approved this seizure. On December 8, 2006, Pacific Sogo deposited in the court NT\$10,000 thousand (US\$305 thousand) in blank negotiable certificates of deposit as part of the procedures for the sealing of Chong-Guang's property amounting to NT\$30,000 thousand (US\$915 thousand) and some shares of Chong-Guang.

In February 2008, however, Pacific Department Store Co., Ltd. ("Pacific Department") claimed that it owned the above sealed shares and thus applied to the Taipei District Court for compulsory execution proceedings involving a third party. Pacific Sogo was named defendant. But, on November 13, 2008, Pacific Department withdrew its lawsuit, and this case against Pacific Sogo was closed on February 3, 2009.

- k. Relon Electronics Co., Ltd. ("Relon") was a supplier of Far Eastern Geant Co., Ltd. ("Geant"). Each year, these two companies signed contracts to do business with each other. However, their business relationship stopped in 2007 when Relon sued Geant for allegedly over-withholding purchase discounts in 2005 and 2006 by a total of NT\$16,757 thousand (US\$511 thousand). This case was pending before the court as of December 31, 2008.

### 31. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments: The Group had no derivative transactions in 2008 and 2007.

Nondervative Financial Instruments	December 31							
	2008				2007			
	Carrying Value		Fair Value		Carrying Value		Fair Value	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Assets								
Cash and cash equivalents	\$ 9,970,860	303,990	\$ 9,970,860	303,990	\$ 12,746,191	388,603	\$ 12,746,191	388,603
Financial assets at fair value through profit or loss	1,299,680	39,624	1,299,680	39,624	462,876	14,112	462,876	14,112
Notes and accounts receivable, net	537,713	16,394	537,713	16,394	846,438	25,806	846,438	25,806
Other receivables	418,708	12,765	418,708	12,765	362,247	11,044	362,247	11,044
Pledged time deposits	25,690	783	25,690	783	13,092	399	13,092	399
Available-for-sale financial assets	4,614,112	140,674	4,614,112	140,674	7,425,122	226,376	7,425,122	226,376
Financial assets carried at cost	888,532	27,089	888,532	27,089	889,288	27,112	889,288	27,112
Refundable deposits	1,419,448	43,275	1,419,448	43,275	1,359,390	41,445	1,359,390	41,445
Restricted assets	20,293	621	20,293	621	30,526	931	30,526	931
Liabilities								
Short-term debts	6,947,670	211,819	6,947,670	211,819	4,935,939	150,486	4,935,939	150,486
Short-term notes and bills payable	3,433,776	104,688	3,433,776	104,688	3,608,945	110,029	3,608,945	110,029
Notes and accounts payable	14,484,837	441,611	14,484,837	441,611	15,141,062	461,618	15,141,062	461,618
Accrued expenses	2,368,949	72,224	2,368,949	72,224	1,664,292	50,741	1,664,292	50,741
Other payables	3,182,581	97,030	3,182,581	97,030	2,210,665	67,398	2,210,665	67,398
Balance payables - properties	307,554	9,377	307,554	9,377	134,498	4,101	134,498	4,101
Bonds issued	1,700,000	51,829	1,695,877	51,704	1,700,000	51,829	1,687,605	51,451
Long-term borrowings	16,463,414	501,933	16,463,414	501,933	16,112,004	491,219	16,112,004	491,219
Franchise liability	-	-	-	-	298,588	9,103	298,588	9,103
Deposits received	356,619	10,873	356,619	10,873	169,163	5,158	169,163	5,158

- 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 and cash equivalents, notes receivable, accounts receivable, other receivable, short-term debts, short-term notes and bills payable, accounts payables, accrued expenses, other payables and balance payables - property.
- 2) The fair values of financial assets at fair value through profit or loss and 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 pledged time deposits, 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 assets exposed to fair value interest rate risk amounted to NT\$8,370,510 thousand (US\$255,198 thousand) and NT\$7,073,699 thousand (US\$215,662 thousand), respectively, financial liabilities exposed to fair value interest rate risk amounted to NT\$11,681,456 thousand (US\$356,142 thousand) and NT\$3,635,931 thousand (US\$110,852 thousand), respectively, and financial liabilities exposed to cash flow interest rate risk amounted to NT\$16,863,404 thousand (US\$514,128 thousand) and NT\$22,904,106 thousand (US\$698,296 thousand), respectively.



d. Financial risks

1) Market risk

The Group's financial assets at fair value through profit or loss and available-for-sale assets were mostly mutual funds and publicly traded securities, with fair values that are affected by changes in market prices. 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 Group 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 Group is the same as their carrying amounts.

3) Liquidity risk

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

The Group's domestic mutual funds held for trading purposes and 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.

### 32. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau required for FEDS and its investees:

- a. Financing provided: Table 4 (attached)
- b. Endorsement/guarantee provided: Table 5 (attached)
- c. Marketable securities held: Table 6 (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 7 (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 8 (attached)

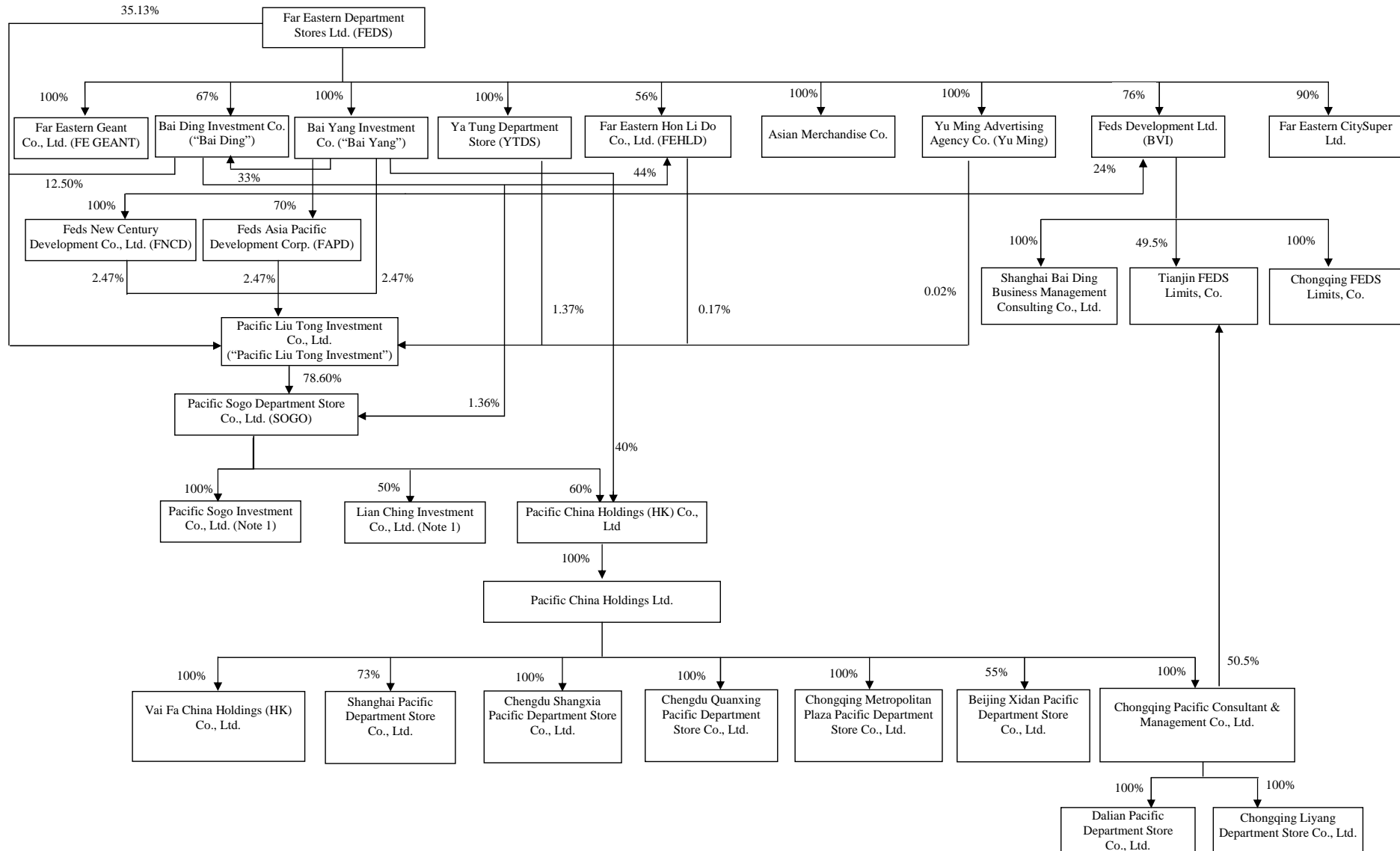
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 9 (attached)
- i. Names, locations, and related information of investees on which FEDS exercises significant influence: Table 10 (attached)
- j. Derivative financial transactions: None.
- 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 11 (attached)
  - 2) Significant direct or indirect transactions with the investee company, prices, payment terms and unrealized gain or loss:
    - a) Amount and percentage of sales; the balance and percentage of related accounts payables: None
    - b) Amount and percentage of purchase; 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 5 (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
- l. Significant transactions between FEDS and its subsidiaries and among subsidiaries: Table 12 (attached)

### **33. SEGMENT INFORMATION**

- a. Industry information: The industry segment information is summarized in Table 13 (attached).
- b. Geographic information: The geographic information is summarized in Table 14 (attached).
- 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 the Group's total operating revenues.

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

DIAGRAM OF INTERCOMPANY RELATIONSHIPS  
YEAR ENDED DECEMBER 31, 2008



Note 1: The investment in Pacific Sogo Investment Co., Ltd. and Lian Ching Investment Co., Ltd. had been written off to zero, and their liabilities would not be undertaken by the Group. Therefore, their accounts were excluded from the consolidated financial statements.

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

SUMMARY OF BALANCES OF RELATED-PARTY RECEIVABLES AND PAYABLES  
DECEMBER 31, 2008 AND 2007  
(In Thousands of New Taiwan Dollars)

Related Party	Notes and Accounts Receivable, Net		Other Receivables		Prepayments		Constructions in Progress		Leasehold Rights		Refundable Deposits		Notes and Accounts Payable		Accrued Expenses		Payable on Properties		Other Liabilities - Other		
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	
<i>As of December 31, 2008</i>																					
Orient Securities Corporation	\$ 30	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 1,871	-	\$ -	-	\$ -	-	
Ding Ding Integrated Marketing Service	51,466	10	16,916	4	-	-	-	-	12,220	1	-	-	-	-	79,459	3	-	-	-	-	
Pacific Department Store Co., Ltd.	-	-	-	-	75,000	9	-	-	-	-	-	-	-	-	80,853	4	-	-	-	-	
Sogo Department Store Co., Ltd.	18,117	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Pacific 88 Co., Ltd.	1,591	-	2,798	1	-	-	-	-	-	-	-	-	2,431	-	-	-	-	-	-	-	
Yuan Bo Asset Management Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,045	100	
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,189	-	-	-	-	-	
Far Eastern International Leasing Corp.	-	-	-	-	82	-	-	-	100,000	8	-	-	-	-	288	-	-	-	-	-	
City Super (Labuan) Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,731	-	-	-	-	-	
Far Eastern Textile Co., Ltd.	526	-	-	-	-	-	-	-	-	-	-	-	-	-	18,929	1	-	-	-	-	
Asia Cement Corp.	73	-	-	-	-	-	3,950	-	-	-	-	-	-	-	6,890	-	-	-	-	-	
Far Eastern Apparel Co., Ltd.	9,262	2	-	-	2,296	-	-	-	-	-	-	-	84,411	1	46,125	2	-	-	-	-	
Yuan Ding Co., Ltd.	53	-	-	-	-	-	-	-	38,566	3	-	-	-	-	18,498	1	-	-	-	-	
Far Eastern International Bank	471	-	196	-	-	-	-	-	-	-	-	-	-	-	27	-	-	-	-	-	
Far EasTone Telecom Co., Ltd.	188	-	503	-	-	-	-	-	-	-	-	-	-	-	1,102	-	-	-	-	-	
Far Eastern General Contractor Inc.	-	-	-	-	-	-	313,798	5	220	-	-	-	-	-	-	-	949	-	-	-	
Yuan Ding Investment Co., Ltd.	-	-	-	-	694	-	-	-	-	-	-	-	-	-	16,733	1	-	-	-	-	
Chengdu People's Department Store (Group) Co., Ltd.	5,323	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Hutchison Enterprises (Chongqing) Co., Ltd.	30,465	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	-	-	37,344	9	258,675	30	-	-	-	-	3,348,762	90	-	-	-	-	-	-	-	-	
City C	-	-	-	-	-	-	-	-	-	-	-	-	27,407	-	-	-	-	-	-	-	
Others	257	-	19	-	-	-	-	-	-	-	-	-	-	-	251	-	-	-	-	-	
	<u>\$ 117,822</u>	<u>22</u>	<u>\$ 57,776</u>	<u>14</u>	<u>\$ 336,747</u>	<u>39</u>	<u>\$ 317,748</u>	<u>5</u>	<u>\$ 151,006</u>	<u>12</u>	<u>\$ 3,348,762</u>	<u>90</u>	<u>\$ 114,249</u>	<u>1</u>	<u>\$ 288,946</u>	<u>12</u>	<u>\$ 949</u>	<u>-</u>	<u>\$ 32,045</u>	<u>100</u>	

(Continued)

Related Party	Notes and Accounts Receivable, Net		Other Receivables		Prepayments		Constructions in Progress		Leasehold Rights		Refundable Deposits		Notes and Accounts Payable		Accrued Expenses		Payable on Properties		Other Liabilities - Other		
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	
As of December 31, 2007																					
Orient Securities Corporation	\$ 35	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 1,990	-	\$ -	-	\$ -	-	
Ding Ding Integrated Marketing Service	26,715	3	10,662	3	-	-	-	-	10,744	1	-	-	-	-	45,775	3	-	-	-	-	
Pacific Department Store Co., Ltd.	-	-	-	-	75,000	10	-	-	-	-	-	-	1,558	-	39,863	2	-	-	-	-	
Sogo Department Store Co., Ltd.	49,347	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Pacific 88 Co., Ltd.	2,652	-	1,230	1	-	-	-	-	-	-	-	-	2,524	-	-	-	-	-	-	-	
Yuan Bo Asset Management Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,045	98	
Chongqing Far East Department Store	-	-	422	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	398	-	-	-	-	-	
Far Eastern International Leasing Corp.	-	-	-	-	-	-	-	-	100,000	7	-	-	-	-	-	-	-	-	-	-	
City Super (Labuan) Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,431	-	-	-	-	-	
Far Eastern Textile Co., Ltd.	352	-	-	-	-	-	-	-	-	-	-	-	-	-	12,199	1	-	-	-	-	
Asia Cement Corp.	62	-	-	-	-	-	-	-	-	-	-	-	-	-	24,601	2	-	-	-	-	
Far Eastern Apparel Co., Ltd.	10,359	1	28	-	-	-	-	-	-	-	-	-	132,495	1	4,985	-	-	-	-	-	
Yuan Ding Co., Ltd.	-	-	-	-	-	-	-	-	38,565	3	-	-	-	-	20,733	1	-	-	-	-	
Far Eastern International Bank	-	-	129	-	-	-	-	-	-	-	-	-	-	-	22	-	-	-	-	-	
Far EastTone Telecom Co., Ltd.	539	-	685	-	-	-	-	-	-	-	-	-	-	-	10	-	-	-	-	-	
Far Eastern General Contractor Inc.	-	-	-	-	-	-	204,556	4	220	-	-	-	-	-	-	-	6,833	5	-	-	
Chengdu People's Department Store (Group) Co., Ltd.	-	-	6,936	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Yuan Ding Investment Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,045	-	-	-	-	-	
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	-	-	37,327	10	258,675	34	-	-	-	-	3,294,937	89	100,000	1	-	-	-	-	-	-	
CityC	-	-	-	-	-	-	-	-	-	-	-	-	34,650	-	-	-	-	-	-	-	
Others	75	-	13	-	-	-	-	-	-	-	-	-	-	-	2,149	-	-	-	-	-	
	<u>\$ 90,136</u>	<u>10</u>	<u>\$ 57,432</u>	<u>16</u>	<u>\$ 333,675</u>	<u>44</u>	<u>\$ 204,556</u>	<u>4</u>	<u>\$ 149,529</u>	<u>11</u>	<u>\$ 3,294,937</u>	<u>89</u>	<u>\$ 271,227</u>	<u>2</u>	<u>\$ 161,201</u>	<u>9</u>	<u>\$ 6,833</u>	<u>5</u>	<u>\$ 32,045</u>	<u>98</u>	

Note 1: Sogo's receivables from Sogo Department Store Co., Ltd. were NT\$238,655 thousand and NT\$269,885 thousand as of December 31, 2008 and 2007, respectively. The allowance for bad debts was NT\$220,538 thousand as of December 31, 2008 and 2007.

Note 2: Sogo's receivables from Pacific Sogo Investment Co., Ltd. were NT\$534,323 thousand and NT\$534,424 thousand as of December 31, 2008 and 2007, respectively.

Note 3: Sogo prepaid the trademark right expenditure to Pacific Department Store Co., Ltd. amounting to NT\$300,000 thousand. Because the process of using the trademark right was not completed, Sogo recognized the allowance for bad debts was NT\$225,000 thousand, shown as other expense.

(Concluded)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## SUMMARY OF BALANCES OF RELATED-PARTY RECEIVABLES AND PAYABLES

DECEMBER 31, 2008 AND 2007

(In Thousands of U.S. Dollars, Unless Stated Otherwise)

Related Party	Notes and Accounts Receivable, Net		Other Receivables		Prepayments		Constructions in Progress		Leasehold Rights		Refundable Deposits		Notes and Accounts Payable		Accrued Expenses		Payable on Properties		Other Liabilities - Other		
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	
<i>As of December 31, 2008</i>																					
Orient Securities Corporation	\$ 1	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 57	-	\$ -	-	\$ -	-	
Ding Ding Integrated Marketing Service	1,569	10	516	4	-	-	-	-	372	1	-	-	-	-	2,422	3	-	-	-	-	
Pacific Department Store Co., Ltd.	-	-	-	-	2,287	9	-	-	-	-	-	-	-	-	2,465	4	-	-	-	-	
Sogo Department Store Co., Ltd.	552	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Pacific 88 Co., Ltd.	49	-	85	1	-	-	-	-	-	-	-	-	74	-	-	-	-	-	-	-	
Yuan Bo Asset Management Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	977	100	
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250	-	-	-	-	-	
Far Eastern International Leasing Corp.	-	-	-	-	3	-	-	-	3,049	8	-	-	-	-	9	-	-	-	-	-	
City Super (Labuan) Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	297	-	-	-	-	-	
Far Eastern Textile Co., Ltd.	16	-	-	-	-	-	-	-	-	-	-	-	-	-	577	1	-	-	-	-	
Asia Cement Corp.	2	-	-	-	-	-	120	-	-	-	-	-	-	-	210	-	-	-	-	-	
Far Eastern Apparel Co., Ltd.	282	2	-	-	70	-	-	-	-	-	-	-	2,574	1	1,406	2	-	-	-	-	
Yuan Ding Co., Ltd.	2	-	-	-	-	-	-	-	1,176	3	-	-	-	-	564	1	-	-	-	-	
Far Eastern International Bank	14	-	6	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	
Far EastTone Telecom Co., Ltd.	6	-	15	-	-	-	-	-	-	-	-	-	-	-	33	-	-	-	-	-	
Far Eastern General Contractor Inc.	-	-	-	-	-	-	9,567	5	-	-	-	-	-	-	-	-	29	-	-	-	
Yuan Ding Investment Co., Ltd.	-	-	-	-	21	-	-	-	7	-	-	-	-	-	510	1	-	-	-	-	
Chengdu People's Department Store (Group) Co., Ltd.	162	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Hutchison Enterprises (Chongqing) Co., Ltd.	929	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	-	-	1,138	9	7,886	30	-	-	-	-	102,096	90	-	-	-	-	-	-	-	-	
City C	-	-	-	-	-	-	-	-	-	-	-	-	835	-	-	-	-	-	-	-	
Others	8	-	1	-	-	-	-	-	-	-	-	-	-	-	8	-	-	-	-	-	
	<u>\$ 3,592</u>	<u>22</u>	<u>\$ 1,761</u>	<u>14</u>	<u>\$ 10,267</u>	<u>39</u>	<u>\$ 9,687</u>	<u>5</u>	<u>\$ 4,604</u>	<u>12</u>	<u>\$ 102,096</u>	<u>90</u>	<u>\$ 3,483</u>	<u>1</u>	<u>\$ 8,809</u>	<u>12</u>	<u>\$ 29</u>	<u>-</u>	<u>\$ 977</u>	<u>100</u>	

(Continued)

Related Party	Notes and Accounts Receivable, Net		Other Receivables		Prepayments		Constructions in Progress		Leasehold Rights		Refundable Deposits		Notes and Accounts Payable		Accrued Expenses		Payable on Properties		Other Liabilities - Other		
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	
As of December 31, 2007																					
Orient Securities Corporation	\$ 1	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 61	-	\$ -	-	\$ -	-	
Ding Ding Integrated Marketing Service	815	3	325	3	2,287	10	-	-	327	1	-	-	-	-	1,396	3	-	-	-	-	
Pacific Department Store Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	48	-	1,215	2	-	-	-	-	
Sogo Department Store Co., Ltd.	1,504	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Pacific 88 Co., Ltd.	81	-	38	1	-	-	-	-	-	-	-	-	77	-	-	-	-	-	-	-	
Yuan Bo Asset Management Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	977	98	
Chongqing Far East Department Store	-	-	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-	-	-	-	-	
Far Eastern International Leasing Corp.	-	-	-	-	-	-	-	-	3,049	7	-	-	-	-	-	-	-	-	-	-	
City Super (Labuan) Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	227	-	-	-	-	-	
Far Eastern Textile Co., Ltd.	11	-	-	-	-	-	-	-	-	-	-	-	-	-	372	1	-	-	-	-	
Asia Cement Corp.	2	-	-	-	-	-	-	-	-	-	-	-	-	-	750	2	-	-	-	-	
Far Eastern Apparel Co., Ltd.	316	1	1	-	-	-	-	-	-	-	-	-	4,039	1	152	-	-	-	-	-	
Yuan Ding Co., Ltd.	-	-	-	-	-	-	-	-	1,176	3	-	-	-	-	632	1	-	-	-	-	
Far Eastern International Bank	-	-	4	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	
Far EastTone Telecom Co., Ltd.	16	-	21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Far Eastern General Contractor Inc.	-	-	-	-	-	-	6,236	4	7	-	-	-	-	-	-	-	208	5	-	-	
Chengdu People's Department Store (Group) Co., Ltd.	-	-	211	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Yuan Ding Investment Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32	-	-	-	-	-	
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	-	-	1,138	10	-	34	-	-	-	-	100,455	89	3,049	1	-	-	-	-	-	-	
CityC	-	-	-	-	7,886	-	-	-	-	-	-	-	1,056	-	-	-	-	-	-	-	
Others	2	-	-	-	-	-	-	-	-	-	-	-	-	-	65	-	-	-	-	-	
	<u>\$ 2,748</u>	<u>10</u>	<u>\$ 1,751</u>	<u>16</u>	<u>\$ 10,173</u>	<u>44</u>	<u>\$ 6,236</u>	<u>4</u>	<u>\$ 4,559</u>	<u>11</u>	<u>\$ 100,455</u>	<u>89</u>	<u>\$ 8,269</u>	<u>2</u>	<u>\$ 4,915</u>	<u>9</u>	<u>\$ 208</u>	<u>5</u>	<u>\$ 977</u>	<u>98</u>	

Note 1: Sogo's receivables from Sogo Department Store Co., Ltd. were US\$7,276 thousand and US\$8,228 thousand as of December 31, 2008 and 2007, respectively. The allowance for bad debts was US\$6,724 thousand as of December 31, 2008 and 2007.

Note 2: Sogo's receivables from Pacific Sogo Investment Co., Ltd. were US\$16,293 thousand and US\$16,293 thousand as of December 31, 2008 and 2007, respectively.

Note 3: Sogo prepaid the trademark right expenditure to Pacific Department Store Co., Ltd. amounting to US\$9,146 thousand. Because the process of using the trademark right was not completed, Sogo recognized the allowance for bad debts was US\$6,860 thousand, shown as other expense.

(Concluded)

TABLE 3 (A)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

Related Party	Sales (Note 1)		Other Operating Revenue		Purchases (Note 2)		Operating Expenses (Note 3)		Nonoperating Income and Gains - Other Income		Payable to Affiliates						
	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	
2008																	
Oriental Securities Corporation	\$ 2,661	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	-
Ding Ding Integrated Marketing Service	185,369	-	-	-	-	-	120,097	1	-	-	-	-	-	-	-	-	-
Far Eastern International Leasing Corp.	-	-	-	-	-	-	65,240	-	298	-	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	12	-	-	-	-	-	96,739	1	-	-	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	18,727	-	6,849	1	270,165	-	67,264	-	-	-	-	-	-	-	-	-	-
CitySuper Ltd.	-	-	-	-	16,755	-	-	-	-	-	-	-	-	-	-	-	-
New Century Infocom Tech., Co., Ltd.	543	-	1,084	-	-	-	11,644	-	14	-	-	-	-	-	-	-	-
Pacific 88 Co., Ltd.	-	-	6,366	-	18,036	-	5	-	-	-	-	-	-	-	-	-	-
Pacific Department Store Co., Ltd.	-	-	-	-	-	-	102,000	1	-	-	-	-	-	-	-	-	-
Yuan Ding Co., Ltd.	-	-	-	-	-	-	185,918	1	-	-	-	-	-	-	-	-	-
Changdu People's Department Store (Group) Co., Ltd.	-	-	-	-	-	-	115,374	1	-	-	-	-	-	-	-	-	-
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	-	-	-	-	190,780	1	-	-	-	-	-	-	-	-	-
Quanxing Wine Factory	-	-	-	-	-	-	64,533	-	-	-	-	-	-	-	-	-	-
Far Eastern Textile Co., Ltd.	950	-	-	-	-	-	40,941	-	16,150	5	-	-	-	-	-	-	-
Asia Cement Corp.	-	-	-	-	-	-	108,132	1	20,000	6	-	-	-	-	-	-	-
Far Eastern International Bank	591	-	8,712	1	-	-	-	-	3,473	1	330,000	2008.9.30-2008.10.1	450,000	2.40-2.89	378	-	-
Far EasTone Telecom Co., Ltd.	145	-	6,582	-	-	-	5,087	-	128	-	-	-	-	-	-	-	-
Far Eastern General Contractor Inc.	-	-	-	-	-	-	1,398	-	-	-	-	-	-	-	-	-	-
Yuan Ding Investment Co., Ltd.	-	-	-	-	-	-	8,325	-	-	-	-	-	-	-	-	-	-
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	-	-	-	-	-	-	452,347	3	15,568	4	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	5,272	-	-	-	-	-	-	-	-	-	-
	<u>\$ 208,998</u>	<u>-</u>	<u>\$ 29,593</u>	<u>2</u>	<u>\$ 304,956</u>	<u>-</u>	<u>\$ 1,641,096</u>	<u>10</u>	<u>\$ 55,631</u>	<u>16</u>			<u>\$ 450,000</u>		<u>\$ 378</u>	<u>-</u>	<u>-</u>

(Continued)



Related Party	Sales (Note 1)		Other Operating Revenue		Purchases (Note 2)		Operating Expenses (Note 3)		Nonoperating Income and Gains - Other Income		Payable to Affiliates					
	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
<u>2007</u>																
Oriental Securities Corporation	\$ 802	-	\$ 2,198	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Ding Ding Integrated Marketing Service	70,913	-	-	-	-	-	148,202	1	-	-	-	-	-	-	-	-
Far Eastern International Leasing Corp.	-	-	-	-	-	-	61,933	-	-	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	157	-	-	-	-	-	99,254	-	-	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	15,419	-	2,452	-	263,810	-	102,609	1	-	-	-	-	-	-	-	-
CitySuper Ltd.	-	-	-	-	20,469	-	6,582	-	-	-	-	-	-	-	-	-
New Century Infocom Tech., Co., Ltd.	25	-	229	-	-	-	7,989	-	-	-	-	-	-	-	-	-
Pacific 88 Co., Ltd.	-	-	6,607	1	112,894	-	-	-	-	-	-	-	-	-	-	-
Pacific Department Store Co., Ltd.	-	-	-	-	-	-	102,000	1	-	-	-	-	-	-	-	-
Yuan Ding Co., Ltd.	-	-	-	-	-	-	116,772	1	-	-	-	-	-	-	-	-
Changdu People's Department Store (Group) Co., Ltd.	-	-	-	-	-	-	105,665	1	-	-	-	-	-	-	-	-
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	-	-	-	-	128,765	1	-	-	-	-	-	-	-	-
Quanxing Wine Factory	-	-	-	-	-	-	73,883	-	-	-	-	-	-	-	-	-
Far Eastern Textile Co., Ltd.	1,774	-	-	-	-	-	40,017	-	12,500	3	-	-	-	-	-	-
Asia Cement Corp.	130	-	-	-	-	-	108,131	1	16,000	4	-	-	-	-	-	-
Far Eastern International Bank	2,891	-	5,412	-	-	-	-	-	2,845	1	500,000	2007.6.5-2007.7.13	415,000	1.85-2.90	5,471	1
Far EasTone Telecom Co., Ltd.	2,049	-	3,931	-	-	-	522	-	1,956	1	-	-	-	-	-	-
Far Eastern General Contractor Inc.	-	-	-	-	-	-	1,333	-	-	-	-	-	-	-	-	-
Yuan Ding Investment Co., Ltd.	-	-	-	-	-	-	9,370	-	-	-	-	-	-	-	-	-
Hong-Tong Comprehensive Commercial Developing Co. Ltd.	-	-	-	-	-	-	283,905	2	15,568	4	-	-	-	-	-	-
Others	-	-	585	-	-	-	13,184	-	241	-	-	-	-	-	-	-
	<u>\$ 94,160</u>	<u>-</u>	<u>\$ 21,414</u>	<u>1</u>	<u>\$ 397,173</u>	<u>-</u>	<u>\$ 1,410,116</u>	<u>9</u>	<u>\$ 49,110</u>	<u>13</u>			<u>\$ 415,000</u>		<u>\$ 5,471</u>	<u>1</u>

Note 1: Sales to related parties were under normal terms.

Note 2: Purchases from related parties were under normal terms.

Note 3: The rent pertaining to related parties is based on market rates and is received or paid monthly or yearly.

(Concluded)

TABLE 3 (B)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

SUMMARY OF RELATED-PARTY TRANSACTIONS  
YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of U.S. Dollars)

Related Party	Sales (Note 1)		Other Operating Revenue		Purchases (Note 2)		Operating Expenses (Note 3)		Nonoperating Income and Gains - Other Income		Payable to Affiliates							
	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		
<u>2008</u>																		
Oriental Securities Corporation	\$ 81	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Ding Ding Integrated Marketing Service	5,652	-	-	-	-	-	3,661	1	-	-	-	-	-	-	-	-	-	-
Far Eastern International Leasing Corp.	-	-	-	-	-	-	1,989	-	9	-	-	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	2,949	1	-	-	-	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	571	-	209	1	8,236	-	2,051	-	-	-	-	-	-	-	-	-	-	-
CitySuper Ltd.	-	-	-	-	511	-	-	-	-	-	-	-	-	-	-	-	-	-
New Century Infocom Tech., Co., Ltd.	17	-	33	-	-	-	355	-	-	-	-	-	-	-	-	-	-	-
Pacific 88 Co., Ltd.	-	-	194	-	550	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific Department Store Co., Ltd.	-	-	-	-	-	-	3,110	1	-	-	-	-	-	-	-	-	-	-
Yuan Ding Co., Ltd.	-	-	-	-	-	-	5,668	1	-	-	-	-	-	-	-	-	-	-
Changdu People's Department Store (Group) Co., Ltd.	-	-	-	-	-	-	3,518	1	-	-	-	-	-	-	-	-	-	-
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	-	-	-	-	5,816	1	-	-	-	-	-	-	-	-	-	-
Quanxing Wine Factory	-	-	-	-	-	-	1,967	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Textile Co., Ltd.	29	-	-	-	-	-	1,248	-	492	5	-	-	-	-	-	-	-	-
Asia Cement Corp.	-	-	-	-	-	-	3,297	1	610	6	-	-	-	-	-	-	-	-
Far Eastern International Bank	18	-	265	1	-	-	-	-	106	1	10,061	2008.9.30-2008.10.1	13,720	2.40-2.89	12	-	-	
Far EasTone Telecom Co., Ltd.	4	-	-	-	-	-	155	-	4	-	-	-	-	-	-	-	-	-
Far Eastern General Contractor Inc.	-	-	201	-	-	-	43	-	-	-	-	-	-	-	-	-	-	-
Yuan Ding Investment Co., Ltd.	-	-	-	-	-	-	254	-	-	-	-	-	-	-	-	-	-	-
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	-	-	-	-	-	-	13,791	3	475	4	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	161	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 6,372</u>	<u>-</u>	<u>\$ 902</u>	<u>2</u>	<u>\$ 9,297</u>	<u>-</u>	<u>\$ 50,033</u>	<u>10</u>	<u>\$ 1,696</u>	<u>16</u>			<u>\$ 13,720</u>		<u>\$ 12</u>	<u>-</u>		

(Continued)

Related Party	Sales (Note 1)		Other Operating Revenue		Purchases (Note 2)		Operating Expenses (Note 3)		Nonoperating Income and Gains - Other Income		Payable to Affiliates					
	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
<u>2007</u>																
Oriental Securities Corporation	\$ 24	-	\$ 67	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Ding Ding Integrated Marketing Service	2,162	-	-	-	-	-	-	4,518	1	-	-	-	-	-	-	-
Far Eastern International Leasing Corp.	-	-	-	-	-	-	-	1,888	-	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	5	-	-	-	-	-	-	3,026	-	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	470	-	75	-	8,043	-	3,128	1	-	-	-	-	-	-	-	-
CitySuper Ltd.	-	-	-	-	624	-	201	-	-	-	-	-	-	-	-	-
New Century Infocomm Tech., Co., Ltd.	1	-	7	-	-	-	243	-	-	-	-	-	-	-	-	-
Pacific 88 Co., Ltd.	-	-	201	1	3,442	-	-	-	-	-	-	-	-	-	-	-
Pacific Department Store Co., Ltd.	-	-	-	-	-	-	3,110	1	-	-	-	-	-	-	-	-
Yuan Ding Co., Ltd.	-	-	-	-	-	-	3,560	1	-	-	-	-	-	-	-	-
Changdu People's Department Store (Group) Co., Ltd.	-	-	-	-	-	-	3,221	1	-	-	-	-	-	-	-	-
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	-	-	-	-	3,926	1	-	-	-	-	-	-	-	-
Quanxing Wine Factory	-	-	-	-	-	-	2,252	-	-	-	-	-	-	-	-	-
Far Eastern Textile Co., Ltd.	54	-	-	-	-	-	1,220	-	381	3	-	-	-	-	-	-
Asia Cement Corp.	4	-	-	-	-	-	3,297	1	488	4	-	-	-	-	-	-
Far Eastern International Bank	88	-	165	-	-	-	-	-	87	1	15,244	2007.6.5-2007.7.13	12,652	1.85-2.90	167	1
Far Eastone Telecom Co., Ltd.	62	-	120	-	-	-	16	-	60	1	-	-	-	-	-	-
Far Eastern General Contractor Inc.	-	-	-	-	-	-	41	-	-	-	-	-	-	-	-	-
Yuan Ding Investment Co., Ltd.	-	-	-	-	-	-	286	-	-	-	-	-	-	-	-	-
Hong-Tong Comprehensive Commercial Developing Co. Ltd.	-	-	-	-	-	-	8,656	2	474	4	-	-	-	-	-	-
Others	-	-	18	-	-	-	402	-	7	-	-	-	-	-	-	-
	<u>\$ 2,870</u>	<u>-</u>	<u>\$ 653</u>	<u>1</u>	<u>\$ 12,109</u>	<u>-</u>	<u>\$ 42,991</u>	<u>9</u>	<u>\$ 1,497</u>	<u>13</u>			<u>\$ 12,652</u>		<u>\$ 167</u>	<u>1</u>

Note 1: Sales to related parties were under normal terms.

Note 2: Purchases from related parties were under normal terms.

Note 3: The rent pertaining to related parties is based on market rates and is received or paid monthly yearly.

(Concluded)

## 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 for Financing	Allowance for 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**

**FINANCING PROVIDED  
YEAR ENDED DECEMBER 31, 2008  
(In Thousands of U.S. 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 for Financing	Allowance for 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	\$ 13,262	\$ -	3.4-3.7429%	(Note A)	\$ -	Transaction	\$ -	-	\$ -	\$ 74,037 (Note B)	\$ 74,037 (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.

TABLE 5 (A)

## 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. (FEDS)	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:  
a. FEDS's subsidiary.  
b. Investee of FEDS's subsidiary.  
c. Subsidiary of FEDS and its subsidiaries.  
d. Investee of subsidiary of FEDS's subsidiary.  
e. Business transactions.  
f. Investee of FEDS.  
g. 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)

TABLE 5 (B)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED  
YEAR ENDED DECEMBER 31, 2008  
(In Thousands of U.S. Dollars)

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. (FEDS)	Pacific Sogo Department Stores Co., Ltd.	d.	\$ 377,671 (Note B)	\$ 216,498	\$ 203,947	\$ -	32	\$ 629,452 (Note C)	
		Bai Ding Investment Co.	a.	377,671 (Note B)	118,902	112,805	-	18	629,452 (Note C)	
		Far Eastern Geant Co., Ltd.	a.	377,671 (Note B)	113,567	90,183	-	14	629,452 (Note C)	
		Feds Asia Pacific Development Ltd.	d.	377,671 (Note B)	48,780	48,780	-	8	629,452 (Note C)	
		Tianjin FEDS Limits., Co.	d.	377,671 (Note B)	22,086	20,393	-	3	629,452 (Note C)	
						(RMB151,300,000)	(RMB139,700,000)			
		Far Eastern CitySuper Ltd.	a.	377,671 (Note B)	13,720	11,738	-	2	629,452 (Note C)	
		Yu Ming Advertising Agency Co.	a.	377,671 (Note B)	6,098	3,049	-	-	629,452 (Note C)	
		Far Eastern Hon Li Do Co., Ltd.	a.	377,671 (Note B)	2,439	-	-	-	629,452 (Note C)	
		Bai Yang Investment Co.	a.	377,671 (Note B)	2,439	1,524	-	-	629,452 (Note C)	
1	Yu Ming Advertising Agency Co.	Pacific Sogo Department Stores Co., Ltd.	c.	1,160 (Note B)	10	10	-	1	1,933 (Note C)	
2	Bai Ding Investment Co.	Pacific Sogo Department Stores Co., Ltd.	c.	56,282 (Note B)	6,355	6,355	-	7	93,803 (Note C)	
3	Bai Yang Investment Co.	Pacific Sogo Department Stores Co., Ltd.	c.	149,835 (Note B)	1,259	1,259	-	1	249,718 (Note C)	
4	Feds Asia Pacific Development Ltd.	Pacific Sogo Department Stores Co., Ltd.	c.	40,553 (Note B)	1,259	1,259	-	2	67,588 (Note C)	
5	Feds New Century Development Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	c.	3,711 (Note B)	1,259	1,259	-	20	6,186 (Note C)	
6	Far Eastern Hon Li Do Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	c.	364 (Note B)	91	91	-	15	606 (Note C)	
7	Ya Tung Department Stores, Ltd.	Pacific Sogo Department Stores Co., Ltd.	c.	1,816 (Note C)	701	701	-	39	3,633 (Note D)	
8	Feds Development (BVI) Ltd.	Tianjin FEDS Limits., Co.	a.	11,466 (Note C)	4,087 (RMB28,000,000)	4,087 (RMB28,000,000)	-	36	2,293 (Note D)	
9	Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	a.	925,466 (Note E)	355,945	76,677	-	41	1,850,931 (Note F)	
10	Pacific Sogo Department Stores Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	a.	383,597 (Note D)	21,341	21,341	-	11	767,194 (Note G)	
		Taiwan Chong-Guang Ltd.	e.	383,597 (Note D)	5,009	2,875	-	1	767,194 (Note G)	
		Hong-Tong Comprehensive Commercial Developing Co., Ltd.	e.	383,597 (Note D)	121,951	118,659	-	62	767,194 (Note G)	
		Far Eastern Department Stores, Ltd.	f.	383,597 (Note D)	61,053	41,564	-	22	767,194 (Note G)	
		Pacific China Holdings Ltd.	d.	383,597 (Note D)	51,800	44,240 (Note I)	-	23	767,194 (Note G)	

Note A: a. FEDS's subsidiary.  
b. Investee of FEDS's subsidiary.  
c. Subsidiary of FEDS and its subsidiaries.  
d. Investee of subsidiary of FEDS's subsidiary.  
e. Business transactions.  
f. Investee of FEDS.  
g. 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 (Note I)	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 (Note I)	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 (Note I)	35	2,132,695 (Note D)		
	Far Eastern Geant Co., Ltd.	b	Investments accounted for by the equity method	167,160	1,620,761 (Note I)	100	1,191,622 (Note D)		
	Feds Development (BVI) Ltd.	b	Investments accounted for by the equity method	218	286,189 (Note I)	76	286,189 (Note D)		
	Yu Ming Advertising Agency Co.	b	Investments accounted for by the equity method	6,500	63,386 (Note I)	100	63,386 (Note D)		
	Far Eastern CitySuper Ltd.	b	Investments accounted for by the equity method	44,830	124,436 (Note I)	90	138,869 (Note D)		
	Ya Tung Department Stores, Ltd.	b	Investments accounted for by the equity method	13,000	59,573 (Note I)	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)		
	Asian Merchandise Company	b	Investments accounted for by the equity method	950	3,999 (Note I)	100	3,999 (Note D)		
	Far Eastern Hon Li Do Co., Ltd.	b	Investments accounted for by the equity method	3,330	5,596 (Note I)	56	11,032 (Note D)		
	Asia Cement Corp.	c	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	d	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.	c	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 (Note I)	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)		
	Pacific Sogo Department Stores Co., Ltd.	a	Investments accounted for by the equity method	4,914	86,163 (Note I)	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)		

(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 Hon Li Do Co., Ltd.	a	Investments accounted for by the equity method	2,670	\$ 8,846 (Note I)	44	\$ 8,846 (Note D)	7,700 thousand shares of Asia Cement Corp. pledged for loans of the investor company 25,000 thousand shares of Far Eastern Textile Co., Ltd. pledged for loans of the investor company 28,084 thousand shares of New Century InfoCom Tech., Co., Ltd. pledged for loans of the investor company
	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.	c	Available-for-sale financial assets - noncurrent	58,885	1,056,778 (Note F)	2	1,675,292 (Note B)	
	Far Eastern Textile Co., Ltd.	c	Available-for-sale financial assets - noncurrent	30,686	508,140 (Note F)	1	644,399 (Note B)	
	New Century Infocom Tech., Co., Ltd.	c	Financial assets carried at cost	37,524	271,863	1	277,805 (Note D)	
	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.	Stock Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	9,900	171,168 (Note I)	2	149,884 (Note D)	
Feds New Century Development Co., Ltd.	Stock Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	9,900	171,168 (Note I)	2	149,884 (Note D)	
Feds Development (BVI) Ltd.	Stock Tianjin FEDS Limits., Co.	a	Other liabilities	-	(112,693) (Note I)	49	(112,693) (Note D)	
	Shanghai Bai Ding Business Management Consulting Co., Ltd.	b	Investments accounted for by the equity method	-	44,429 (Note I)	100	44,429 (Note D)	
	Chongqing Far East Department Store	b	Investments accounted for by the equity method	-	136,796 (Note I)	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.	Stock Pacific China Holdings Co., Ltd.	a	Investments accounted for by the equity method	7,600	2,768,832 (Note I)	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 (Note I)	70	1,551,822 (Note D)	
	Bai Ding Investment Co.	a	Investments accounted for by the equity method	48,390	1,002,152 (Note I)	33	1,025,913 (Note D)	
	Feds New Century Development Co., Ltd.	b	Investments accounted for by the equity method	13,800	203,218 (Note I)	100	202,889 (Note D)	
	Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	9,900	171,168 (Note I)	2	149,884 (Note D)	
	Feds Development (BVI) Ltd.	a	Investments accounted for by the equity method	68	89,904 (Note I)	24	89,904 (Note D)	
	Far Eastern International Bank	-	Available-for-sale financial assets - current	18,854	290,376 (Note F)	1	107,468 (Note B)	
	Asia Cement Corp.	i	Available-for-sale financial assets - noncurrent	3,320	57,644 (Note F)	-	94,443 (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	
	Far Eastern Textile Co., Ltd.	i	Available-for-sale financial assets - noncurrent	1,892	\$ 27,659 (Note F)	-	\$ 39,739 (Note B)	Stocks of New Century Infocomm Tech., Co., Ltd. pledged for loans by investor company
	New Century Infocom Tech., Co., Ltd.	i	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 (Note I)	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 (Note I)	-	1,513 (Note D)	
	Asia Cement Corp.	j	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 (Note I)	-	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 (Note I)	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)	
	Pacific Liu Tong Investment Co., Ltd.	e	Financial assets carried at cost	400	4,019 (Note I)	-	6,238 (Note D)	
	Pacific Securities Co., Ltd.	-	Financial assets carried at cost	20,279	81,116	5	147,212 (Note E)	

(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	
	Tain Yuan Investment Co., Ltd.	-	Financial assets carried at cost	98,000	\$ -	20	\$ -	
	PURETEK Corp.	-	Financial assets carried at cost	119	-	-	(Note E)	
	Invenpec Besta Co., Ltd.	-	Available-for-sale financial assets - current	4	99	-	74	
	Oriental Union Chemical Co., Ltd.	-	Available-for-sale financial assets - current	900	15,655	-	12,420	(Note B)
	U-Ming Marine Transport Corporation	-	Available-for-sale financial assets - current	300	17,477	-	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	-	4,610	(Note C)
	First Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	500	11,008	-	3,530	(Note C)
	HSBC Taiwan MID & Small Cap Fund	-	Financial assets at fair value through profit or loss - current	726	7,277	-	3,113	(Note C)
	Fubon Elite Fund	-	Financial assets at fair value through profit or loss - current	2,000	20,060	-	8,120	(Note C)
	HSBC Taiwan Growth Fund	-	Financial assets at fair value through profit or loss - current	511	10,029	-	6,767	(Note C)
	DWS Taiwan Flagship Security Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	150	1,507	-	1,389	(Note C)
	HSBC Trinity Balanced Fund	-	Financial assets at fair value through profit or loss - current	900	9,027	-	9,316	(Note C)
	HSBC New Japan Fund of Funds	-	Financial assets at fair value through profit or loss - current	994	9,966	-	6,667	(Note C)
	HSBC Global Emerging Markets Equity Fund	-	Financial assets at fair value through profit or loss - current	1,011	10,138	-	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)
	Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	110,482	100	110,482	(Note D)
	Chongqing Metropolitan 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)

(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	
Chongqing Pacific Consultant & Management Co., Ltd.	Chongqing Pacific Consultant & Management Co., Ltd.	b	Investments accounted for by the equity method	-	\$ 1,342,250 (Note I)	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	- (Note I)	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)	
	Stock							
	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 (Note I)	100	5,957 (Note D)	
	Chongqing Liyang Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	- (Note I)	100	(199,375) (Note D)	
	Tianjin FEDS Limits., Co.	b	Investments accounted for by the equity method	-	(115,005) (Note I)	51	(115,005) (Note D)	

Note A: a. Equity-method investee.  
b. Subsidiary.  
c. Same director.  
d. A director of FEDS is one of its directors.  
e. Parent company.  
f. Equity-method investor.  
g. Its director related by consanguinity to FEDS's director.  
h. Cost-method investee.  
i. Its director and the director of Bai Yang Investment Co. are relatives.  
j. 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.

Note I: The account had been excluded from the consolidated financial statements.

(Concluded)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2008  
(In Thousands of U.S. Dollars)

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	\$ 248,708 (Note I)	100	\$ 249,724 (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	58,425 (Note I)	67	62,526 (Note D)		
	Oriental Securities Corporation	a	Investments accounted for by the equity method	140,297	50,783	20	50,783 (Note D)		
	Pacific Liu Tong Investment Co., Ltd.	b	Investments accounted for by the equity method	140,867	65,668 (Note I)	35	65,021 (Note D)		
	Far Eastern Geant Co., Ltd.	b	Investments accounted for by the equity method	167,160	49,413 (Note I)	100	36,330 (Note D)		
	Feds Development (BVI) Ltd.	b	Investments accounted for by the equity method	218	8,725 (Note I)	76	8,725 (Note D)		
	Yu Ming Advertising Agency Co.	b	Investments accounted for by the equity method	6,500	1,933 (Note I)	100	1,933 (Note D)		
	Far Eastern CitySuper Ltd.	b	Investments accounted for by the equity method	44,830	3,794 (Note I)	90	4,234 (Note D)		
	Ya Tung Department Stores, Ltd.	b	Investments accounted for by the equity method	13,000	1,816 (Note I)	100	1,816 (Note D)		
	Ding Ding Integrated Marketing Service	a	Investments accounted for by the equity method	3,000	88	10	88 (Note D)		
	Asian Merchandise Company	b	Investments accounted for by the equity method	950	122 (Note I)	100	122 (Note D)		
	Far Eastern Hon Li Do Co., Ltd.	b	Investments accounted for by the equity method	3,330	171 (Note I)	56	336 (Note D)		
	Asia Cement Corp.	c	Available-for-sale financial assets - noncurrent	52,793	29,410 (Note F)	2	45,792 (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	3,770 (Note F)	-	10,912 (Note B)		
	Far Eastern International Bank	d	Available-for-sale financial assets - current	23,099	5,481 (Note F)	1	4,014 (Note B)		
	Kaohsiung M.R.T.	-	Financial assets carried at cost	10,000	2,971	1	2,149 (Note E)		
	Far Eastern Finance & Leasing Corp.	-	Financial assets carried at cost	7,309	1,907	9	2,167 (Note D)		
	Yuan Ding Co., Ltd.	c	Financial assets carried at cost	3	-	-	2 (Note D)		
Bai Ding Investment Co.	<u>Stock</u> Oriental Securities Corporation	a	Investments accounted for by the equity method	97,116	35,153	14	35,153 (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	23,786 (Note I)	13	23,137 (Note D)		
	Far Eastern International Leasing Corp.	a	Investments accounted for by the equity method	19,360	9,343	5	7,999 (Note D)		
	Pacific Sogo Department Stores Co., Ltd.	a	Investments accounted for by the equity method	4,914	2,627 (Note I)	1	2,627 (Note D)		
	Yue Ming Co.	a	Investments accounted for by the equity method	1,102	1,200	47	1,200 (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 Hon Li Do Co., Ltd.	a	Investments accounted for by the equity method	2,670	\$ 270 (Note I)	44	\$ 270 (Note D)	
	Far Eastern Department Stores, Ltd.	e	Available-for-sale financial assets - current	17,473	7,730 (Note F)	1	9,909 (Note B)	
	Asia Cement Corp.	c	Available-for-sale financial assets - noncurrent	58,885	32,219 (Note F)	2	51,076 (Note B)	7,700 thousand shares of Asia Cement Corp. pledged for loans of the investor company
	Far Eastern Textile Co., Ltd.	c	Available-for-sale financial assets - noncurrent	30,686	15,492 (Note F)	1	19,646 (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.	c	Financial assets carried at cost	37,524	8,289	1	8,470 (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	2,481	5	3,521 (Note E)	
	Ding Ding Management Consultants Co., Ltd.	-	Financial assets carried at cost	216	360	5	86 (Note D)	
	Yue Ding Industry Co., Ltd.	-	Financial assets carried at cost	1,000	305	2	242 (Note D)	
	Ya Tung Securities Investment Advisory Co., Ltd.	-	Financial assets carried at cost	1	-	-	- (Note D)	
Feds Asia Pacific Development Co., Ltd.	Stock Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	9,900	5,219 (Note I)	2	4,570 (Note D)	
Feds New Century Development Co., Ltd.	Stock Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	9,900	5,219 (Note I)	2	4,570 (Note D)	
Feds Development (BVI) Ltd.	Stock Tianjin FEDS Limits., Co.	a	Other liabilities	-	(3,436) (Note I)	49	(3,436) (Note D)	
	Shanghai Bai Ding Business Management Consulting Co., Ltd.	b	Investments accounted for by the equity method	-	1,355 (Note I)	100	1,355 (Note D)	
	Chongqing Far Eastern Department Store	b	Investments accounted for by the equity method	-	4,171 (Note I)	100	4,092 (Note D)	
	Kowloon Cement Corp., Ltd.	-	Financial assets carried at cost	46	294	2	477 (Note E)	
	Millennium Microtech Holding Corporation	-	Financial assets carried at cost	43	16	-	- (Note E)	
Bai Yang Investment Co.	Stock Pacific China Holdings Co., Ltd.	a	Investments accounted for by the equity method	7,600	84,416 (Note I)	40	101,853 (Note D)	
	Far Eastern International Leasing Corp.	a	Investments accounted for by the equity method	115,433	47,708	29	47,706 (Note D)	
	Feds Asia Pacific Development Ltd.	b	Investments accounted for by the equity method	140,000	47,405 (Note I)	70	47,312 (Note D)	
	Bai Ding Investment Co.	a	Investments accounted for by the equity method	48,390	30,553 (Note I)	33	31,278 (Note D)	
	Feds New Century Development Co., Ltd.	b	Investments accounted for by the equity method	13,800	6,196 (Note I)	100	6,186 (Note D)	
	Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	9,900	5,219 (Note I)	2	4,570 (Note D)	
	Feds Development (BVI) Ltd.	a	Investments accounted for by the equity method	68	2,741 (Note I)	24	2,741 (Note D)	
	Far Eastern International Bank	-	Available-for-sale financial assets - current	18,854	8,853 (Note F)	1	\$ 3,276 (Note B)	
	Asia Cement Corp.	i	Available-for-sale financial assets - noncurrent	3,320	1,757 (Note F)	-	2,880 (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	
	Far Eastern Textile Co., Ltd.	i	Available-for-sale financial assets - noncurrent	1,892	\$ 843 (Note F)	-	\$ 1,212 (Note B)	Stocks of New Century Infocomm Tech., Co., Ltd. pledged for loans by investor company
	New Century Infocom Tech., Co., Ltd.	i	Financial assets carried at cost	17,314	3,824	-	3,908 (Note D)	
	Ya Tung Securities Investment Advisory Co., Ltd.	-	Financial assets carried at cost	1	-	-	- (Note D)	
	<u>Beneficiary certificate</u> DWS Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	39,603	13,355 (Note F)	-	13,456 (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	2,899 (Note I)	1	2,539 (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	9 (Note I)	-	46 (Note D)	
	Asia Cement Corp.	j	Available-for-sale financial assets - noncurrent	1,298	615 (Note F)	-	1,126 (Note B)	
	<u>Beneficiary certificate</u> DWS Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	2,244	762 (Note F)	-	763 (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	323 (Note I)	-	323 (Note D)	
	<u>Beneficiary certificate</u> DWS Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	898	305 (Note F)	-	305 (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	200,356 (Note I)	79	150,754 (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	22,256 (Note F)	-	22,286 (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	1,513 (Note F)	-	424 (Note B)	
	CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss - current	510	896 (Note F)	-	80 (Note B)	
	China Development Financial Holding Co.	-	Financial assets at fair value through profit or loss - current	568	705 (Note F)	-	125 (Note B)	
	Quanta computer Inc.	-	Financial assets at fair value through profit or loss - current	196	455 (Note F)	-	206 (Note B)	
	Pacific Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	6,849	436 (Note F)	1	424 (Note B)	
	DBTEL Inc.	-	Financial assets at fair value through profit or loss - current	40	30 (Note F)	-	2 (Note B)	
	Pacific Liu Tong Investment Co., Ltd.	e	Financial assets carried at cost	400	123 (Note I)	-	6,238 (Note D)	
	Pacific Securities Co., Ltd.	-	Financial assets carried at cost	20,279	2,473	5	4,488 (Note E)	

(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	
	E-Shou Hi-tech Co., Ltd.	-	Financial assets carried at cost	18,300	\$ -	15	\$ -	
	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	3	-	2	(Note B)
	Oriental Union Chemical Co., Ltd.	-	Available-for-sale financial assets - current	900	477	-	379	(Note B)
	U-Ming Marine Transport Corporation	-	Available-for-sale financial assets - current	300	533	-	360	(Note B)
	Pacific China Holdings (HK) Co., Ltd.	b	Investments accounted for by the equity method	11,400	152,780	60	152,780	(Note D)
	Pacific Department Store Co., Ltd.	a	Investments accounted for by the equity method	30,726	8,748	26	10,766	(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	88	10	88	(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	305	-	141	(Note C)
	First Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	500	336	-	108	(Note C)
	HSBC Taiwan MID & Small Cap Fund	-	Financial assets at fair value through profit or loss - current	726	222	-	95	(Note C)
	Fubon Elite Fund	-	Financial assets at fair value through profit or loss - current	2,000	611	-	248	(Note C)
	HSBC Taiwan Growth Fund	-	Financial assets at fair value through profit or loss - current	511	306	-	206	(Note C)
	DWS Taiwan Flagship Security Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	150	46	-	42	(Note C)
	HSBC Trinity Balanced Fund	-	Financial assets at fair value through profit or loss - current	900	275	-	284	(Note C)
	HSBC New Japan Fund of Funds	-	Financial assets at fair value through profit or loss - current	994	304	-	203	(Note C)
	HSBC Global Emerging Markets Equity Fund	-	Financial assets at fair value through profit or loss - current	1,011	309	-	226	(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	254,633	100	92,748	(Note D)
Pacific China Holdings Ltd.	<u>Stock</u> Shanghai Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	26,314	73	26,314	(Note D)
	Chengdu Shangxia Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	18,564	100	18,564	(Note D)
	Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	3,368	100	3,368	(Note D)
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	12,810	100	12,810	(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	
	Beijing Xidan Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	\$ 5,856 (Note I)	55	\$ 15,856 (Note D)	
	Chongqing Pacific Consultant & Management Co., Ltd.	b	Investments accounted for by the equity method	-	40,922 (Note I)	100	40,922 (Note D)	
	Shanghai Pacific Business Management Consulting Co., Ltd.	a	Investments accounted for by the equity method	-	212	49	212 (Note D)	
	Bai-Fa China Holdings (HK) Co., Ltd.	b	Investments accounted for by the equity method	2	- (Note I)	100	- (Note E)	
	Taiwan Ocean Farming Corp.	-	Financial assets carried at cost	2,250	2,250	15	2,250 (Note E)	
	Oversea Development Corp.	-	Financial assets carried at cost	2,250	2,250	15	2,250 (Note E)	
Chongqing Pacific Consultant & Management Co., Ltd.	Stock							
	Chengdu Baiyang Industry Co., Ltd.	a	Investments accounted for by the equity method	-	73,377	33	11,078 (Note D)	
	Dalian Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	199 (Note I)	100	182 (Note D)	
	Chongqing Liyang Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	- (Note I)	100	(6,079) (Note D)	
	Tianjin FEDS Limits, Co.	b	Investments accounted for by the equity method	-	(3,506) (Note I)	51	(3,506) (Note D)	

Note A: a. Equity-method investee.  
b. Subsidiary.  
c. Same director.  
d. A director of FEDS is one of its directors.  
e. Parent company.  
f. Equity-method investor.  
g. Its director related by consanguinity to FEDS's director.  
h. Cost-method investee.  
i. Its director and the director of Bai Yang Investment Co. are relatives.  
j. 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.

Note I: The account had been excluded from the consolidated 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 (Note N)
	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 (Note N)
	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 (Note N)
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 (Note N)
	<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 (Note N)
	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 N)

Note A: The amount represented as stock dividend.

Note B: The amount included (a) a subscription for additional shares for cash amounting to NT\$760,000 thousand; (b) equity of NT\$469,337 thousand in losses; and (c) unrecognized net losses of NT \$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 NT \$100,000 thousand; (b) equity of NT \$76,988 thousand in losses; and (c) an increase of NT \$1,805 thousand in cumulative translation adjustments; and (d) a decrease of capital surplus NT \$1,411 thousand. (e) an unrealized loss of NT \$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 (NT \$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 NT \$107,588 thousand; (b) equity of \$1,388 thousand in gain; and (c) an increase of NT \$115 thousand in cumulative translation adjustments; and (d) an unrealized loss of NT \$86,404 thousand on the valuation of financial instruments; and (e) unrecognized net losses of NT \$3 thousand not recognized as pension cost; and (f), an increase of capital surplus NT \$3,141 thousand.

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

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

Note J: The amount included (a) RMB\$500,000 thousand of investment; (b) equity of RMB471 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.

Note N: The account had been excluded from the consolidated financial statements.

## 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 U.S. Dollars)

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 K)
Far Eastern Department Stores, Ltd. (FEDS)	<u>Stock</u> Asia Cement Corp.	Available-for-sale financial assets - noncurrent	-	-	54,134	\$ 31,966	2,988 (Note A)	\$ -	4,329	\$ 7,324	\$ 83,847	\$ 4,768	52,793	\$ 29,410
	Far Eastern Geant Co., Ltd.	Investments accounted for by the equity method	-	-	167,160	40,376	76,000	9,037 (Note B)	76,000 (Note C)	-	-	-	167,160	49,413 (Note N)
	Ya Tung Department Stores, Ltd.	Investments accounted for by the equity method	-	-	13,000	1,106	10,000	710 (Note D)	10,000 (Note C)	-	-	-	13,000	1,816 (Note N)
	Far Eastern CitySuper Ltd.	Investments accounted for by the equity method	-	-	39,780	338	28,000	3,456 (Note E)	22,950 (Note C)	-	-	-	44,830	3,794 (Note N)
Bai Yang Investment Co.	<u>Stock</u> Far Eastern International Leasing Corp.	Investments accounted for by the equity method	-	-	104,196	46,927	11,237 (Note F)	781 (Note G)	-	-	-	-	115,433	47,708
	Pacific China Holdings (HK) Co.,	Investments accounted for by the equity method	-	-	-	-	7,600	84,416 (Note H)	-	-	-	-	7,600	84,416 (Note N)
	<u>Beneficiary certificate</u> DWS Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	26,136	8,599	51,660	17,403	38,193	12,830	414,802	183	39,603	13,355
Bai Ding Investment Co.	<u>Stock</u> Far Eastern Department Stores, Ltd.	Available-for-sale financial assets - current	-	-	28,770	13,364	832 (Note A)	-	12,129	18,071	184,791	12,437	17,473	7,730 (Note N)
	Far Eastern Textile Co., Ltd.	Available-for-sale financial assets - noncurrent	-	-	25,790	10,200	8,746 (Note I)	6,815	3,850	5,655	49,945	4,132	30,686	15,492
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	22,256	-	-	-	-	65,590	22,256
Chongqing Pacific Consultant & Management Co., Ltd.	<u>Stock</u> Chengdu Baiyang Industry Co., Ltd.	Investments accounted for by the equity method	-	-	-	-	-	73,377 (Note J)	-	-	-	-	-	73,377
	Tianjin FEDS Limits., Co.	Investments accounted for by the equity method	-	-	-	-	-	(3,506) (Note K)	-	-	-	-	-	(3,506) (Note N)

Note A: The amount represented as stock dividend.

Note B: The amount included (a) a subscription for additional shares for cash amounting to US\$23,170 thousand; (b) equity of US\$14,309 thousand in losses; and (c) unrecognized net losses of US\$176 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 US\$3,048 thousand; (b) equity of US\$2,347 thousand in losses; and (c) an increase of US\$55 thousand in cumulative translation adjustments; and (d) a decrease of capital surplus US\$43 thousand. (e) an unrealized loss of US\$3 thousand on the valuation of financial instruments.

Note E: The amount included (a) a subscription for additional shares for cash amounting to US\$8,537 thousand; (b) equity of US\$4,256 thousand in losses; and (c) adjustment amounting to (US\$825) 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 US\$3,280 thousand; (b) equity of US\$42 thousand in gain; and (c) an increase of US\$3 thousand in cumulative translation adjustments; and (d) an unrealized loss of US\$2,634 thousand on the valuation of financial instruments; and (e) unrecognized net losses not recognized as pension cost; and (f) an increase of capital surplus US\$96 thousand.

Note H: The amount included (a) the payment of US\$74,462 thousand for share acquisition; (b) equity of US\$4,933 thousand in gain; and (c) a decrease of capital surplus US\$2,659 thousand; and (d) an increase of US\$7,680 thousand in cumulative translation adjustments

Note I: The amount included (a) stock dividend 491 thousand shares; (b) the payment of US\$6,815 thousand for 8,255 thousand shares.

Note J: The amount included (a) RMB\$500,000 thousand of investment; (b) equity of RMB471 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 RMB\$8,804 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.

Note N: The account had been excluded from the consolidated 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 (Note B)	1.81	10-45 days	-	-	Accounts payable	\$ (17,769) (Note B)	
Far Eastern CitySuper, Ltd.	Pacific Sogo Department Stores Co., Ltd.	The ultimate parent company's subsidiary	Sale	(469,745) (Note B)	(63.00)	10-45 days	-	-	Accounts receivable	17,769 (Note B)	88

Note A: 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 B: The account had been excluded from the consolidated 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 U.S. 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	\$ 14,321 (Note B)	1.81	10-45 days	-	-	Accounts payable	\$ (542) (Note B)	
Far Eastern CitySuper, Ltd.	Pacific Sogo Department Stores Co., Ltd.	The ultimate parent company's subsidiary	Sale	(14,321) (Note B)	(63.00)	10-45 days	-	-	Accounts receivable	542 (Note B)	88

Note A: 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 B: The account had been excluded from the consolidated 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 (Notes A and C)	-	\$ -	-	\$ 1,307	\$ -
Bai Ding Investment Co.	Pacific Liu Tong Investment Co., Ltd.	Equity-method investee	165,853 (Notes A and C)	-	-	-	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.

Note C: The transaction had been excluded from the consolidated financial statements.



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

**DISPOSAL OF INDIVIDUAL REAL ESTATES AT PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2008**

(In Thousands of U.S. 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	\$ 14,212 (Notes A and C)	-	\$ -	-	\$ 40	\$ -
Bai Ding Investment Co.	Pacific Liu Tong Investment Co., Ltd.	Equity-method investee	5,056 (Notes A and C)	-	-	-	13	-
Pacific Sogo Department Stores Co., Ltd.	Pacific 88 Co., Ltd.	Equity-method investee	7,276	-	7,276	Collection expedited	-	6,724
	Pacific Sogo Investment Co., Ltd.	Equity-method investee	16,290	-	16,290	Collection expedited	-	16,290

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.

Note C: The transaction had been excluded from the consolidated financial statements.

TABLE 10 (A)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH FEDS EXERCISES SIGNIFICANT INFLUENCE  
 YEAR ENDED DECEMBER 31, 2008  
 (In Thousands of U.S. 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 (Note E)	\$ 323,868	\$ 323,531 (Note E)	b
	Oriental Securities Corporation Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Securities brokerage	143,652	143,652	140,297	20	1,665,693	(1,752,653)	(348,605)	a
		Taipei City, R.O.C.	Investment	1,764,210	1,764,210	140,867	35	2,153,911 (Note E)	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 (Note E)	517,049	(175,270) (Note E)	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 (Note E)	(469,337)	(469,337) (Note E)	b
	Feds Department (BVI) Ltd.	British Virgin Island	Investment	125,058	125,058	218	76	286,189 (Note E)	(54,250)	(41,282) (Note E)	b
	Ya Tung Department Stores Ltd.	Taipei City, R.O.C.	Department store	128,907	125,262	13,000	100	59,573 (Note E)	(76,988)	(76,988) (Note E)	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 (Note E)	13,458	13,458 (Note E)	b
	Far Eastern CitySuper Ltd.	Taipei City, R.O.C.	Shopping mall	448,300	397,800	44,830	90	124,436 (Note E)	(139,593)	(139,593) (Note E)	b
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	40,278	40,278	3,330	56	5,596 (Note E)	1,591	1,080 (Note E)	b
Ding Ding Integrated Marketing Service Asian Merchandise Company	Taipei City, R.O.C.	Marketing	30,000	30,000	3,000	10	2,900 (Note E)	(91,562)	(9,147) (Note E)	a	
	U.S.A.	Trading	5,316	5,316	950	100	3,999 (Note E)	69	69 (Note E)	b	
Bai Ding Investment Co.	Oriental Securities Corporation Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Securities brokerage	163,563	163,563	97,116	14	1,153,022 (Note E)	(1,752,653)		a
		Taipei City, R.O.C.	Investment	658,129	658,129	50,125	13	780,168 (Note E)	870,732		b
	Far Eastern International Leasing Corp. Pacific Sogo Department Stores Co., Ltd.	Taipei City, R.O.C.	Leasing	273,044	255,000	19,360	5	306,441 (Note E)	8,063		a
		Taipei City, R.O.C.	Department store	33,490	33,490	4,914	1	86,163 (Note E)	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 (Note E)	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 (Note E)	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 (Note E)	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 (Note E)	870,732		b
Feds Development (BVI) Ltd.	Tianjin FEDS Limits., Co.	Mainland China	Department store	160,720	160,720	-	49	(112,693) (Note E)	(154,651)		c
	Shanghai Bai Ding Business Management Consulting Co., Ltd.	Mainland China	Consulting service	3,280	3,280	-	100	44,429 (Note E)	20,194		c
	Chongqing Far Eastern Department Store	Mainland China	Department store	98,355	-	-	100	136,796 (Note E)	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 (Note E)	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 (Note E)	8,063		a

(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			
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	\$ 577,457	\$ 577,457	48,390	33	\$ 1,002,152 (Note E)	\$ 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 (Note E)	22,295		
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	99,000	99,000	9,900	2	171,168 (Note E)	870,732		b
	Feds Development (BVI) Ltd.	British Virgin Island	Investment	123,778	123,778	68	24	89,904 (Note E)	(54,250)		b
	Pacific China Holdings (HK) Co., Ltd.	Hong Kong	Investment	2,442,344	-	7,600	40	2,768,832 (Note E)	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 (Note E)	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 (Note E)	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 (Note E)	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 (Note E)	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
	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 (Note E)	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 (Note E)	740,312		c
Pacific China Holdings Co.	Shanghai Pacific Department Store Co., Ltd.	Mainland China	Department store	420,906	420,906	-	73	863,093 (Note E)	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 Quanxing Mansion Pacific Department Store Co., Ltd.	Mainland China	Department store	32,472	32,472	-	100	110,482 (Note E)	69,395		c
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	Mainland China	Department store	98,400	98,400	-	100	420,158 (Note E)	254,848		c
	Beijing Xidan Pacific Department Store Co., Ltd.	Mainland China	Department store	216,480	216,480	-	55	192,088 (Note E)	30,913		c
	Chongqing Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	6,560	6,560	-	100	1,342,250 (Note E)	(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	- (Note E)	-		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) (Note E)	(154,651)		c
	Dalian Pacific Department Store Co., Ltd.	Mainland China	Department store	4,807	-	-	100	6,541 (Note E)	20,758		c
	Chongqing Liyang Department Store Co., Ltd.	Mainland China	Department store	-	-	-	100	- (Note E)	(14,122)		c

(Continued)

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.

Note E: The account had been excluded from the consolidated financial statements.

(Concluded)

TABLE 10 (B)

## 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	\$ 165,310	\$ 165,310	652,991	100	\$ 248,708	\$ 9,874	\$ 9,864	b
	Oriental Securities Corporation	Taipei City, R.O.C.	Securities brokerage	4,380	4,380	140,297	20	50,783	(53,435)	(10,628)	a
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	53,787	53,787	140,867	35	65,668	26,547	9,469	b
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	1,017	1,017	96,735	67	58,425	15,764	(5,344)	b
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	47,893	45,338	167,160	100	49,413	(14,309)	(14,309)	b
	Feds Department (BVI) Ltd.	British Virgin Island	Investment	3,813	3,813	218	76	8,725	(1,654)	(1,259)	b
	Ya Tung Department Stores Ltd.	Taipei City, R.O.C.	Department store	3,930	3,819	13,000	100	1,816	(2,347)	(2,347)	b
	Yu Ming Advertising Agency Co.	Taipei City, R.O.C.	Advertising and importation of certain merchandise	1,829	1,829	6,500	100	1,933	410	410	b
	Far Eastern CitySuper Ltd.	Taipei City, R.O.C.	Shopping mall	13,668	12,128	44,830	90	3,794	(4,256)	(4,256)	b
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	1,228	1,228	3,330	56	171	49	33	b
Bai Ding Investment Co.	Ding Ding Integrated Marketing Service	Taipei City, R.O.C.	Marketing	915	915	3,000	10	88	(2,792)	(279)	a
	Asian Merchandise Company	U.S.A.	Trading	162	162	950	100	122	2	2	b
	Oriental Securities Corporation	Taipei City, R.O.C.	Securities brokerage	4,987	4,987	97,116	14	35,153	(53,435)		a
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	20,065	20,065	50,125	13	23,786	26,547		b
	Far Eastern International Leasing Corp.	Taipei City, R.O.C.	Leasing	8,325	7,774	19,360	5	9,343	246		a
Feds Asia Pacific Development Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Taipei City, R.O.C.	Department store	1,021	1,021	4,914	1	2,627	35,563		c
	Yu Ming Co.	Taipei City, R.O.C.	Importation of certain merchandise	649	649	1,102	47	1,200	275		a
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	874	874	2,670	44	270	49		b
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	3,018	3,018	9,900	2	5,219	26,547		b
Feds New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	3,018	3,018	9,900	2	5,219	26,547		b
Feds Development (BVI) Ltd.	Tianjin FEDS Limits., Co.	Mainland China	Department store	4,900	4,900	-	49	(3,436)	(4,715)		c
	Shanghai Bai Ding Business Management Consulting Co., Ltd.	Mainland China	Consulting service	100	100	-	100	1,355	616		c
	Chongqing Far Eastern Department Store	Mainland China	Department store	2,999	-	-	100	4,171	2,541		c
Bai Yang Investment Co.	Feds Asia Pacific Development Ltd.	Taipei City, R.O.C.	Shopping mall	46,426	46,426	140,000	70	47,405	3,850		c
	Far Eastern International Leasing Corp.	Taipei City, R.O.C.	Leasing	42,332	39,042	115,433	29	47,708	246		a

(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			
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	\$ 17,605	\$ 17,605	48,390	33	\$ 30,553 (Note E)	\$ 15,764		b
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	3,018	3,018	9,900	2	5,219 (Note E)	26,547		b
	Feds Development (BVI) Ltd.	British Virgin Island	Investment	3,774	3,774	68	24	2,741 (Note E)	(1,654)		b
	Pacific China Holdings (HK) Co., Ltd.	Hong Kong	Investment	74,462	-	7,600	40	84,416 (Note E)	15,744		c
Ya Tung Department Stores	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	1,677	1,677	5,500	1	2,899 (Note E)	26,547		b
Yu Ming Advertising Agency Co.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	37	37	100	-	9 (Note E)	26,547		b
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	256	256	700	-	323 (Note E)	26,547		b
Pacific Liu Tong Investment Co.	Pacific Sogo Department Stores Co., Ltd.	Taipei City, R.O.C.	Department store	136,278	136,278	284,153	79	200,356 (Note E)	35,563		c
Pacific Sogo Department Stores Co., Ltd.	Sogo Department Store Co., Ltd.	Taipei City, R.O.C.	Credit card business	1,006	1,006	7,120	34	-	-		d
	Pacific Department Store Co., Ltd.	Taipei City, R.O.C.	Department store	16,006	16,006	30,726	26	8,747	8,543		d
	Pacific 88 Co., Ltd.	Taipei City, R.O.C.	Clothing, restaurant	607	607	85	24	-	-		d
	Pacific Sogo Investment Co., Ltd.	Taipei City, R.O.C.	Investment	30,485	30,485	99,990	100	-	-		c
	Pacific Venture Investment Ltd.	Hong Kong	Investment	10,886	10,886	100,000	48	-	-		d
	Lian Ching Investment Co., Ltd.	Taipei City, R.O.C.	Investment	8,251	8,251	26,764	50	-	-		c
	Ding Ding Integrated Marketing Service	Taipei City, R.O.C.	Marketing	915	915	3,000	10	88	(2,792)		d
	Pacific China Holdings (HK) Co., Ltd.	Hong Kong	Investment	121,951	121,951	11,400	60	152,780 (Note E)	15,744		c
Pacific China Holdings (HK) Co., Ltd.	Pacific China Holdings Co.	British Virgin Island	Investment	19,000	19,000	19,000	100	254,633 (Note E)	22,570		c
Pacific China Holdings Co.	Shanghai Pacific Department Store Co., Ltd.	Mainland China	Department store	12,833	12,833	-	73	26,314 (Note E)	13,649		c
	Chengdu Shangxia Pacific Department Store Co., Ltd.	Mainland China	Department store	7,000	7,000	-	100	18,564 (Note E)	10,158		c
	Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Mainland China	Department store	990	990	-	100	3,368 (Note E)	2,116		c
	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Mainland China	Department store	3,000	3,000	-	100	12,810 (Note E)	7,770		c
	Beijing Xidan Pacific Department Store Co., Ltd.	Mainland China	Department store	6,600	6,600	-	55	5,856 (Note E)	942		c
	Chongqing Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	200	200	-	100	40,922 (Note E)	(3,055)		c
	Shanghai Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	171	171	-	49	212	14		d
	Bai-Fa China Holdings (HK) Co., Ltd.	Hong Kong	Investment	-	-	2	100	- (Note E)	-		c
Chongqing Pacific Consultant & Management Co., Ltd.	Chengdu Baiyang Industry Co., Ltd.	Mainland China	Department store	10,992	-	-	33	73,377	145		d
	Tianjin FEDS Limits., Co.	Mainland China	Department store	5,000	-	-	51	(3,506) (Note E)	(4,715)		c
	Dalian Pacific Department Store Co., Ltd.	Mainland China	Department store	147	-	-	100	199 (Note E)	633		c
	Chongqing Liyang Department Store Co., Ltd.	Mainland China	Department store	-	-	-	100	- (Note E)	(431)		c

(Continued)

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. 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.

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

Note E: The account had been excluded from the consolidated financial statements.

(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 (Note G)	\$ 579,691 (Note G)	\$ -	\$ - (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 (Note G)	408,959 (Note G)				
Chengdu Quanzing Mansion Pacific Department Store Co., Ltd.	Department store	32,472	Note C	32,472 (Note B)	-	-	32,472 (Note B)	67	44,511 (Note G)	74,204 (Note G)				
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Department store	98,400	Note C	98,400 (Note B)	-	-	98,400 (Note B)	67	171,167 (Note G)	282,196 (Note G)				
Beijing Xidan Pacific Department Store Co., Ltd.	Department store	393,600	Note C	216,480 (Note B)	-	-	216,480 (Note B)	37	4,295 (Note G)	129,014 (Note G)				
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) (Note G)	901,512 (Note G)				
Shanghai Pacific Business Management Consulting 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 (Note G)	44,429 (Note G)				
Tianjin FEDS Limits., Co.	Department store	324,720	Note C	95,120 (Note C)	-	-	95,120 (Note C)	83	(147,333) (Note G)	(189,920) (Note G)				
Chongqing Far East Department Store	Department store	91,840	Note C	-	-	-	-	100	34,319 (Note G)	136,796 (Note G)				
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 (Note G)	4,393 (Note G)				
Chongqing Liyang Department Store Co., Ltd.	Department store	24,036	Note C	-	-	-	-	67	- (Note G)	- (Note G)				

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.

Note G: The account had been excluded from the consolidated financial statements.



## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2008  
(In Thousands of U.S. 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 H)	Upper Limit on Investment Defined by Investment Commission, MOEA
					Outflow	Inflow								
Shanghai Pacific Department Store Co., Ltd.	Department store	\$ 17,770	Note C	\$ 12,833 (Note B)	\$ -	\$ -	\$ 12,833 (Note B)	49	\$ 5,577 (Note G)	\$ 17,674 (Note G)	\$ -	\$ - (Note D)	\$ 4,900 (Notes A and D)	\$ - (Note F)
Chengdu Shangxia Pacific Department Store Co., Ltd.	Department store	7,000	Note C	7,000 (Note B)	-	-	7,000 (Note B)	67	6,645 (Note G)	12,468 (Note G)				
Chengdu Quanying Mansion Pacific Department Store Co., Ltd.	Department store	990	Note C	990 (Note B)	-	-	990 (Note B)	67	1,357 (Note G)	2,262 (Note G)				
Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	Department store	3,000	Note C	3,000 (Note B)	-	-	3,000 (Note B)	67	5,219 (Note G)	8,604 (Note G)				
Beijing Xidan Pacific Department Store Co., Ltd.	Department store	12,000	Note C	6,600 (Note B)	-	-	6,600 (Note B)	37	131 (Note G)	3,933 (Note G)				
Chongqing Pacific Consultant & Management Co., Ltd.	Business management consulting	41,100	Note C	200 (Note B)	-	-	200 (Note B)	67	(1,035) (Note G)	27,485 (Note G)				
Shanghai Pacific Business Management Consulting Co., Ltd.	Business management consulting	350	Note C	171 (Note B)	-	-	171 (Note B)	33	5	143				
Shanghai Bai Ding Business Management Consulting Co., Ltd.	Business management consulting	100	Notes C	-	-	-	-	100	616 (Note G)	1,355 (Note G)				
Tianjin FEDS Limits, Co.	Department store	9,900	Note C	2,900 (Note C)	-	-	2,900 (Note C)	83	(4,492) (Note G)	(5,790) (Note G)				
Chongqing Far East Department Store	Department store	2,800	Note C	-	-	-	-	100	1,046 (Note G)	4,171 (Note G)				
Chengdu Baiyang Industry Co., Ltd. Operating	Department store	32,977	Note C	-	-	-	-	22	44	49,276				
Dalian Pacific Department Store Co., Ltd.	Department store	147	Note C	-	-	-	-	67	34 (Note G)	134 (Note G)				
Chongqing Liyang Department Store Co., Ltd.	Department store	733	Note C	-	-	-	-	67	- (Note G)	- (Note G)				

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.

Note G: The account had been excluded from the consolidated financial statements.

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

**INTERCOMPANY TRANSACTIONS  
YEAR ENDED DECEMBER 31, 2008**

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

Number	Transacting Company (Note A)	Counter-party	Flow of Transaction (Note B)	Status			
				Account	Amount (Note D)	Condition	Ratio to Consolidated Operating Revenue or Asset (Note C)
0	Far Eastern Department Stores, Ltd.	Feds Asia Pacific Development Co., Ltd.	1	Operating expense	\$ 230,771	The rent is based on market rates	-
1	Feds Asia Pacific Development Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Other operating revenue	(230,771)	The rent is based on market rates and is received monthly	-
2	Far Eastern CitySuper Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	Sales revenue	(469,745)	The same as non-related party	1
3	Pacific Sogo Department Stores Co., Ltd.	Far Eastern CitySuper Ltd.	3	Cost of goods sold	469,745	The same as non-related party	1

Note A: The intercompany transactions between FEDS and its subsidiaries are explained in the number column, numbering as follows:

1. FEDS is 0.
2. Subsidiaries is numbering form 1 to proper order.

Note B: Flow of transaction:

1. The Company to subsidiary
2. Subsidiary to the Company
3. Subsidiary to subsidiary

Note C: If the account of the intercompany transaction is shown in balance sheet, the ratio is the proportion of the year-end account balance to the consolidated asset; if the account of the intercompany transaction is shown in income statement, the ratio is the proportion of the accumulative amount of the year to the consolidated revenue.

Note D: The amount of an intercompany transaction more than one NT\$100,000 thousand would be disclosed in this table.

Note E: The account had been excluded from the consolidated financial statements.

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## INTERCOMPANY TRANSACTIONS

YEAR ENDED DECEMBER 31, 2008

(In Thousands of U.S. Dollars, Unless Stated Otherwise)

Number	Transacting Company (Note A)	Counter-party	Flow of Transaction (Note B)	Status			
				Account	Amount (Note D)	Condition	Ratio to Consolidated Operating Revenue or Asset (Note C)
0	Far Eastern Department Stores, Ltd.	Feds Asia Pacific Development Co., Ltd.	1	Operating expense	\$ 7,036	The rent is based on market rates	-
1	Feds Asia Pacific Development Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Other operating revenue	(7,036)	The rent is based on market rates and is received monthly	-
2	Far Eastern CitySuper Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	Sales revenue	(14,321)	The same as non-related party	1
3	Pacific Sogo Department Stores Co., Ltd.	Far Eastern CitySuper Ltd.	3	Cost of goods sold	14,321	The same as non-related party	1

Note A: The intercompany transactions between FEDS and its subsidiaries are explained in the number column, numbering as follows:

1. FEDS is 0.
2. Subsidiaries is numbering form 1 to proper order.

Note B: Flow of transaction:

1. The Company to subsidiary
2. Subsidiary to the Company
3. Subsidiary to subsidiary

Note C: If the account of the intercompany transaction is shown in balance sheet, the ratio is the proportion of the year-end account balance to the consolidated asset; if the account of the intercompany transaction is shown in income statement, the ratio is the proportion of the accumulative amount of the year to the consolidated revenue.

Note D: The amount of an intercompany transaction more than one US\$3,049 thousand would be disclosed in this table.

Note E: The account had been excluded from the consolidated financial statements.

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

**INTERCOMPANY TRANSACTIONS  
YEAR ENDED DECEMBER 31, 2007**

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

Number	Transacting Company (Note A)	Counter-party	Flow of Transaction (Note B)	Status			
				Account	Amount (Note D)	Condition	Ratio to Consolidated Operating Revenue or Asset (Note C)
0	Far Eastern Department Stores, Ltd.	Feds Asia Pacific Development Co., Ltd.	1	Operating expense	\$ 229,014	The rent is based on market rates	-
1	Feds Asia Pacific Development Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Other operating revenue	(229,014)	The rent is based on market rates and is received monthly	-
2	Far Eastern CitySuper Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	Sales revenue	(405,113)	The same as non-related party	-
3	Pacific Sogo Department Stores Co., Ltd.	Far Eastern CitySuper Ltd.	3	Cost of goods sold	405,113	The same as non-related party	-

Note A: The intercompany transactions between FEDS and its subsidiaries are explained in the number column, numbering as follows:

1. FEDS is 0.
2. Subsidiaries is numbering form 1 to proper order.

Note B: Flow of transaction:

1. The Company to subsidiary
2. Subsidiary to the Company
3. Subsidiary to subsidiary

Note C: If the account of the intercompany transaction is shown in balance sheet, the ratio is the proportion of the year-end account balance to the consolidated asset; if the account of the intercompany transaction is shown in income statement, the ratio is the proportion of the accumulative amount of the year to the consolidated revenue.

Note D: The amount of an intercompany transaction more than one NT\$100,000 thousand would be disclosed in this table.

Note E: The account had been excluded from the consolidated financial statements.

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

**INTERCOMPANY TRANSACTIONS  
YEAR ENDED DECEMBER 31, 2007**

**(In Thousands of U.S. Dollars, Unless Stated Otherwise)**

Number	Transacting Company (Note A)	Counter-party	Flow of Transaction (Note B)	Status			
				Account	Amount (Note D)	Condition	Ratio to Consolidated Operating Revenue or Asset (Note C)
0	Far Eastern Department Stores, Ltd.	Feds Asia Pacific Development Co., Ltd.	1	Operating expense	\$ 6,982	The rent is based on market rates	-
1	Feds Asia Pacific Development Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Other operating revenue	(6,982)	The rent is based on market rates and is received monthly	-
2	Far Eastern CitySuper Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	Sales revenue	(12,351)	The same as non-related party	-
3	Pacific Sogo Department Stores Co., Ltd.	Far Eastern CitySuper Ltd.	3	Cost of goods sold	12,351	The same as non-related party	-

Note A: The intercompany transactions between FEDS and its subsidiaries are explained in the number column, numbering as follows:

1. FEDS is 0.
2. Subsidiaries is numbering form 1 to proper order.

Note B: Flow of transaction:

1. The Company to subsidiary
2. Subsidiary to the Company
3. Subsidiary to subsidiary

Note C: If the account of the intercompany transaction is shown in balance sheet, the ratio is the proportion of the year-end account balance to the consolidated asset; if the account of the intercompany transaction is shown in income statement, the ratio is the proportion of the accumulative amount of the year to the consolidated revenue.

Note D: The amount of an intercompany transaction more than one US\$3,049 thousand would be disclosed in this table.

Note E: The account had been excluded from the consolidated financial statements.

**TABLE 13 (A)****FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES****INDUSTRY SEGMENT INFORMATION  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(In Thousands of New Taiwan Dollars)**

	2008				2007			
	Retail Department Stores	Investment	Adjusted	Consolidated	Retail Department Stores	Investment	Adjusted	Consolidated
Revenues from customers excluding FEDS and subsidiaries	\$ 89,628,835	\$ 1,199,029	\$ (1,199,029)	\$ 89,628,835	\$ 88,381,307	\$ 1,910,527	\$ (1,910,527)	\$ 88,381,307
Revenues from FEDS and subsidiaries	46	-	(46)	-	47	-	(47)	-
	<u>\$ 89,628,881</u>	<u>\$ 1,199,029</u>	<u>\$ (1,199,075)</u>	<u>\$ 89,628,835</u>	<u>\$ 88,381,354</u>	<u>\$ 1,910,527</u>	<u>\$ (1,910,574)</u>	<u>\$ 88,381,307</u>
Segment operating income (loss) (Note A)	<u>\$ 2,839,573</u>	<u>\$ 488,872</u>	<u>\$ (549,537)</u>	\$ 2,778,908	<u>\$ 3,510,660</u>	<u>\$ 86,797</u>	<u>\$ (137,947)</u>	\$ 3,459,510
Equity in net income (loss)				(544,564)				474,924
Unallocated income				1,084,136				1,477,279
Unallocated expenses				(648,409)				(303,411)
Interest expenses				(639,926)				(715,710)
Income before income tax				<u>\$ 2,030,145</u>				<u>\$ 4,392,592</u>
Identifiable assets (Note B)	<u>\$ 69,826,384</u>	<u>\$ 5,022,055</u>	<u>\$ -</u>	\$ 74,848,439	<u>\$ 67,666,988</u>	<u>\$ 9,665,649</u>	<u>\$ -</u>	\$ 77,332,637
Investments in shares of stocks				7,505,783				6,283,912
Total assets				<u>\$ 82,354,222</u>				<u>\$ 83,616,549</u>
Depreciation expenses	<u>\$ 1,697,192</u>	<u>\$ -</u>			<u>\$ 1,676,288</u>	<u>\$ -</u>		
Capital expenditures	<u>\$ 2,319,045</u>	<u>\$ -</u>			<u>\$ 2,242,027</u>	<u>\$ -</u>		

Note A: Represents revenue minus costs and operating expenses that directly pertain to an industry segment, excluding interest expense and equity in net income or net loss.

Note B: Represents tangible assets used by the industry segment, excluding:

- a. Advances or loans to another industry segment.
- b. Equity-method investments in shares of stocks.

**TABLE 13 (B)****FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES****INDUSTRY SEGMENT INFORMATION  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(In Thousands of U.S. Dollars)**

	2008				2007			
	Retail Department Stores	Investment	Adjusted	Consolidated	Retail Department Stores	Investment	Adjusted	Consolidated
Revenues from customers excluding FEDS and subsidiaries	\$ 2,732,586	\$ 36,556	\$ (36,556)	\$ 2,732,586	\$ 2,694,552	\$ 58,248	\$ (58,248)	\$ 2,694,552
Revenues from FEDS and subsidiaries	<u>1</u>	-	<u>(1)</u>	-	<u>1</u>	-	<u>(1)</u>	-
	<u>\$ 2,732,587</u>	<u>\$ 36,556</u>	<u>\$ (36,557)</u>	<u>\$ 2,732,586</u>	<u>\$ 2,694,553</u>	<u>\$ 58,248</u>	<u>\$ (58,249)</u>	<u>\$ 2,694,552</u>
Segment operating income (loss) (Note A)	<u>\$ 86,572</u>	<u>\$ 14,905</u>	<u>\$ (16,754)</u>	\$ 84,723	<u>\$ 107,032</u>	<u>\$ 2,646</u>	<u>\$ (4,206)</u>	\$ 105,473
Equity in net income (loss)				(16,602)				14,479
Unallocated income				33,053				45,039
Unallocated expenses				(19,769)				(9,250)
Interest expenses				<u>(19,510)</u>				<u>(21,821)</u>
Income before income tax				<u>\$ 61,895</u>				<u>\$ 133,920</u>
Identifiable assets (Note B)	<u>\$ 2,128,853</u>	<u>\$ 153,111</u>	<u>\$ -</u>	\$ 2,281,965	<u>\$ 2,063,018</u>	<u>\$ 294,684</u>	<u>\$ -</u>	\$ 2,357,702
Investments in shares of stocks				<u>228,835</u>				<u>191,583</u>
Total assets				<u>\$ 2,510,799</u>				<u>\$ 2,549,285</u>
Depreciation expenses	<u>\$ 51,744</u>	<u>\$ -</u>			<u>\$ 51,106</u>	<u>\$ -</u>		
Capital expenditures	<u>\$ 70,703</u>	<u>\$ -</u>			<u>\$ 68,354</u>	<u>\$ -</u>		

Note A: Represents revenue minus costs and operating expenses that directly pertain to an industry segment, excluding interest expense and equity in net income or net loss.

Note B: Represents tangible assets used by the industry segment, excluding:

- a. Advances or loans to another industry segment.
- b. Equity-accounted investments in shares of stocks.

**TABLE 14 (A)****FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES****GEOGRAPHIC SEGMENT INFORMATION  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(In Thousands of New Taiwan Dollars)**

	2008				2007			
	R.O.C.	China	Adjusted	Total	R.O.C.	China	Adjusted	Total
Revenues from customers excluding FEDS and subsidiaries (Note A)	<u>\$ 72,737,633</u>	<u>\$ 18,090,231</u>	<u>\$ (1,199,029)</u>	<u>\$ 89,628,835</u>	<u>\$ 73,382,020</u>	<u>\$ 16,909,814</u>	<u>\$ (1,910,527)</u>	<u>\$ 88,381,307</u>
Segment operating income (Note B)	<u>\$ 2,431,598</u>	<u>\$ 896,847</u>	<u>\$ (549,537)</u>	\$ 2,778,908	<u>\$ 2,068,983</u>	<u>\$ 1,528,474</u>	<u>\$ (137,947)</u>	\$ 3,459,510
Equity in net loss				(544,564)				474,924
Unallocated income				1,084,136				1,477,279
Unallocated expenses				(648,409)				(303,411)
Interest expenses				<u>(639,926)</u>				<u>(715,710)</u>
Income before income tax				<u>\$ 2,030,145</u>				<u>\$ 4,392,592</u>
Identifiable assets (Note C)	<u>\$ 61,563,715</u>	<u>\$ 11,178,490</u>	<u>\$ _____</u>	\$ 74,848,439	<u>\$ 68,119,439</u>	<u>\$ 9,214,278</u>	<u>\$ (1,080)</u>	\$ 77,332,637
Investments in shares of stocks				<u>7,505,783</u>				<u>6,283,912</u>
Total assets				<u>\$ 82,354,222</u>				<u>\$ 83,616,549</u>

Note A: There were no intercompany sales between FEDS and its subsidiaries.

Note B: Represents revenue minus costs and operating expenses that directly pertain to an industry segment, excluding interest expense and equity in net income or net loss.

Note C: Represents tangible assets used by the industry segment, excluding:

- a. Advances or loans to another industry segment.
- b. Equity-method investments in shares of stocks.



**TABLE 14 (B)****FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES****GEOGRAPHIC SEGMENT INFORMATION  
YEARS ENDED DECEMBER 31, 2008 AND 2007  
(In Thousands of U.S. Dollars)**

	2008				2007			
	R.O.C.	China	Adjusted	Total	R.O.C.	China	Adjusted	Total
Revenues from customers excluding FEDS and subsidiaries (Note A)	\$ 2,217,611	\$ 551,531	\$ (36,556)	\$ 2,732,586	\$ 2,237,257	\$ 513,543	\$ (58,248)	\$ 2,694,552
Segment operating income (Note B)	\$ 74,134	\$ 27,343	\$ (16,754)	\$ 84,723	\$ 63,079	\$ 46,600	\$ (4,206)	\$ 105,479
Equity in net loss				(16,602)				14,479
Unallocated income				33,053				45,039
Unallocated expenses				(19,769)				(9,250)
Interest expenses				(19,510)				(21,820)
Income before income tax				\$ 61,895				\$ 133,921
Identifiable assets (Note C)	\$ 1,876,943	\$ 340,808		\$ 2,281,964	\$ 2,076,812	\$ 280,923	\$ (33)	\$ 2,357,702
Investments in shares of stocks				228,835				191,583
Total assets				\$ 2,510,799				\$ 2,549,285

Note A: There were no intercompany sales between FEDS and its subsidiaries.

Note B: Represents revenue minus costs and operating expenses that directly pertain to an industry segment, excluding interest expense and equity in net income or net loss.

Note C: Represents tangible assets used by the industry segment, excluding:

- a. Advances or loans to another industry segment.
- b. Equity-method investments in shares of stocks.