

**Far Eastern Department Stores, Ltd.**

**Financial Statements for the  
Years Ended December 31, 2004 and 2003 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Far Eastern Department Stores, Ltd. as of December 31, 2004 and 2003 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

February 17, 2005

### Notice to Readers

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

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

## FAR EASTERN DEPARTMENT STORES, LTD.

### BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

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

ASSETS	2004		2003	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 3)	\$ 434,207	1	\$ 166,389	-
Short-term investments, net (Notes 2 and 4)	225,046	1	561,092	2
Receivables:				
Notes	9,271	-	19,653	-
Accounts, net of allowance for doubtful accounts of \$3,550 thousand in 2004 and \$7,724 thousand in 2003 (Notes 2 and 23)	161,027	-	148,486	-
Others (Notes 23 and 25)	311,917	1	271,117	1
Inventories, net (Notes 2 and 5)	188,986	1	237,390	1
Prepayments	33,288	-	40,988	-
Deferred tax assets (Notes 2 and 19)	94,747	-	177,690	1
Other current assets	65,426	-	86,446	-
Other financial assets (Note 24)	4,000	-	4,000	-
Total current assets	<u>1,527,915</u>	<u>4</u>	<u>1,713,251</u>	<u>5</u>
<b>LONG-TERM STOCK INVESTMENTS (Notes 2, 6, 24 and 26)</b>				
Equity method	8,523,215	25	7,383,443	22
Cost method	1,479,081	4	1,378,532	4
Total long-term stock investments	<u>10,002,296</u>	<u>29</u>	<u>8,761,975</u>	<u>26</u>
<b>PROPERTIES (Notes 2, 7, 8, 9, 24, 25 and 26)</b>				
Cost				
Land	4,783,151	14	4,764,807	14
Buildings and equipment	5,860,054	17	5,819,956	17
Furniture and equipment	2,984,322	8	2,955,476	9
Total cost	13,627,527	39	13,540,239	40
Revaluation increment	1,197,577	4	830,580	3
Cost and appreciation	14,825,104	43	14,370,819	43
Less: Accumulated depreciation	3,007,093	9	2,864,538	9
	11,818,011	34	11,506,281	34
Constructions in progress	4,683,188	13	4,483,959	13
Leasehold rights, net	4,129,298	12	4,194,231	13
Properties leased to others, net	1,620,095	5	1,573,966	5
Net properties	<u>22,250,592</u>	<u>64</u>	<u>21,758,437</u>	<u>65</u>
<b>OTHER ASSETS</b>				
Idle properties, net (Notes 2, 10 and 24)	462,522	1	523,647	1
Property to be sold (land to be exchanged by the government) (Note 11)	160,632	1	545,973	2
Refundable deposits (Notes 8, 12 and 25)	161,702	1	208,737	1
Prepaid pension cost (Notes 2 and 22)	109,236	-	79,715	-
Miscellaneous	41,237	-	58,861	-
Total other assets	<u>935,329</u>	<u>3</u>	<u>1,416,933</u>	<u>4</u>
<b>TOTAL</b>	<u>\$ 34,716,132</u>	<u>100</u>	<u>\$ 33,650,596</u>	<u>100</u>

LIABILITIES AND STOCKHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term debts (Note 13)	\$ 1,005,000	3	\$ 1,220,000	4
Commercial paper payable (Notes 14 and 24)	998,105	3	729,087	2
Accounts payable (Note 23)	1,603,434	4	2,220,932	6
Income tax payable (Notes 2 and 19)	-	-	3,327	-
Accrued expenses (Note 23)	471,045	1	538,064	1
Payable on properties (Note 25)	584,191	2	629,760	2
Advances from customers	1,019,873	3	877,082	3
Current portion of bonds issued (Notes 15 and 24)	600,000	2	300,000	1
Current portion of long-term liabilities (Notes 16 and 24)	285,700	1	-	-
Current portion of franchise liability (Notes 2 and 8)	466,613	1	630,705	2
Other current liabilities	512,182	1	566,124	2
Total current liabilities	<u>7,546,143</u>	<u>21</u>	<u>7,715,081</u>	<u>23</u>
<b>LONG-TERM LIABILITIES, NET OF CURRENT PORTION</b>				
Bonds issued (Notes 15 and 24)	5,500,000	16	6,100,000	18
Bank loans and commercial paper payable (Notes 16 and 24)	1,721,400	5	1,000,000	3
Franchise liability (Notes 2 and 8)	1,061,567	3	1,528,180	5
Total long-term liabilities	<u>8,282,967</u>	<u>24</u>	<u>8,628,180</u>	<u>26</u>
<b>RESERVES</b>				
Reserve for land value increment tax (Notes 7 and 26)	987,738	3	987,738	3
<b>OTHER LIABILITIES</b>				
Deposits received (Notes 9 and 23)	57,232	-	57,786	-
Deferred tax liabilities (Notes 2 and 19)	226,435	1	225,998	1
Deferred gains on intercompany sales (Notes 2 and 23)	369,086	1	369,086	1
Miscellaneous (Notes 2 and 6)	22,678	-	20,620	-
Total other liabilities	<u>675,431</u>	<u>2</u>	<u>673,490</u>	<u>2</u>
Total liabilities	<u>17,492,279</u>	<u>50</u>	<u>18,004,489</u>	<u>54</u>
<b>STOCKHOLDERS' EQUITY</b>				
Capital stock NT\$10 par value				
Authorized - 1,350,000 thousand shares				
Issued and outstanding - 987,045 thousand shares	9,870,448	29	9,870,448	29
Capital surplus:				
Issue of stock in excess of par value	2,606,859	7	2,606,859	8
Treasury stock transactions	19,894	-	51,380	-
Revaluation increment on properties	614,880	2	614,880	2
Equity in capital surplus reported by equity-method investees	313,621	1	312,553	1
Total capital surplus	3,555,254	10	3,585,672	11
Retained earnings:				
Legal reserve	1,031,416	3	1,001,745	3
Special reserve	2,159,977	6	2,159,977	6
Unappropriated earnings	1,485,215	5	296,701	1
Total retained earnings	4,676,608	14	3,458,423	10
Other equity adjustments				
Unrealized loss on decline in market value of investments in shares of stock	(474,272)	(2)	(874,488)	(3)
Cumulative translation adjustments	(96,459)	-	53,790	-
Net loss not recognized as pension costs	(14,067)	-	(18,990)	-
Total other equity adjustments	(584,798)	(2)	(839,688)	(3)
Treasury stock - 44,977 thousand shares in 2004 and 59,822 thousand shares in 2003	(293,659)	(1)	(428,748)	(1)
Total stockholders' equity	<u>17,223,853</u>	<u>50</u>	<u>15,646,107</u>	<u>46</u>
<b>TOTAL</b>	<u>\$ 34,716,132</u>	<u>100</u>	<u>\$ 33,650,596</u>	<u>100</u>

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

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENTS OF INCOME**  
**YEARS ENDED DECEMBER 31, 2004 AND 2003**  
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>REVENUES</b>				
Concessionaires' sales (Note 2)	\$ 14,255,151	83	\$ 14,825,079	83
Sales (Note 23)	2,572,110	15	2,633,475	15
Other operating revenues (Note 23)	<u>333,512</u>	<u>2</u>	<u>304,391</u>	<u>2</u>
Total revenues	<u>17,160,773</u>	<u>100</u>	<u>17,762,945</u>	<u>100</u>
<b>COSTS</b>				
Concessionaires (Notes 2 and 23)	11,486,180	67	11,951,702	67
Cost of goods sold (Notes 20 and 23)	2,000,850	12	2,097,118	12
Other operating costs (Note 20)	<u>41,933</u>	<u>-</u>	<u>36,043</u>	<u>-</u>
Total costs	<u>13,528,963</u>	<u>79</u>	<u>14,084,863</u>	<u>79</u>
<b>GROSS PROFIT</b>	<u>3,631,810</u>	<u>21</u>	<u>3,678,082</u>	<u>21</u>
<b>OPERATING EXPENSES (Notes 8, 20 and 23)</b>	<u>3,180,428</u>	<u>18</u>	<u>3,314,937</u>	<u>19</u>
<b>OPERATING INCOME</b>	<u>451,382</u>	<u>3</u>	<u>363,145</u>	<u>2</u>
<b>NONOPERATING INCOME AND GAIN</b>				
Equity in net gain of investees (Note 6)	1,270,399	8	-	-
Dividend income	50,777	-	31,062	-
Reversal of allowance for losses on short-term investments	33,973	-	46,484	-
Gains on disposal of investments in shares of stock	15,442	-	176,545	1
Interests (Note 23)	1,831	-	74,923	-
Other income (Note 23)	<u>58,079</u>	<u>-</u>	<u>82,130</u>	<u>1</u>
Total nonoperating income and gain	<u>1,430,501</u>	<u>8</u>	<u>411,144</u>	<u>2</u>
<b>NONOPERATING EXPENSES AND LOSSES</b>				
Interests (Notes 7 and 23)	119,056	1	179,526	1
Loss on disposal of properties	117,680	1	27,762	-
Foreign exchange loss, net	142	-	11,477	-
Equity in net loss of investees (Note 6)	-	-	96,885	1
Other expenses (Notes 20 and 23)	<u>81,912</u>	<u>-</u>	<u>68,524</u>	<u>-</u>
Total nonoperating expenses and losses	<u>318,790</u>	<u>2</u>	<u>384,174</u>	<u>2</u>

(Continued)

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
INCOME BEFORE INCOME TAX	\$ 1,563,093	9	\$ 390,115	2
INCOME TAX EXPENSES (Notes 2 and 19)	<u>83,564</u>	<u>-</u>	<u>88,303</u>	<u>-</u>
NET INCOME	<u>\$ 1,479,529</u>	<u>9</u>	<u>\$ 301,812</u>	<u>2</u>

	<u>2004</u>		<u>2003</u>	
	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 1.68</u>	<u>\$ 1.59</u>	<u>\$ 0.42</u>	<u>\$ 0.33</u>

Pro forma information on the assumption that the Company's shares traded or held by subsidiaries are treated as investments instead of treasury stocks (Note 21):

	<u>2004</u>		<u>2003</u>	
	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
EARNINGS PER SHARE				
Basic	<u>\$ 1.60</u>	<u>\$ 1.52</u>	<u>\$ 0.41</u>	<u>\$ 0.32</u>

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

(Concluded)

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2004 AND 2003  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	<u>Capital Surplus (Notes 2, 7, 17 and 26)</u>					<u>Retained Earnings (Notes 2, 17 and 19)</u>			<u>Other Equity Adjustments</u>				<u>Total Stockholders' Equity</u>
	<u>Capital Stock Issued and Outstanding</u>	<u>Issue of Stock in Excess of Par Value</u>	<u>Treasury Stock Transactions</u>	<u>Revaluation Increment on Properties</u>	<u>Equity in Capital Surplus Reported by Equity- method Investees</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated Earnings</u>	<u>Unrealized Loss on Decline in Market Value of Investment in Shares of Stock (Note 2)</u>	<u>Cumulative Translation Adjustments (Note 2)</u>	<u>Recognized as Pension Cost</u>	<u>Treasury Stock (Notes 2, 17 and 18)</u>	
BALANCE, JANUARY 1, 2003	\$ 10,001,438	\$ 2,646,449	\$ -	\$ 614,880	\$ 320,697	\$ 1,412,256	\$ 2,159,977	\$ (410,511)	\$ (1,625,855)	\$ 63,143	\$ (9,137)	\$ (547,948)	\$ 14,625,389
Cancellation of treasury stock - 13,099 thousand shares	(130,990)	(39,590)	51,380	-	-	-	-	-	-	-	-	119,200	-
Deficit of offset against legal reserve	-	-	-	-	-	(410,511)	-	410,511	-	-	-	-	-
Unrealized gain on reversal of decline in the market value of investments in shares of stock	-	-	-	-	-	-	-	-	391,732	-	-	-	391,732
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	(7,060)	-	-	(7,060)
Subscription for additional stocks issued by investees at a rate not equal to the previous equity	-	-	-	-	(116,277)	-	-	-	-	-	-	-	(116,277)
Adjustment reported by equity-method investees	-	-	-	-	108,133	-	-	(5,111)	359,635	(2,293)	(9,853)	-	450,511
Net income in 2003	-	-	-	-	-	-	-	301,812	-	-	-	-	301,812
BALANCE, DECEMBER 31, 2003	9,870,448	2,606,859	51,380	614,880	312,553	1,001,745	2,159,977	296,701	(874,488)	53,790	(18,990)	(428,748)	15,646,107
Treasury stock transferred to employees - 14,845 thousand shares	-	-	(31,486)	-	-	-	-	-	-	-	-	135,089	103,603
Appropriation of prior year's earnings:													
Legal reserve	-	-	-	-	-	29,671	-	(29,671)	-	-	-	-	-
Employee bonuses	-	-	-	-	-	-	-	(10,454)	-	-	-	-	(10,454)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(7,840)	-	-	-	-	(7,840)
Cash dividends - \$0.25 per share	-	-	-	-	-	-	-	(243,050)	-	-	-	-	(243,050)
Unrealized gain on reversal of decline in market value of investments in shares of stock	-	-	-	-	-	-	-	-	100,549	-	-	-	100,549
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	(21,399)	-	-	(21,399)
Adjustment reported by equity-method investees	-	-	-	-	1,068	-	-	-	299,667	(128,850)	4,923	-	176,808
Net income in 2004	-	-	-	-	-	-	-	1,479,529	-	-	-	-	1,479,529
BALANCE, DECEMBER 31, 2004	\$ 9,870,448	\$ 2,606,859	\$ 19,894	\$ 614,880	\$ 313,621	\$ 1,031,416	\$ 2,159,977	\$ 1,485,215	\$ (474,272)	\$ (96,459)	\$ (14,067)	\$ (293,659)	\$ 17,223,853

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

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2004 AND 2003**  
**(In Thousands of New Taiwan Dollars)**

	<b>2004</b>	<b>2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,479,529	\$ 301,812
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	415,513	414,880
Amortization of deferred charges	17,624	17,378
Amortization of leasehold rights included as part of rental expense	74,667	74,667
Reversal for decline in market value of short-term investments	(33,973)	(46,484)
Cash dividends from equity-method investments	48,615	28,780
Equity in net (gain) loss of investees, net	(1,270,399)	96,885
Loss on disposal of properties, net	117,552	26,967
Gain on disposal of long-term investments, net	-	(139,725)
Deferred income taxes	83,380	72,595
(Increase) decrease in prepaid pension cost	(29,521)	9,150
Net changes in operating assets and liabilities		
Notes receivable	10,382	2,768
Accounts receivable	(12,541)	5,185
Other receivables	9,200	650,255
Inventories	48,404	60,957
Prepaid expenses	7,700	17,799
Other current assets	21,020	141,653
Accounts payable	(617,498)	184,243
Income tax payable	(3,327)	-
Accrued expenses	(67,019)	(107,859)
Advances from customers	298,918	34,775
Other current liabilities	(53,942)	(78,109)
	<u>544,284</u>	<u>1,768,572</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in short-term investments, net	370,019	724,981
Decrease in restricted assets	-	650,000
Acquisition of investments in shares of stock	(160,192)	(1,480,404)
Return of capital due to subsidiary's capital reduction	399,680	-
Proceeds from disposals of long-term investments	-	344,795
Proceeds from disposals of properties and idle properties	758	1,009
Acquisition of properties	(1,486,580)	(1,423,333)
Decrease in refundable deposits	(2,965)	12,707
Increase in other assets	-	(15,940)
	<u>(879,280)</u>	<u>(1,186,185)</u>

(Continued)

	2004	2003
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term loans	\$ (215,000)	\$ 1,220,000
Increase in commercial paper payable	269,018	729,087
Proceeds from issuance of bonds	-	1,700,000
Repayments of bonds issued	(300,000)	(2,000,000)
Increase (decrease) in long-term loans	1,007,100	(2,277,415)
Decrease in deposits received	(554)	(281)
Decrease in other liabilities	(9)	(11)
Proceeds from transferred treasury stock	103,603	-
Cash dividend, bonuses paid to employees and remuneration paid to supervisors and directors	<u>(261,344)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>602,814</u>	<u>(628,620)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	267,818	(46,233)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		
	<u>166,389</u>	<u>212,622</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		
	<u>\$ 434,207</u>	<u>\$ 166,389</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 256,530	\$ 362,319
Less: Capitalized interest	<u>130,789</u>	<u>133,072</u>
Interest paid of excluding capitalized interest	<u>\$ 125,741</u>	<u>\$ 229,247</u>
Income tax paid	<u>\$ 3,597</u>	<u>\$ 17,933</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Idle properties reclassified as properties	<u>\$ 56,814</u>	<u>\$ -</u>
Land to be exchanged by the government reclassified as properties	<u>\$ 385,341</u>	<u>\$ -</u>
Adjustment to advances from customers and depreciation	<u>\$ 117,171</u>	<u>\$ 118,838</u>
Adjustment to advances from customers and loss on disposal of properties	<u>\$ 38,956</u>	<u>\$ -</u>
Refundable deposits reclassified to others receivable	<u>\$ 50,000</u>	<u>\$ -</u>
Current portion of bonds issued	<u>\$ 600,000</u>	<u>\$ 300,000</u>
Current portion of bank loans and commercial paper payable	<u>\$ 285,700</u>	<u>\$ -</u>
Current portion of franchise liabilities	<u>\$ 466,613</u>	<u>\$ 630,705</u>
Credit balance of long-term investments reclassified as other liabilities	<u>\$ 22,129</u>	<u>\$ 20,062</u>
<b>CASH PAID FOR ACQUISITION OF PROPERTIES AND IDLE PROPERTIES</b>		
Acquisition of properties and idle properties	\$ 810,306	\$ 3,404,502
Net changes in payables to equipment suppliers	45,569	177,716
Net changes in franchise liability	<u>630,705</u>	<u>(2,158,885)</u>
	<u>\$ 1,486,580</u>	<u>\$ 1,423,333</u>

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

(Concluded)



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

### **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2004 AND 2003**

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

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

Far Eastern Department Stores, Ltd. (the "Company") manages and operates a nationwide chain of department stores, which numbered 9 as of December 31, 2004. Its shares are listed on the Taiwan Stock Exchange.

The Company had 1,470 and 1,729 employees as of December 31, 2004 and 2003, 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 Republic of China. These guidelines and principles require the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

Assets to be used or consumed within one year are classified as current. Liabilities to be redeemed, paid or settled within one year are classified as current. All other assets and liabilities are classified as noncurrent.

##### **Cash Equivalents**

Cash equivalents are commercial paper with maturities of three months or less from the purchase date.

##### **Short-term Investments**

Short-term investments are stocks traded over the counter and mutual funds.

Short-term investments are carried at the lower of aggregate cost or market value. If the aggregate carrying value of the investments exceeds their total market value, an allowance for losses is recognized and charged to income for the current year. Any recovery of the market value is recognized as income. Stock dividends received are recorded only as increases in the number of shares held and not as investment income. The costs of investments per share are recalculated on the basis of the increased number of shares. Cash dividends received within a year from the investment acquisition date are deducted from investment cost, and cash dividends received in subsequent years are accounted for as investment revenue.

The costs of mutual fund beneficiary certificates sold are determined using the specific identification method, while the costs of shares of stocks sold are determined using the weighted-average method.

#### **Allowances for Doubtful Accounts**

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

#### **Inventories**

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

#### **Investments in Shares of Stock**

Stock investments in which the Company exercises significant influence over the investees are accounted for by the equity method. Under this method, the investments are stated at cost on the acquisition date and subsequently adjusted for the Company's equity in the investees' net income or net loss. Cash dividends received are accounted for as a reduction of the carrying value of the investments. The Company's cumulative share in the investees' net loss in excess of the original investment acquisition cost is recorded as part of "other liabilities - miscellaneous" in the balance sheets. The difference between investment cost and the equity in the investees' net assets when the shares are acquired or when the equity method is first used, is amortized over 5 or 10 years.

If an investee issues additional shares of stock and the Company acquires these additional shares at a rate not equal to the Company's current equity, the resulting increase in equity in the investee's net assets is credited to capital surplus. But if the subscription result in a decrease in the Company's equity in the investee's net assets, the decrease is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated retained earnings.

Investments in which the Company owns less than 20 percent of investees' issued stocks and exercise no significant influence over the investees are accounted for by the cost method. The investments are accounted at the lower of aggregate cost or market value if stocks are traded over the counter.

The investments in shares of stock with no quoted market prices are accounted for by the cost method. Cash dividends received within a year from investment acquisition are recorded as dividend income on the date of the stockholders' declaration of the dividend or on the actual date of its distribution. If there is temporary decline in market value of listed stocks below carrying value, an allowance for this decline is recognized and debited to a stockholders' equity account. The carrying amounts of investments in unlisted stocks are reduced to reflect an other than temporary decline in their value, with the related losses charged to income.

For both equity-method and cost-method stocks, the costs of investments sold or transferred are determined using the weighted-average method.

#### **Properties and Properties Leased to Others**

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

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

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

#### **Leasehold Rights**

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

The costs of the land use right and the interest imputed thereon are accounted for as liabilities. The cost of the land use right 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 properties are stated at the lower of carrying value or net realizable value. If the aggregate carrying value of the idle properties exceeds market value, an allowance for losses is recognized.

#### **Pension Costs**

The Company has a pension plan for all regular employees, which provides benefits based on length of service and average basic pay of the six months before retirement.

The Company recognizes pension costs based on actuarial calculations. Unrecognized net transition assets, unrecognized prior service cost and unrecognized net actuarial loss are amortized using the straight-line method over average remaining service years of the employees.

The Labor Pension Act of ROC (the "Act") will take effect on July 1, 2005, and the pension mechanism under this Act is considered a defined contribution plan. The employees who were subject to the Labor Standards Law ("Law") before the enforcement of this Act may choose to be subject to either the Act or the Law. For those employees who are subject to the Labor Standards Law before July 1, 2005, still work for the same company from July 1, 2005 and choose to be subject to the Act, their service years as of July 1, 2005 will not be canceled. Under the Act, the rate of monthly contributions by an employer to the Labor Pension Fund should be at least 6% of each employee's monthly basic salary or wage.

#### **Deferred Income**

Gains or losses on sales to subsidiaries are deferred until related products are sold to third parties.

#### **Concessionaires' Sales and Inventories**

Sales made at special counters operated by concessionaires under contracts with the Company are presented as "concessionaires' sales" in the statements of income, and the costs of these sales are recognized at amounts paid by the Company at an agreed cost ratio.

The titles to and risk of loss on unsold merchandise at these counters are retained by the concessionaires and are therefore excluded from the Company's inventories.

#### **Revenue Recognition**

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

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

#### **Treasury Stock**

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

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

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

Under the Statement of Financial Accounting Standards (“SFAS”) No. 30, “Accounting for Treasury Stocks,” and relevant regulations by the Securities and Futures Commission, the Company should reclassify its common stock held by subsidiaries from short/long-term investments to treasury stock. The reclassification is based on the carrying value recorded by the Company’s subsidiaries as of January 1, 2002.

#### **Income Tax**

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

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

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

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

#### **Foreign-currency Transactions**

Foreign-currency transactions are recorded in New Taiwan dollars at the exchange rates prevailing on the transaction dates. Gains or losses (measured from transaction date or the most recent intervening balance sheet date, whichever is later) realized upon the settlement of a foreign currency transaction are included in the period in which the transaction is settled. 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;
- b. Other assets and liabilities - as credits or charges to current income.

#### **Reclassifications**

Certain 2003 accounts have been reclassified to **be consistent with** the 2004 financial statement presentation.

### 3. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Cash		
Cash on hand and petty cash	\$ 48,380	\$ 50,044
Checking accounts	105,793	84,581
Savings accounts	16,514	31,764
Cash equivalents		
Commercial paper - annual discount rates of 1.12%-1.15%	<u>263,520</u>	<u>-</u>
	<u>\$ 434,207</u>	<u>\$ 166,389</u>

### 4. SHORT-TERM INVESTMENTS, NET

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Common stocks - <b>traded over the counter</b>	\$ 175,046	\$ 175,046
Mutual funds	<u>50,000</u>	<u>420,019</u>
	225,046	595,065
Less: Allowance for decline in value	<u>-</u>	<u>33,973</u>
	<u>\$ 225,046</u>	<u>\$ 561,092</u>

The fair values of the short-term investments on December 31, 2004 and 2003 were \$289,270 **thousand** and \$561,092 **thousand**, respectively.

### 5. INVENTORIES, NET

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Merchandise	\$ 186,972	\$ 231,013
Others	<u>11,324</u>	<u>15,687</u>
	198,296	246,700
Less: Allowance for losses	<u>9,310</u>	<u>9,310</u>
	<u>\$ 188,986</u>	<u>\$ 237,390</u>

The highest insurance amount paid for inventory, properties, properties leased to others and idle properties as of December 31, 2004 was \$13,813,709 **thousand**.

## 6. LONG-TERM INVESTMENTS, NET

	December 31			
	2004		2003	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
<u>Equity method</u>				
Stocks with no quoted market prices:				
Oriental Securities	\$ 2,043,606	20	\$ 1,887,668	20
FEDS Asia Pacific Development	1,485,071	69	1,469,915	69
Bai Yang Investment (Bai Yang)	1,360,871	100	125,608	100
Far Eastern Geant Co., Ltd. (FE GEANT)	1,111,078	50	1,462,152	50
Bai Ding Investment	1,107,483	100	787,352	100
Pacific Liu Tong Investment	1,050,487	36	966,334	36
FEDS Development	294,550	100	322,017	100
FEDS New Century Development	155,950	100	548,058	100
Far Eastern CitySuper Ltd.	111,176	87	-	-
Yu Ming Advertising Agency	35,018	100	36,634	100
Ding Ding Integrated Marketing Service	27,371	10	-	-
Ya Tung Department Stores (YTDS)	18,058	73	51,442	73
Far Eastern Continent Co., Ltd.	15,639	55	19,143	55
Bai Chin (Singapore) Pte. Ltd.	516	90	779	90
Far Eastern Department Stores, (U.S.A.) Inc. (FEDS - USA)	(22,129)	100	(20,062)	100
	<u>8,794,745</u>		<u>7,657,040</u>	
Less: Common stock held by subsidiaries and reclassified from short/long-term investments to treasury stock				
Bai Ding Investment	229,831		229,831	
Bai Yang Investment ("Bai Yang")	57,891		57,891	
Yu Ming Advertising Agency	5,937		5,937	
	<u>293,659</u>		<u>293,659</u>	
Add: Reclassification of credit balance in long-term investment as other liability				
	22,129		20,062	
	<u>8,523,215</u>		<u>7,383,443</u>	
<u>Cost method</u>				
Listed stocks:				
Asia Cement	1,068,261	2	1,068,261	2
Far Eastern International Commercial Bank	179,771	1	179,771	1
Far Eastern Textile	123,679	-	123,679	-
	<u>1,371,711</u>		<u>1,371,711</u>	
Less: Unrealized loss on decline in market value				
	-		100,549	
	<u>1,371,711</u>		<u>1,271,162</u>	

(Continued)

	<b>December 31</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Carrying Value</b>	<b>% of Ownership</b>	<b>Carrying Value</b>	<b>% of Ownership</b>
Stocks with no quoted market prices:				
Kaohsiung M.R.T.	\$ 100,000	1	\$ 100,000	1
Yuan Ding Leasing	7,360	9	7,360	9
Yuan Ding Construction	10	-	10	-
Hwa An International Trade	-	-	-	-
	<u>107,370</u>		<u>107,370</u>	
	<u>1,479,081</u>		<u>1,378,532</u>	
	<u>\$ 10,002,296</u>		<u>\$ 8,761,975</u>	

The carrying values of equity-method investments, except those in FEDS-USA in 2004 and Bai Chin (Singapore) Pte. Ltd. and FEDS-USA in 2003, were based on audited financial statements. It is not expected to have material effect on our financial position if all investees were audited.

Information on the cost-method investments is as follows:

	<b>December 31</b>	
	<b>2004</b>	<b>2003</b>
Listed stocks - market value	\$ 1,727,949	\$ 1,271,162
Stocks with no quoted market prices - equity in the net assets of investees (based mainly on audited financial statements)	112,338	110,999

The accounts of FEDS Development, Yu Ming, Far Eastern Continent, Far Eastern CitySuper Ltd., Bai Chin (Singapore) Pte. Ltd. and FEDS-USA were not included in the consolidated financial statements of the Company since neither their total assets nor total sales individually reached 10% and collectively reached 30% of the Company's total assets or total sales.

The Company subscribed for 13,000 thousand shares (87% equity) of Far Eastern CitySuper Ltd.'s issued stock at NT\$10.00 per share and 3,000 thousand shares (10% equity) of Ding Ding Integrated Marketing Service Co., Ltd.'s issued stock at NT\$10.00 per share in August 2004 and September 2004, respectively.

The Company and its subsidiaries (FEDS Asia Pacific Development, Bai Yang, Bai Ding Investment, FEDS New Century and YTDS) own 55% of PIC's outstanding common stock; thus, the Company accounted for its investment in PIC by the equity method. As of December 31, 2004, the Company and its indirect subsidiary (Pacific Sogo Department Stores Co., Ltd.) owned 20% of Ding Ding Integrated Marketing Service Co., Ltd.'s outstanding common stock. Thus, the Company accounted for its investment in Ding Ding Integrated Marketing Service Co., Ltd. by the equity method.



## 7. PROPERTIES

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Cost	\$ 13,627,527	\$ 13,540,239
Revaluation increment		
Land	1,183,852	816,855
Buildings and equipment	<u>13,725</u>	<u>13,725</u>
	<u>1,197,577</u>	<u>830,580</u>
Total cost and appreciation	<u>14,825,104</u>	<u>14,370,819</u>
Less: Accumulated depreciation		
On cost		
Buildings and equipment	1,484,523	1,306,506
Furniture and equipment	<u>1,511,722</u>	<u>1,547,332</u>
	2,996,245	2,853,838
On appreciation		
Buildings and equipment	<u>10,848</u>	<u>10,700</u>
Total accumulated depreciation	<u>3,007,093</u>	<u>2,864,538</u>
	11,818,011	11,506,281
Constructions in progress	4,683,188	4,483,959
Leasehold right, net (Note 8)	4,129,298	4,194,231
Properties leased to others, net (Note 9)	<u>1,620,095</u>	<u>1,573,966</u>
	<u>\$ 22,250,592</u>	<u>\$ 21,758,437</u>

Under government regulations, the Company 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 capital surplus.

Depreciation expenses were \$410,897 thousand in 2004 and \$409,106 thousand in 2003. Capitalized interest expenses were \$130,789 thousand in 2004 and \$133,072 thousand in 2003. The interest rate used in computing the amounts capitalized ranged from 2.50% to 2.80% in 2004 and 2.51% to 3.68% in 2003.

Constructions in progress as of December 31, 2004 consisted mainly of the acquisition cost for land located in Pan-Chiao City and architect's fee of \$4,676,361 thousand. The Company plans to build a mall on the land for its customers in the Pan-Chiao City area.

## 8. LEASEHOLD RIGHTS, NET

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Cost	\$ 4,516,278	\$ 4,506,544
Less: Accumulated amortization	<u>386,980</u>	<u>312,313</u>
	<u>\$ 4,129,298</u>	<u>\$ 4,194,231</u>

- a. The land use rights for A13 in the Hsinyi district, amounting to \$3,132,136 thousand:

In September 2003, the Company acquired the land use rights for No. A13 in the Hsinyi district, which is owned by the Taipei City Government. The total amount of the land use rights was \$3,196,888 thousand, and the Company completed the registration of its acquisition of the land use right in October 2003. Under the contract, the Company has the right to use the land for 50 years from the completion of the right registration. The initial monthly rent is \$3,771, to be adjusted annually according to the land price announced on the contract date. The monthly rent has been adjusted to \$4,536 thousand since January 2004.

In September 2003, the Company paid \$959,066 thousand, or 30% of the total land use rights payment. The rest, amounting to \$2,237,822 thousand, would be paid annually in five consecutive years at no interest. After the deduction of unrealized interest expenses of \$78,937 thousand, the net value of the rights was \$2,158,885 thousand, shown as accrued franchised liabilities. In October 2004, the Company paid \$630,705 thousand; the franchised liabilities amounted to \$1,528,180 thousand (current portion was \$466,613 thousand).

- b. Tao-Yuan Farmers' Association of \$1,384,142 thousand:

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

Building and improvements pertain to a commercial building, including all improvements made thereon, the ownership of which will be transferred to Tao-Yuan Farmer Association in April 2018. The total construction cost of the commercial building is capitalized as leasehold rights, and cost amortization is from November 1999 to April 2018. The total amortization expense, classified as operating expenses - rental, was \$74,667 thousand in both 2004 and 2003.

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

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Cost		
Land	\$ 966,002	\$ 954,998
Buildings and equipment	528,170	501,383
Furniture and equipment	9,732	9,732
	<u>1,503,904</u>	<u>1,466,113</u>
Revaluation increment		
Land	211,744	176,413
Building and equipment	3,027	-
	<u>214,771</u>	<u>176,413</u>
Less: Accumulated depreciation		
Cost		
Buildings and equipment	87,019	58,965
Furniture and equipment	9,635	9,595
	<u>96,654</u>	<u>68,560</u>
Revaluation increment		
Building and equipment	1,926	-
Total accumulated depreciation	<u>98,580</u>	<u>68,560</u>
	<u>\$ 1,620,095</u>	<u>\$ 1,573,966</u>

The Company's lease contracts are mainly as follows:

- a. The Company leases the land located in Yung-Kang Tainan County to Far Eastern Continent Co. and Far Eastern Geant Co., Ltd. under a contract expiring on September 23, 2015. Under the contract, the Company received deposits of \$13,380 thousand from Far Eastern Continent Co., classified as deposits received, and receives monthly rent from Far Eastern Geant Co., Ltd. The monthly rent has been adjusted to \$8,627 thousand since October 2004.
- b. The Company leases the site located in Kaohsiung City to Taiwan International Securities Corp. and two related parties, Far Eastern International Bank and Oriental Securities Co., for their office building; the lease terms will end in December 2004, February 2005 and April 2005, respectively.
- c. The Company leases sections of sites separately located at the Tainan branch and the Hsin-Chu branch to Warner Village Movies Co. for its movie theatres. Both lease terms are 15 years each, and the monthly rent is \$2,917 thousand for the Tainan branch and \$3,383 thousand for the Hsinchu branch. The monthly rent has been adjusted to \$3,434 thousand since November 2004. Under the contract, the Company obtained \$33,000 thousand, classified as deposits received.
- d. The Company leases the site located in Ren-ai Road Taipei City to Wellcome Department Stores Ltd. and two related parties, Yu Ming Advertising Agency Co. and Far Eastern CitySuper Ltd., the lease term will end in August 2008 and August 2007, respectively.

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

Year	
2005	\$ 205,624
2006	202,515
2007	213,001
2008	211,610
2009	<u>211,555</u>
	<u>\$ 1,044,305</u>

#### 10. IDLE PROPERTIES, NET

	<u>December 31</u>	
	2004	2003
Cost		
Land	\$ 153,247	\$ 164,251
Buildings and equipment	225,078	246,273
Furniture and equipment	<u>28,403</u>	<u>28,403</u>
	<u>406,728</u>	<u>438,927</u>
Revaluation increment		
Land	255,291	290,622
Buildings and equipment	<u>16,470</u>	<u>19,497</u>
	<u>271,761</u>	<u>310,119</u>
	678,489	749,046
Less: Allowance for impairment losses	<u>215,967</u>	<u>225,399</u>
	<u>\$ 462,522</u>	<u>\$ 523,647</u>

**11. LAND WHICH IS WAITING TO BE SOLD (TO BE EXCHANGED BY THE GOVERNMENT)**

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Cost	\$ 7,646	\$ 25,990
Revaluation increment on property	<u>152,986</u>	<u>519,983</u>
	<u>\$ 160,632</u>	<u>\$ 545,973</u>

The Company owned a land and a building (the "property") located in the Ban Qiao Train Station area, designated as a special economic zone by the Taipei County Government (TPG). Under a notice sent by the TPG, the Company vacated the building in February 1998. The building was demolished, and the Company received compensation in October 1999.

Under the Ban Qiao Urban Development Plan, the Company will receive a replacement land also located in the same area, which the Company can use as it deems appropriate. However, the Company believes that the size of the replacement land is improper, so the Company raised an appeal to the Ministry of the Interior (MOTI) in 2003. As of February 17, 2005, the date of the accompanying auditors' report, MOTI had no response on this matter.

Part of the Ban Qiao land was being used by the Company's Ban Qiao branch; thus, the land cost of \$18,344 thousand and revaluation increment on property of \$366,997 thousand were reclassified as fixed asset according to the plan mentioned above. The other parts of the Ban Qiao property had been sold to the Bank of PanHsin on January 12, 2005; thus, the cost \$7,646 thousand and revaluation increment on property of \$152,986 thousand should be reclassified as property to be sold. Proceeds from disposal of the land were \$496,720 thousand; after the deduction of the relevant cost and tax, the gains on disposal of properties were estimated at \$463,000 thousand. In addition, the Company made an agreement with the Bank of PanHsin, that after the building construction, the Bank of PanHsin will lease to the Company the first three floors, approximately 64,800 sq ft., for the Company's management of the operating site.

**12. REFUNDABLE DEPOSITS**

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Deposits on lease contracts	\$ 150,252	\$ 200,000
Others	<u>11,450</u>	<u>8,737</u>
	<u>\$ 161,702</u>	<u>\$ 208,737</u>

**13. SHORT-TERM DEBTS**

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Unsecured bank loan - interest from 1.25% to 1.30% in 2004 and 1.20% to 1.25% in 2003	<u>\$ 1,005,000</u>	<u>\$ 1,220,000</u>

#### 14. COMMERCIAL PAPER PAYABLE

	December 31			
	2004		2003	
	Interest (%)	Value	Interest (%)	Value
Chung Hsing Bills Finance	1.01	\$ 550,000	0.90	\$ 550,000
China Bills Finance	1.10	200,000	-	-
International Bills Finance	0.94	100,000	0.80	180,000
Fu Bon Bills Finance	1.05	100,000	-	-
Taiwan Finance	1.00	<u>50,000</u>	-	<u>-</u>
		1,000,000		730,000
Less: Discount on commercial paper payable		<u>1,895</u>		<u>913</u>
		<u>\$ 998,105</u>		<u>\$ 729,087</u>

#### 15. BONDS ISSUED

	Due in One Year	Due Over One Year	Total
<u>December 31, 2004</u>			
Domestic secured bonds issued on:			
July 28, 2000	\$ 300,000	\$ -	\$ 300,000
February 7 and 8, 2001	300,000	300,000	600,000
June 20 and 21, 2001	-	500,000	500,000
December 4, 5, 6 and 7, 2001	-	1,000,000	1,000,000
August 7 and 8, 2002	-	500,000	500,000
November 25, 26, 27 and 28, 2002	-	1,500,000	1,500,000
June 24, 2003	-	500,000	500,000
August 25, 26, 27 and 28, 2003	<u>-</u>	<u>1,200,000</u>	<u>1,200,000</u>
	<u>\$ 600,000</u>	<u>\$ 5,500,000</u>	<u>\$ 6,100,000</u>
<u>December 31, 2003</u>			
Domestic secured bonds issued on:			
July 28, 2000	\$ 300,000	\$ 300,000	\$ 600,000
February 7 and 8, 2001	-	600,000	600,000
June 20 and 21, 2001	-	500,000	500,000
December 4, 5, 6 and 7, 2001	-	1,000,000	1,000,000
August 7 and 8, 2002	-	500,000	500,000
November 25, 26, 27 and 28, 2002	-	1,500,000	1,500,000
June 24, 2003	-	500,000	500,000
August 25, 26, 27 and 28, 2003	<u>-</u>	<u>1,200,000</u>	<u>1,200,000</u>
	<u>\$ 300,000</u>	<u>\$ 6,100,000</u>	<u>\$ 6,400,000</u>

- a. Domestic secured bonds issued on July 28, 2000 had an aggregate face value of \$600,000 thousand. The bonds consisted of Types A and B bonds with aggregate face values of \$300,000 thousand each. The annual interest rates were 5.4500% for the Type A bonds and 5.3777% for the Type B bonds.

The interest on the Type A bonds is payable annually, while interest on the Type B bonds is also payable annually but compounded semiannually. The bonds are repayable on July 28, 2004 and 2005 at \$150,000 thousand for each payment period.

- b. The domestic secured bonds issued on February 7 and 8, 2001 had an aggregate face value of \$600,000. These instruments consisted of Types A and B bonds, each with a face value of \$300,000 thousand and interest rate of 5.38%, payable annually.

The bonds are repayable as follows: (i) \$300,000 thousand on February 7, 2005 and February 8, 2005, and (ii) \$300,000 thousand on February 7, 2006 and February 8, 2006.

- c. The aggregate face value of domestic secured bonds issued on June 20 and 21, 2001 was \$500,000 thousand. These instruments consisted of Type A bonds with aggregate face value of \$300,000 thousand and Type B bonds with aggregate face value of \$200,000 thousand. The bonds will mature on June 20 and 21, 2006. For both bonds, the interest rate is 4.25%, payable annually.
- d. The aggregate face value of domestic secured bonds issued on December 4 to 7, 2001 was \$1,000,000 thousand. These instruments consisted of Types A and B bonds, with face value of \$300,000 thousand each, and Types C and D bonds, with face value of \$200,000 thousand each. The bonds will all mature between December 4 and 7, 2006. Interest on all bonds is 2.6%, payable annually.
- e. The aggregate face value of domestic secured bonds issued on August 7 and 8, 2002 was \$500,000 thousand. These instruments consisted of Type A bonds with face value of \$300,000 thousand and Type B bonds with face value of \$200,000 thousand. The bonds will mature on August 7 and 8, 2007. Interest on both bonds is 3.7%, payable annually.
- f. The aggregate face value of domestic secured bonds issued on November 25 to 29 2002 was \$1,500,000 thousand. These instruments consisted of Types A, B, C, D and E bonds with face value of \$300,000 thousand each. The bonds will all mature on November 25 to 29, 2007. Interest on all bonds is 2.588%, payable annually.
- g. The average face value of domestic secured bonds issued on June 24, 2003 was \$500,000 thousand. The bonds will all mature on June 24, 2006. Interest on all bonds is 1.165%, payable annually.
- h. The average face value of domestic secured bonds issued on August 25 to 28, 2003 was \$1,200,000 thousand. These instruments consisted of Types A, B, C and D bonds with face value of \$300,000 thousand each. The bonds will all mature on August 25 to 28, 2008. Interest on all bonds is 1.178%, payable annually.

#### 16. BANK LOANS AND COMMERCIAL PAPER PAYABLE

	<u>December 31</u>	
	2004	2003
Secured bank loan - interest: From 1.28% to 1.96% in 2004 and 1.97% in 2003	\$ 1,657,100	\$ 1,000,000
Unsecured bank loan - From 1.30% to 1.40% interest	<u>350,000</u>	<u>-</u>
	2,007,100	1,000,000
Less: Current portion	<u>285,700</u>	<u>-</u>
	<u>\$ 1,721,400</u>	<u>\$ 1,000,000</u>

As of December 31, 2004, the secured bank loans amounted to \$857,100 thousand, repayable semiannually in three years. The other secured bank loans were repayable within one year. Under the loans contracts, the Company could extend the repayment deadline for these loans. Thus, these secured bank loans were classified as long-term liabilities.

As of December 31, 2004, unused bank credit lines aggregated \$8,767,000 thousand, of which the Company, Bai-Ding, Bai-Yang, Yu-Ming, Feds Asia Pacific and Far Eastern Continent Co., Ltd. collectively had unused bank credit lines aggregating \$1,173,000 thousand.

## 17. STOCKHOLDERS' EQUITY

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

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

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

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.

Under the Company Law, legal reserve should be appropriated until the reserve equals the Company's paid-in capital. This reserve may be used to offset a deficit. Also, when the reserve has reached 50% of the Company's paid-in capital, up to 50% thereof may be transferred to capital.

The Company's dividend distribution depends on economic conditions, tax obligations, and operating requirements for cash. After taking into account the need to strengthen the Company's financial structure and meet cash demand for investments, store expansion, and other expenditures, the distribution of cash dividends should be over 10% of total cash and stock dividends for the year.

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

Under the Integrated Income Tax System, which took effect on January 1, 1998, resident stockholders are allowed a tax credit for the income tax paid by the Company on earnings generated since January 1, 1998. An imputation credit account (ICA) is maintained by the Company for such income tax and the tax credit allocated to each resident stockholder.

The Company had no earnings available for distribution in 2002. On May 26, 2004, the Company's stockholders resolved earnings appropriation and distribution of bonus to employees and remuneration to directors and supervisors in 2003, that is shown as follows:

	<b>Amount</b>
Remuneration to directors and supervisors - cash paid	\$ 7,840
Bonus to employees - cash paid	<u>10,454</u>
	<u>\$ 18,294</u>

The above appropriation of earnings was the same as that in the board of directors' proposal of March 4, 2004. Had the above bonus to employees and remuneration to directors and supervisors been expensed in 2003, the basic earnings per share after tax in 2003 (basis is weighted-average common shares outstanding in 2003) decreased from NT\$0.33 to NT\$0.31.

On September 18, 2003, the Company retired 13,099 thousand treasury shares and transferred 14,845 thousand treasury shares to employees on August 18, 2004.

As of the accompanying auditors' report date (February 17, 2005), the board of directors had not approved the proposal on the distribution of the 2004 earnings. Information on the appropriation of earnings can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange (<http://mops.tse.com.tw>).

## 18. TREASURY STOCK

Reason for Acquisition	Shares in Thousands (Beginning of Year)	Increase	Decrease	Shares in Thousands (End of Year)
<u>Year 2004</u>				
a. For possible transfer to employees	14,845	-	14,845	-
b. Company's issued stock held by subsidiaries	<u>44,977</u>	<u>-</u>	<u>-</u>	<u>44,977</u>
	<u>59,822</u>	<u>-</u>	<u>14,845</u>	<u>44,977</u>
<u>Year 2003</u>				
a. Shares for delivery upon conversion of convertible bonds	13,099	-	13,099	-
b. For possible transfer to employees	14,845	-	-	14,845
c. Company's issued stock held by subsidiaries	<u>44,977</u>	<u>-</u>	<u>-</u>	<u>44,977</u>
	<u>72,921</u>	<u>-</u>	<u>13,099</u>	<u>59,822</u>

The Company reclassified the Company's shares held by its subsidiaries from short-term and long-term investments to treasury stocks, which amounted to \$293,659 thousand, based on the Company's equity in these subsidiaries in 2002. As of December 31, 2004, the book value of the treasury shares was \$293,659 thousand and fair value was \$798,307 thousand. As of December 31, 2003, the book value of the treasury shares was \$293,659 thousand and fair value was \$787,578 thousand.



Under the Securities and Exchange Law, the Company may buy up to 10% of its issued and outstanding capital stock. In addition, the Company may not spend more than the sum of the balances of the retained earnings, paid-in capital from the issue of stock in excess of par value and capital surplus from gain on sale of properties to buy its capital stock.

The Company may not pledge or hypothecate treasury stock. In addition, the Company may not exercise any stockholders' rights on the treasury stock, but subsidiaries may do so.

On July 6, 2001, the Company made repayments for the foreign unsecured convertible bonds. Since the investors did not exercise their conversion rights, the capital stock purchased by the Company for such purpose was retired on September 18, 2003, three years from their acquisition dates, as required under the regulations of the Securities and Futures Commission. To credit the treasury stock acquisition cost of \$119,200 thousand, the Company debited \$130,990 thousand of the capital stock and \$39,590 thousand of the paid-in capital in excess of par value, and then credited \$51,380 thousand of other paid-in capital from treasury stock transactions.

On August 18, 2004, the Company transferred to its employees 14,845 thousand treasury shares amounting to \$103,603 thousand. After deducting the treasury stock acquisition cost of \$135,089 thousand from the amount of the treasury shares transferred to employees, the Company debited \$31,486 thousand to capital surplus-treasury stock transaction.

## 19. INCOME TAX

a. Information on income tax payable is as follows:

	2004	2003
Income before income tax	\$ 1,563,093	\$ 390,115
Add (deduct) tax effects of:		
Permanent differences		
Equity in net gain of investees	(1,649,796)	(298,703)
Cash dividends from cost - method investments	(50,777)	(31,062)
Gain on market price recovery of short-term investments	(33,973)	(46,484)
Gains on disposal of investments	(15,442)	(176,545)
Others	4,113	1,197
	<u>(1,745,875)</u>	<u>(551,597)</u>
Temporary differences		
Realized gain on reduction of investees' capital	(58,760)	(460,500)
Equity in net loss of investees	379,397	395,588
Difference of depreciation expense between financial reporting and tax reporting	(123,083)	(236,046)
Difference of loss on disposal properties between financial reporting and tax reporting	65,980	2,007
Loss on uncollectible accounts	(4,972)	780
Realized exchange gain	231	42,084
Unrealized exchange loss (gain)	27	(231)
Others	2,311	9,150
	<u>261,131</u>	<u>(247,168)</u>
	78,349	(408,650)
Less: Loss carryforwards	<u>(78,349)</u>	<u>-</u>
Income tax	<u>\$ -</u>	<u>\$ (408,650)</u>

(Continued)

	2004	2003
b. Income tax expense consisted of:		
Income tax expense - current	\$ -	\$ -
Prior years' adjustment	137	1,811
Income tax expense on short-term negotiable instruments taxed at 20%	47	43
Income tax expense - deferred	<u>83,380</u>	<u>86,449</u>
Income tax expense	<u>\$ 83,564</u>	<u>\$ 88,303</u>
c. Deferred income tax consisted of the following:		
Current		
Deferred income tax assets		
Loss carryforwards	\$ 63,145	\$ 146,403
Allowance for doubtful accounts	20,869	20,869
Investment tax credits	20,000	20,000
Allowance for losses on obsolescence	2,328	2,328
Others	<u>1,351</u>	<u>2,337</u>
	107,693	191,937
Less: Valuation allowance	<u>(12,946)</u>	<u>(14,189)</u>
	94,747	177,748
Deferred income tax liability arising from unrealized exchange gain	<u>-</u>	<u>(58)</u>
Net deferred tax assets	<u>\$ 94,747</u>	<u>\$ 177,690</u>
Noncurrent		
Deferred income tax assets		
Cumulative equity in net loss of investees	\$ 209,369	\$ 130,544
Loss carryforwards	<u>-</u>	<u>55,249</u>
	209,369	185,793
Less: Valuation allowance	<u>(160,209)</u>	<u>(148,809)</u>
	<u>49,160</u>	<u>36,984</u>
Deferred income tax liabilities		
Difference of depreciation expense between financial reporting and tax reporting	(211,584)	(197,309)
Cumulative equity in net income of foreign-domiciled investees	(56,613)	(58,130)
Difference of pension cost between financial income and tax income	<u>(7,398)</u>	<u>(7,543)</u>
	<u>(275,595)</u>	<u>(262,982)</u>
Net deferred tax liabilities	<u>\$ (226,435)</u>	<u>\$ (225,998)</u>
d. Information on the integrated income tax system is as follows:		
Balance of imputation credit account (ICA)	<u>\$ 36,228</u>	<u>\$ 31,358</u>

The actual creditable tax ratio for earnings of the Company in 2003 is 9.91%. The projected creditable tax ratio for earnings of the Company as of December 31, 2004 is 2.44%. The calculation of the creditable tax ratio for the Company's earnings is based on the amounts based on the tax payable of the current year. A projected ratio for earnings distribution may differ from an actual ratio depending on the actual balance of the imputation credit account on the distribution date.

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

The loss carryforwards and unused investment tax credits as of December 31, 2004 were as follows:

Year	Item	Amount	Expiry Year	Status of Examination by Tax Authorities
2003	Loss carryforward	\$ 63,145	2008	Unexamined
2002	Investment tax credit	20,000	2006	Unexamined

Income tax returns through 2001 had been examined and cleared by the tax authorities.

## 20. PAYROLL, DEPRECIATION AND AMORTIZATION EXPENSES

	Operating Costs	Operating Expenses	Nonoperating Expenses	Total
<u>2004</u>				
Payroll expenses				
Salary	\$ 24,451	\$ 723,416	\$ -	\$ 747,867
Insurance	1,873	52,963	-	54,836
Pension	1,139	34,875	-	36,014
	<u>27,463</u>	<u>811,254</u>	<u>-</u>	<u>838,717</u>
Depreciation	17,148	393,749	4,616	415,513
Amortization	-	78,921	13,370	92,291
	<u>\$ 44,611</u>	<u>\$ 1,283,924</u>	<u>\$ 17,986</u>	<u>\$ 1,346,521</u>
<u>2003</u>				
Payroll expenses				
Salary	\$ 36,637	\$ 809,028	\$ -	\$ 845,665
Insurance	2,908	58,202	-	61,110
Pension	1,230	43,442	-	44,672
	<u>40,775</u>	<u>910,672</u>	<u>-</u>	<u>951,447</u>
Depreciation	16,777	392,329	5,774	414,880
Amortization	-	79,349	12,696	92,045
	<u>\$ 57,552</u>	<u>\$ 1,382,350</u>	<u>\$ 18,470</u>	<u>\$ 1,458,372</u>

## 21. EARNINGS PER SHARE

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

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>Earnings Per Share</u>	
	<u>Before Tax</u>	<u>After Tax</u>		<u>Before Tax</u>	<u>After Tax</u>
<u>2004</u>					
Net income of common stockholders	\$ 1,563,093	\$ 1,479,529			
Basic earnings per share			932,739	\$ 1.68	\$ 1.59

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

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>Earnings Per Share</u>	
	<u>Before Tax</u>	<u>After Tax</u>		<u>Before Tax</u>	<u>After Tax</u>
<u>2004</u>					
Net income of common stockholders	\$ 1,567,601	\$ 1,484,037			
Basic earnings per share			977,716	\$ 1.60	\$ 1.52

### 2003

Net income of common stockholders	\$ 390,115	\$ 301,812			
Basic earnings per share			927,223	\$ 0.42	\$ 0.33

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

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>Earnings Per Share</u>	
	<u>Before Tax</u>	<u>After Tax</u>		<u>Before Tax</u>	<u>After Tax</u>
<u>2003</u>					
Net income of common stockholders	\$ 394,687	\$ 306,384			
Basic earnings per share			972,200	\$ 0.41	\$ 0.32

## 22. PENSION PLAN

The Company has a pension plan for all regular employees, which provides benefits based on length of service and average basic pay of the six months before retirement.

The Company makes contributions, equal to 6% of salaries and wages, to a pension fund. The fund is being administered by a pension plan committee and deposited in the committee's name in a financial institution. When the Company became subject to the Labor Standards Law (LSL) on March 1, 1998, the Company reorganized the composition of the pension plan committee to conform to LSL requirements. The reorganized committee has administered the fund assets and contributions since March 1, 1998.

Pension information is summarized as follows:

	2004	2003
a. Net periodic pension cost		
Service cost	\$ 29,485	\$ 38,203
Interest cost	16,955	17,300
Projected return on plan assets	(13,139)	(12,654)
Amortization	<u>2,713</u>	<u>1,823</u>
	<u>\$ 36,014</u>	<u>\$ 44,672</u>
b. Reconciliation of the funded status of the plan and prepaid pension cost		
Present value of benefit obligation:		
Vested benefit obligation	\$ (92,661)	\$ (98,634)
Non-vested benefit obligation	<u>(282,657)</u>	<u>(270,932)</u>
Accumulated benefit obligation	(375,318)	(369,566)
Additional benefits based on future salaries	<u>(152,092)</u>	<u>(154,965)</u>
Projected benefit obligation	(527,410)	(524,531)
Fair value of plan assets	<u>463,406</u>	<u>387,623</u>
Funded status	(64,004)	(136,908)
Unrecognized net transition assets	(192,215)	(211,436)
Unrecognized prior service cost due to the adoption of the Labor Standards Law in 1998	(19,145)	(20,512)
Unrecognized net actuarial loss	<u>384,600</u>	<u>448,571</u>
Prepaid pension cost	<u>\$ 109,236</u>	<u>\$ 79,715</u>
c. Vested benefits - undiscounted	<u>\$ 121,011</u>	<u>\$ 129,767</u>
d. Actuarial assumptions		
Discount rate used in determining present value	3.25%	3.25%
Future salary increase rate	3.00%	3.00%
Expected rate of return on plan assets	3.25%	3.25%
e. Contributions to and payments from the fund		
Contributions	<u>\$ 65,535</u>	<u>\$ 35,522</u>
Payments	<u>\$ 49,744</u>	<u>\$ 40,134</u>

### 23. RELATED-PARTY TRANSACTIONS

Significant related party transactions, in addition to those shown in Notes 9 and 25, are summarized in the accompanying Tables 1 and 2.

<u>Related Party</u>	<u>Relationship with the Company</u>
Far Eastern Textile Co.	Equity-method investor
Far Eastern Geant Co., Ltd.	Equity-method investee
Far Eastern Continent Co., Ltd.	Equity-method investee

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
Bai Ding Investment Co.	Equity-method investee
Ya Tung Investment Co.	Equity-method investee
Oriental Securities Corporation	Equity-method investee
FEDS Asia Pacific Development Co., Ltd.	Equity-method investee
Yu Ming Advertising Agency Co.	Equity-method investee
Bai Yang Investment Co.	Equity-method investee
Far Eastern CitySuper Ltd.	Equity-method investee
Pacific Liu Tong Investment Co.	Equity-method investee
Asia Cement Corp.	Same director
Yuan Ding Co., Ltd.	Same director
Far Eastern International Bank	Same director
Far Eastone Telecom Co., Ltd.	Same director
Far Eastern Resource Development Ltd., Corp.	Same director
Pacific Sogo Department Stores Co., Ltd.	An indirect subsidiary
Far Eastern Apparel Co., Ltd.	An indirect subsidiary of Far Eastern Textile Co.
Others	Others (no transactions; Table 9)

#### 24. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged as security for purchases of certain items and as mortgages to secure bonds issued and bank loans:

	<b>2004</b>	<b>2003</b>
Time deposits (shown as part of other financial assets)	\$ 4,000	\$ 4,000
Long-term investments, net	2,197,216	2,042,812
Properties, net	10,580,336	10,223,544
Idle properties, net	<u>278,445</u>	<u>336,570</u>
	<u>\$ 13,059,997</u>	<u>\$ 12,606,926</u>

#### 25. COMMITMENTS AND CONTINGENT LIABILITIES AS OF DECEMBER 31, 2004

As of December 31, 2004, significant commitments and contingent liabilities, are summarized as follows:

- Unused letters of credit aggregated \$4,927 thousand.
- Outstanding construction contracts aggregated \$155,039 thousand.
- Guarantees on the loans of related parties were as follows:

Bai-Ding Investment Corporation	\$ 3,669,281
Far Eastern Geant Co., Ltd.	1,550,000
Pacific Sogo Department Store Co.	1,510,056
FEDS Asia Pacific Development	1,312,000
Far Eastern Continent Co.	180,000
Yu Ming Advertising Agency Co.	<u>110,824</u>
	<u>\$ 8,332,161</u>

d. In addition to the lease contracts mentioned in Notes 8 and 9, other major operating lease contracts are listed below:

- 1) The Company leases from Asia Cement Corporation (a related party) the site of its store in Taipei. The lease agreement will expire on December 31, 2006, but the lessor allowed the Company to renew the lease upon its expiry. The total monthly rent is \$5,468 thousand.
- 2) The Company leases from FEDS Asia Pacific Development (a related party) the site of its store in Kaohsiung. The lease agreement will expire on October 23, 2016, but the lessor allowed the Company to renew the lease upon its expiry. The total monthly rent is \$19,000 thousand.
- 3) The Company leases from Cooperative Bank the site of its store in Chungli. The lease term is up to October 15, 2008. The Company paid this bank \$50,000 thousand, shown as refundable deposits. The total monthly rent is \$5,529 thousand. On February 21, 2004, the Company transferred the store to the Pacific Sogo Department Store Co. (an indirect subsidiary). After the transfer date, the Pacific Sogo Department Stores Co. would pay the rent to Cooperative Bank. The deposit would be paid by the Pacific Sogo Department Store Co. on the date that the Company, the Pacific Sogo Department Store Co., and the Cooperative Bank, the parties involved in this transfer, agree on the lease transfer. As of December 31, 2004, the Company had not signed the lease transfer contracts with Taiwan Cooperative Bank and thus reclassified refundable deposits as other receivables.

The Company also executed lease contracts with other parties. The future minimum rental expenses for all lease contracts for the next five years are summarized below:

Year	Rental Expense
2005	\$ 390,983
2006	387,939
2007	321,634
2008	321,634
2009	<u>321,634</u>
	<u>\$ 1,743,824</u>

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

On January 23, 2003, TDTC sued the Company for unpaid final payments of \$1,048,296 thousand (the final payment for the sales contract and additional payment for the change of design). However, TDTC had serious breaches of the related contract, enabling the Company to demand compensation, which can be offset against the payments to TDTC. As of December 31, 2004, the date of the accompanying auditors' report, this case was still under court review.

## 26. SUBSEQUENT EVENTS

Significant subsequent events, in addition to those shown in Note 11, are summarized as followings:

- a. On February 4, 2005, the board of directors of the Company resolved to invest about US\$2,000 thousand in FEDS Development to set up Tain Ching Far Eastern Department Stores Ltd. in Mainland China. As of February 17, 2005, the date of the accompanying auditors' report, the investment application had not been approved by the Investment Commission nor had the Company remitted any investment funds to Mainland China.
- b. The Land Tax Act was amended on January 30, 2005, resulting in the reduction of the land value increment tax effective February 2005. Therefore, the Company's reserve for land value increment tax payable would decrease by \$318,820 thousand, to be charged to capital surplus - revaluation increment on properties.
- c. On January 11, 2005, the board of directors of the Company resolved to subscribe for 104,196 thousand shares of Far Eastern International Leasing Corp. for \$1,354,548 thousand and 6,089 thousand shares of Ya Tung Department Stores for \$60,892 thousand.

## 27. FINANCIAL INSTRUMENTS

The Company had no derivative transactions in 2004 and 2003.

Nonderivative Financial Instruments	December 31, 2004		December 31, 2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets</b>				
Cash and cash equivalents	\$ 434,207	\$ 434,207	\$ 166,389	\$ 166,389
Short-term investments, net	225,046	289,270	561,092	561,092
Notes receivable	9,271	9,271	19,653	19,653
Accounts receivable, net	161,027	161,027	148,486	148,486
Other receivable	311,917	311,917	271,117	271,117
Time deposit (shown as part of other financial assets)	4,000	4,000	4,000	4,000
Long-term stock investments	9,980,167	11,103,499	8,741,913	9,337,287
Refundable deposits	161,702	161,702	208,737	208,737
<b>Liabilities</b>				
Short-term debts	1,005,000	1,005,000	1,220,000	1,220,000
Commercial paper payable	998,105	998,105	729,087	729,087
Accounts payable	1,603,434	1,603,434	2,220,932	2,220,932
Accrued expense	471,045	471,045	538,064	538,064
Payables on properties	584,191	584,191	629,760	629,760
Payables on coupon (shown as part of other current liabilities)	434,300	434,300	-	-
Bonds issued	6,100,000	6,128,380	6,400,000	6,442,490
Bank loans and commercial paper payable	2,007,100	2,007,100	1,000,000	1,000,000
Franchise liability	1,528,180	1,528,180	2,158,885	2,158,885
Deposits received	57,232	57,232	57,786	57,786

The methods and assumptions applied in estimating fair values are as follows:

- a. 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, note receivables, accounts receivables, other receivables, short-term debts, commercial paper payable, accounts payables, accrued expenses, payables on properties and payables on coupon.



- b. Long-term and short-term investments in shares of stocks traded over the counter and mutual funds are based on quoted market prices on the balance sheet date, or, if the market prices are unavailable, on the equity in the investees' net assets on the latest balance sheet date.
- c. The fair values of 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.
- d. The fair value of the bonds issued are based on their market values on the balance sheet date.
- e. The fair value of long-term liabilities and the accrued franchise liabilities are based on the present values of expected cash outflows discounted at the rate of bank loans with similar maturities.

## 28. ADDITIONAL DISCLOSURES

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

- a. Financing provided: Table 3 (attached)
- b. Endorsement/guarantee provided: Table 4 (attached)
- c. Marketable securities held: Table 5 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- e. Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: Table 7 (attached)
- 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 the Company 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 4 (attached)
  - e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: Table 3 (attached)
  - f) Other transactions which have significant influence over current year's gain or loss or financial status: None

## **29. SEGMENT INFORMATION**

- a. Industry information: The Company solely operates department stores.
- b. Geographic information: The Company operates entirely in the Republic of China.
- c. Export sales: There were no export sales in 2004 and 2003.
- d. Sales to major customers: In 2004 and 2003, no revenue from a single customer was at least 10% of total operating revenues.

**TABLE 1****FAR EASTERN DEPARTMENT STORES, LTD.****SUMMARY OF RELATED-PARTY BALANCES****DECEMBER 31, 2004 AND 2003****(In Thousands of New Taiwan Dollars)**

Related Party	Accounts Receivable		Other Current Assets - Other Receivables (Note)		Accounts Payable		Accrued Expenses		Guarantee Deposits		Deferred Credits	
	Amount	Total	Amount	Total	Amount	Total	Amount	Total	Amount	Total	Amount	Total
<u>2004</u>												
Far Eastern Geant Co., Ltd.	\$ 8,851	6	\$ 21	-	\$ 8,585	1	\$ 87	-	\$ -	-	\$ 363,639	99
Far Eastern Continent Co., Ltd.	-	-	-	-	-	-	-	-	13,380	24	-	-
Bai Ding Investment Co.	-	-	-	-	-	-	-	-	-	-	5,447	1
Ya Tung Department Stores	153	-	1	-	350	-	26	-	-	-	-	-
Oriental Securities Corporation	-	-	-	-	-	-	1,132	-	1,106	2	-	-
Yu Ming Advertising Agency Co.	-	-	-	-	2,513	-	74	-	-	-	-	-
Far Eastern Textile Ltd.	193	-	-	-	-	-	9,368	2	-	-	-	-
Asia Cement Corporation	-	-	88	-	-	-	6,482	1	-	-	-	-
Far Eastern International Bank	862	1	70	-	-	-	-	-	1,556	3	-	-
Far Eastone Telecommunication Co., Ltd.	70	-	19	-	-	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	1,274	1	-	-	-	-
Pacific Sogo Department Stores Co., Ltd.	9	-	50,000	16	-	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	1,299	1	-	-	29,459	2	5	-	-	-	-	-
Other	775	-	254	-	-	-	11	-	363	-	-	-
	<u>\$ 12,212</u>	<u>8</u>	<u>\$ 50,453</u>	<u>16</u>	<u>\$ 40,907</u>	<u>3</u>	<u>\$ 18,459</u>	<u>4</u>	<u>\$ 16,405</u>	<u>29</u>	<u>\$ 369,086</u>	<u>100</u>
<u>2003</u>												
Far Eastern Geant Co., Ltd.	\$ 18,957	13	\$ 50	-	\$ 13,914	1	\$ -	-	\$ -	-	\$ 363,639	99
Far Eastern Continent Co., Ltd.	-	-	1	-	-	-	-	-	13,380	23	-	-
Bai Ding Investment Co.	-	-	-	-	-	-	-	-	-	-	5,447	1
Ya Tung Department Stores	1,588	1	-	-	328	-	147	-	-	-	-	-
Oriental Securities Corporation	100	-	-	-	-	-	1,219	-	1,106	2	-	-
Yu Ming Advertising Agency Co.	-	-	-	-	-	-	1,441	-	-	-	-	-
Far Eastern Textile Ltd.	221	-	-	-	-	-	9,033	2	-	-	-	-
Asia Cement Corporation	186	-	14,812	6	-	-	-	-	-	-	-	-
Far Eastern International Bank	66	-	48	-	-	-	-	-	1,556	3	-	-
Far Eastone Telecommunication Co., Ltd.	154	-	16	-	-	-	1	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	-	-	-	-	45,275	2	3,379	1	-	-	-	-
Other	5	-	11	-	52	-	-	-	-	-	-	-
	<u>\$ 21,277</u>	<u>14</u>	<u>\$ 14,938</u>	<u>6</u>	<u>\$ 59,569</u>	<u>3</u>	<u>\$ 15,220</u>	<u>3</u>	<u>\$ 16,042</u>	<u>28</u>	<u>\$ 369,086</u>	<u>100</u>

Note: The Company's lease contract with Asia Cement Corporation (related party) on the site of its store in Taipei had been revised. Under the revised contract, the rental of 2003 was reduced and the Asia Cement Corporation thus returned a \$14,725 thousand overpayment.

## FAR EASTERN DEPARTMENT STORES, LTD. AND INVESTEEES

SUMMARY OF RELATED-PARTY TRANSACTIONS  
YEARS ENDED DECEMBER 31, 2004 AND 2003  
(In Thousands of New Taiwan Dollars)

Related Party	Sales (Note A)		Purchases (Note B)		Other Operating Revenue - Rental (Note C)		Operating Expenses (Notes C and D)		Nonoperating Revenue (Note E)		Nonoperating Expenses		Payable to Affiliates				Receivable from Affiliates							
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Highest Balance During the Year	Date of Highest Balance	Year-End Amount	Rate (%)	Interest Expense		Highest Balance During the Year	Date of Highest Balance	Year-End Amount	Rate (%)	Interest Revenue	
																	Amount	% to Total					Amount	% to Total
<u>2004</u>																								
Far Eastern Geant Co., Ltd.	\$ 4,903	-	\$ -	-	\$ 101,326	30	\$ 192	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Far Eastern Continent Co., Ltd.	-	-	-	-	127	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ya Tung Department Stores	10,221	1	-	-	-	-	-	-	36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oriental Securities Corporation	2,179	-	-	-	3,033	1	-	-	-	-	7,258	9	-	-	-	-	-	-	-	-	-	-	-	-
FEDS Asia Pacific Development Co., Ltd.	-	-	-	-	23	-	228,000	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific Sogo Department Stores Co., Ltd.	242	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bai Yang Investment Co.	-	-	-	-	23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yu Ming Advertising Agency Co.	-	-	7,562	-	1,396	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	8,521	-	193	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Textile Ltd.	77	-	-	-	-	-	14,864	1	1,713	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Cement Corporation	-	-	-	-	-	-	74,079	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern International Bank	3,757	-	-	-	6,421	2	-	-	3,192	6	-	-	500,000	2004.3.31-2004.4.26	350,000	1.25-1.35	783	-	-	-	-	-	-	-
Far EasTone Telecommunications Co., Ltd.	-	-	-	-	1,908	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	2,216	-	156,377	1	-	-	3,881	-	-	-	1,833	2	-	-	-	-	-	-	-	-	-	-	-	-
Other	644	-	-	-	1,044	-	86	-	34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 24,239</u>	<u>1</u>	<u>\$ 163,939</u>	<u>1</u>	<u>\$ 115,301</u>	<u>35</u>	<u>\$ 329,623</u>	<u>10</u>	<u>\$ 5,168</u>	<u>9</u>	<u>\$ 9,091</u>	<u>11</u>			<u>\$ 350,000</u>		<u>\$ 783</u>	<u>-</u>			<u>\$ -</u>		<u>\$ -</u>	<u>-</u>
<u>2003</u>																								
Far Eastern Geant Co., Ltd.	\$ 6,054	-	\$ -	-	\$ 98,375	32	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Far Eastern Continent Co., Ltd.	-	-	-	-	178	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ya Tung Department Stores	13,521	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oriental Securities Corporation	767	-	-	-	3,206	1	-	-	-	-	7,518	11	-	-	-	-	-	-	-	-	-	-	-	-
FEDS Asia Pacific Development Co., Ltd.	-	-	-	-	23	-	228,000	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific Liu Tong Investment Co.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000,000	2003.6.16-2003.6.23	-	3.87-6.50	1,338	2
Bai Yang Investment Co.	-	-	-	-	23	-	-	-	-	-	-	-	-	-	-	-	-	-	2,100,000	2003.10.21-2003.12.23	-	3.01-3.26	11,382	15
Far Eastern Textile Ltd.	456	-	-	-	-	-	22,182	-	1,000	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Cement Corporation	-	-	-	-	-	-	87,203	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern International Bank	2,780	-	-	-	6,363	2	-	-	11,362	14	-	-	300,000	2003.9.15-2003.10.17	-	1.30-1.80	564	-	-	-	-	-	-	-
Far EasTone Telecommunications Co., Ltd.	-	-	-	-	1,919	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	-	-	144,146	1	-	-	9,243	-	-	-	2,070	3	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	601	-	343	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 23,578</u>	<u>1</u>	<u>\$ 144,146</u>	<u>1</u>	<u>\$ 110,688</u>	<u>36</u>	<u>\$ 346,971</u>	<u>10</u>	<u>\$ 12,362</u>	<u>15</u>	<u>\$ 9,588</u>	<u>14</u>			<u>\$ -</u>		<u>\$ 564</u>	<u>-</u>			<u>\$ -</u>		<u>\$ 12,720</u>	<u>17</u>

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

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

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

Note D: The Company's lease contract with Asia Cement Corporation (related party) on the site of its store in Taipei had been revised. Under the revised contract, the rent period was extended to December 31, 2006, and the rental of 2003 was reduced from \$118,119 thousand to \$78,746 thousand based on the building appraisal result. The rental payable per month since January 1, 2004 to December 31, 2006 is \$5,468 thousand.

Note E: Credit card transactions with Far EasTone Telecommunications Co., Ltd. were under normal terms.

## FAR EASTERN DEPARTMENT STORES, LTD.

## FINANCING PROVIDED

YEAR ENDED DECEMBER 31, 2004

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

No.	Financier	Counterparty	Financial Statement Account	Highest Balance for the Period	Ending Balance	Interest Rate	Nature of Financing	Transaction Amount	Reason for the Financing	Allowance for Doubtful Accounts	Collateral		Amount of Individual Company's Financing Limits	Amount of Financing Company's Financing Limits
											Item	Value		
0	Feds Development Ltd. (BVI)	Asians Merchandise Co.	Other receivables	\$ 19,026 (US\$600,000)	\$ 19,026 (US\$600,000)	4.00-5.00%	(Note A)	-	For operating requirements	-	-	\$ -	\$ 58,910 (Note B)	\$ 147,275 (Note C)
1	Pacific Liu Tong Investment Co.	Pacific Sogo Department Store Co. (Note D)	Receivables from affiliates	360,000	-	3.08%	(Note A)	-	To repay debt	-	-	-	1,124,710 (Note D)	1,124,710 (Note D)
2	Pacific Sogo Department Store Co. (Note D)	Pacific Liu Tong Investment Co.	Receivables from affiliates	668,293	-	3.09-3.27%	(Note A)	-	To repay debt	-	-	-	1,464,732 (Note D)	1,464,732 (Note D)
		Pacific China Holdings Co.	Other receivables	239,379	656	3.52-3.77%	(Note A)	-	To repay debt	-	-	-	1,464,732 (Note D)	1,464,732 (Note D)

Note A: Short-term financing.

Note B: The upper limit is 20% of the financier's net value as of December 31, 2004.

Note C: The upper limit is 50% of the financier's net value as of December 31, 2004.

Note D: The upper limit is 40% of the financier's net value as of December 31, 2004.

Note E: Neither the total assets nor total revenues of Lian Ching Investment Co., Netmicro Technology Co. and Pacific Sogo Investment Co. individually reached at least 10% of the Company's total assets or total revenues. Thus, their information was not disclosed.

## FAR EASTERN DEPARTMENT STORES LTD.

## ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2004

(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 (Note B)	Highest Balance for the Period	Ending Balance	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 Store Ltd.	Bai Ding Investment Co.	a.	\$ 17,223,853 (Note B)	\$ 4,229,000	\$ 3,669,281	\$ -	21	\$ 34,447,706 (Note C)
		Bai Yang Investment Co.	a.	17,223,853 (Note B)	2,387,000	-	-	-	34,447,706 (Note C)
		FEDS Asia Pacific Development Ltd.	a.	17,223,853 (Note B)	1,572,000	1,312,000	-	8	34,447,706 (Note C)
		Pacific Sogo Department Store Co.	d.	17,223,853 (Note B)	1,610,056	1,510,056	-	9	34,447,706 (Note C)
		Far Eastern Geant Co., Ltd.	a.	17,223,853 (Note B)	1,550,000	1,550,000	-	9	34,447,706 (Note C)
		Far Eastern Continent Co., Ltd.	a.	17,223,853 (Note B)	199,000	180,000	-	1	34,447,706 (Note C)
		Yu Ming Advertising Agency Co.	a.	17,223,853 (Note B)	110,824	110,824	-	1	34,447,706 (Note C)
		Far Eastern Finance & Leasing Corp.	f.	17,223,853 (Note B)	13,064	-	-	-	34,447,706 (Note C)
1	Yu Ming Advertising Agency Co.	Pacific Sogo Department Store Co.	c.	45,222 (Note B)	666	666	-	1	90,444 (Note C)
2	Bai Ding Investment Co.	Pacific Sogo Department Store Co.	c.	1,486,492 (Note B)	257,934	257,934	-	17	2,972,984 (Note C)
3	Bai Yang Investment Co.	Pacific Sogo Department Store Co.	c.	1,460,153 (Note B)	65,934	65,934	-	5	2,920,306 (Note C)
4	Feds Asia Pacific Development Ltd.	Pacific Sogo Department Store Co.	c.	2,140,363 (Note B)	65,934	65,934	-	3	4,280,726 (Note C)
5	Feds New Century Development Co., Ltd.	Pacific Sogo Department Store Co.	c.	156,118 (Note B)	65,934	65,934	-	42	312,236 (Note C)
6	Far Eastern Continent Co., Ltd.	Pacific Sogo Department Store Co.	c.	28,435 (Note B)	4,662	4,662	-	16	56,870 (Note C)
7	Ya Tung Department Store Ltd.	Pacific Sogo Department Store Co.	c.	24,435 (Note B)	36,630	36,630	-	150	48,870 (Note C)
8	Pacific Liu Tong Investment Co.	Pacific Sogo Department Store Co.	a.	14,058,870 (Note D)	12,311,366	11,602,080	-	413	28,117,740 (Note E)
		Pacific China Holdings Co.	d.	14,058,870 (Note D)	154,586 (US\$ 4,875,000)	-	-	-	28,117,740 (Note E)
9	Pacific Sogo Department Store Co.	Pacific China Holdings Co.	a.	7,323,658 (Note C)	154,586 (US\$ 4,875,000)	-	-	-	14,647,316 (Note F)
		Pacific Liu Tong Investment Co.	a.	7,323,658 (Note C)	1,800,000	1,540,000	-	42	14,647,316 (Note F)

- Note A:
- Company's subsidiary.
  - Investee of Company's subsidiary.
  - Subsidiary of the Company and its subsidiaries.
  - Investee of subsidiary of the Company's subsidiary.
  - Business transactions.
  - Investee of the Company.

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

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

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

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

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

Note G: Neither the total assets nor total revenues of Lian Ching Investment Co., Netmicro Technology Co. and Pacific Sogo Investment Co. individually reached at least 10% of the Company's total assets or total revenues. Thus, their information was not disclosed.

## FAR EASTERN DEPARTMENT STORES LTD.

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2004

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

Investor Company	Securities Type and Name	Relationship with the Investor Company (Note A)	Financial Statement Account	December 31, 2004				Note	
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)		
Far Eastern Department Stores Ltd.	<u>Stock</u> Oriental Securities Co., Ltd.	a.	Investments in shares of stock	128,713	\$ 2,043,606	20	\$ 2,043,606	83,200 thousand shares of Oriental Securities Co., Ltd. pledged for loans of the investor company	
	Feds Asia Pacific Development Ltd.	b.	Investments in shares of stock	138,900	1,485,071	69	1,485,190		
	Bai Yang Investment Co.	b.	Investments in shares of stock	29,921	1,360,871	100	1,456,300		
	Far Eastern Geant Co., Ltd.	b.	Investments in shares of stock	163,579	1,111,078	50	1,119,401		
	Bai Ding Investment Co.	b.	Investments in shares of stock	145,111	1,107,483	100	1,486,343		
	Pacific Liu Tong Investment Co.	b.	Investments in shares of stock	91,600	1,050,487	36	1,026,129		
	Feds Development Ltd. (BVI)	b.	Investments in shares of stock	100	294,550	100	294,550		
	Feds New Century Development Co., Ltd.	b.	Investments in shares of stock	9,992	155,950	100	155,950		
	Far Eastern CitySuper Ltd.	b.	Investments in shares of stock	13,000	111,176	87	111,176		
	Yu Ming Advertising Agency Co.	b.	Investments in shares of stock	2,900	35,018	100	45,222		
	Ding Ding Integrated Marketing Service	a.	Investments in shares of stock	3,000	27,371	10	27,371		
	Ya Tung Department Store Ltd.	b.	Investments in shares of stock	3,673	18,058	73	17,948		
	Far Eastern Continent Co., Ltd.	b.	Investments in shares of stock	3,300	15,639	55	15,639		
	Bai Chin (Singapore) Pte., Ltd.	b.	Investments in shares of stock	90	516	90	516		
	Far Eastern Department Stores (USA) Inc.	b.	Other liabilities	45	(22,129)	100	(22,129)		
	Asia Cement Corp.	c.	Investments in shares of stock	43,783	1,068,261	2	958,840		40,000 thousand shares of Asia Cement Corp. pledged for loans of the investor company
	Far Eastern International Bank	c.	Investments in shares of stock	20,779	179,771	1	411,847		
	Far Eastern Textile Ltd.	f.	Investments in shares of stock	14,171	123,679	-	357,262		
	Kaohsiung M.R.T.	-	Investments in shares of stock	10,000	100,000	1	101,797		
	Far Eastern Finance & Leasing Corp.	-	Investments in shares of stock	920	7,360	9	10,505		
Yuan Ding Co., Ltd.	c.	Investments in shares of stock	2	10	-	36			
Hwa An International Trade	-	Investments in shares of stock	-	-	-	-			
Far Eastern Telecom Co., Ltd.	c.	Short-term investments	6,588	175,046	-	249,170			
<u>Beneficiary certificate</u> Far Eastern Alliance Technology Fund	d.	Short-term investments	5,000	50,000	-	40,100			
Bai Ding Investment Co.	<u>Stock</u> Oriental Securities Co., Ltd.	a.	Long-term stock investments	89,097	1,414,620	14	1,414,620	22,030 thousand shares of Oriental Securities Co., Ltd. pledged for loans by investor company	
	Pacific Liu Tong Investment Co.	a.	Long-term stock investments	9,900	135,340	4	110,903		
	Pacific Sogo Department Store Co.	a.	Long-term stock investments	3,818	50,227	1	50,227		
	Yu Ming Trading Co., Ltd.	a.	Long-term stock investments	940	16,970	47	16,970		

(Continued)

Investor Company	Securities Type and Name	Relationship with the Investor Company (Note A)	Financial Statement Account	December 31, 2004				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
	Far Eastern Continent Co., Ltd.	a.	Long-term stock investments	2,670	\$ 12,653	45	\$ 12,653	
	Ya Tung Department Store Ltd.	a.	Long-term stock investments	1,327	6,485	27	6,485	
	FEDS Asia Pacific Development Ltd.	a.	Long-term stock investments	500	4,725	-	5,035	
	Bai Yang Investment Co.	a.	Long-term stock investments	78	551	-	3,796	
	Bai Chin (Singapore) Pte., Ltd.	a.	Long-term stock investments	10	191	10	57	
	FEDS New Century Development Co., Ltd.	a.	Long-term stock investments	2	12	-	31	
	Far Eastern Geant Co., Ltd.	a.	Long-term stock investments	-	2	-	1	
	Asia Cement Corp.	c.	Long-term stock investments	46,101	1,068,923	2	1,009,618	16,000 thousand shares of Asia Cement Corp. pledged for bonds issued by investor company
	Far Eastern Department Stores Ltd.	e.	Long-term stock investments	35,183	608,762	4	624,852	
	Far Eastern Textile Ltd.	c.	Long-term stock investments	36,672	560,957	1	924,500	
	New Century Infocomm Tech., Co., Ltd.	c.	Long-term stock investments	44,560	413,963	1	381,981	33,350 thousand shares of New Century Infocomm Tech., Co., Ltd. pledged or mortgaged as collaterals for loans by investor company
	Far Eastern International Leasing Corp.	-	Long-term stock investments	7,475	135,000	6	79,910	
	Chung-Nan Textile Co., Ltd.	-	Long-term stock investments	2,984	81,390	5	62,065	
	Ding Ding Management Consultants Co., Ltd.	-	Long-term stock investments	180	11,817	18	6,523	
	Oriental Securities Investment Advisory Co., Ltd.	-	Long-term stock investments	1	10	-	10	
	<u>Beneficiary certificate</u>							
	Far Eastern Alliance Taiwan Bond Fund	-	Short-term investments	8,060	85,000	-	85,005	
	Barits Bond Fund	-	Short-term investments	7,099	84,000	-	84,090	
	United Taiwan Bond Fund	-	Short-term investments	4,271	50,596	-	50,604	
	Prudential Financial Bond Fund	-	Short-term investments	3,481	49,541	-	49,549	
Feds Asia Pacific Development Ltd.	<u>Stock</u>							
	Pacific Liu Tong Investment Co.	a.	Investments in shares of stock	9,900	135,222	4	110,903	
	Far Eastern Continent Co., Ltd.	a.	Investments in shares of stock	6	60	-	28	
Feds New Century Development Co., Ltd.	<u>Stock</u>							
	Pacific Liu Tong Investment Co.	a.	Investments in shares of stock	9,900	135,222	4	110,903	
	<u>Beneficiary certificate</u>							
	Far Eastern Alliance Taiwan Bond Fund	-	Short-term investments	2,100	22,037	-	22,147	
Feds Development Ltd. (BVI)	<u>Stock</u>							
	Chongqing Bai Ding Business Management Consulting Co., Ltd.	-	Investments in shares of stock	-	3,171	100	3,171	
	Kowloon Cement Corp., Ltd.	-	Investments in shares of stock	46	9,325	2	1,309	
Bai Yang Investment Co.	<u>Stock</u>							
	Pacific Liu Tong Investment Co.	a.	Investments in shares of stock	9,900	135,222	4	110,903	
	FEDS Asia Pacific Development Ltd.	a.	Investments in shares of stocks	600	5,722	-	6,416	
	Bai Ding Investment Co.	a.	Investments in shares of stock	9	89	-	92	
	Far Eastern Continent Co., Ltd.	a.	Investments in shares of stock	12	77	-	57	
	FEDS New Century Development Co., Ltd.	a.	Investments in shares of stock	2	16	-	31	
	Ya Tung Department Store Ltd.	a.	Investments in shares of stock	-	7	-	4	
	Far Eastern Geant Co., Ltd.	a.	Investments in shares of stock	-	6	-	2	

(Continued)



Investor Company	Securities Type and Name	Relationship with the Investor Company (Note A)	Financial Statement Account	December 31, 2004				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
Ya Tung Department Store Ltd.	Far Eastern Department Stores Ltd.	e.	Investments in shares of stock	8,885	\$ 153,727	1	\$ 157,790	Stocks thousand shares of New Century Infocomm Tech., Co., Ltd. pledged for loans by investor company
	Asia Cement Corp.	c.	Investments in shares of stock	2,486	57,644	-	54,445	
	Far Eastern Textile Ltd.	c.	Investments in shares of stock	1,573	27,659	-	39,665	
	New Century Infocom Tech., Co., Ltd.	c.	Investments in shares of stock	20,560	191,003	-	176,246	
	Oriental Securities Investment Advisory Co., Ltd.	-	Investments in shares of stock	1	10	-	10	
	<u>Beneficiary certificate</u>							
	Far Eastern Alliance Taiwan Bond Fund	-	Short-term investments	33,594	353,323	-	354,298	
	Barits Bond Fund	-	Short-term investments	21,136	250,000	-	250,347	
	Polaris Di-Po Fund	-	Short-term investments	9,355	100,971	-	101,006	
	Prudential Financial Bond Fund	-	Short-term investments	6,381	90,811	-	90,839	
	FUHWB Bond Fund	-	Short-term investments	4,027	50,000	-	50,138	
	Mega Fancy Balanced Fund	-	Short-term investments	2,000	20,405	-	16,708	
	Forever Fund	-	Short-term investments	1,135	16,000	-	16,003	
	Pca will Pool fund	-	Short-term investments	573	7,000	-	7,001	
Yu Ming Advertising Agency Co.	<u>Stock</u>							
	Pacific Liu Tong Investment Co.	a.	Investments in shares of stock	5,500	75,180	2	61,613	
	Feds New Century Development Ltd.	a.	Investments in shares of stock	2	13	-	156	
	Far Eastern Continent Co., Ltd.	a.	Investments in shares of stock	6	60	-	28	
	Bai Ding Investment Co.	a.	Investments in shares of stock	3	33	-	31	
	Bai Yang Investment Co.	a.	Investments in shares of stock	-	4	-	19	
	Far Eastern Geant Co., Ltd.	a.	Investments in shares of stock	-	2	-	2	
	<u>Beneficiary certificate</u>							
	Far Eastern Taiwan Bond Fund	d.	Short-term investments	948	10,000	-	10,003	
	Far Eastern Continent Co., Ltd.	<u>Stock</u>						
Pacific Liu Tong Investment Co.		-	Investments in shares of stock	100	1,200	-	1,120	
Far Eastern Continent Co., Ltd.		-	Investments in shares of stock	6	56	-	28	
Bai Ding Investment Co.		-	Investments in shares of stock	3	33	-	31	
Feds New Century Development Co., Ltd.		-	Investments in shares of stock	2	20	-	31	
Ya Tung Department Store Ltd.		-	Investments in shares of stock	-	7	-	4	
Bai Yang Investment Co.		-	Investments in shares of stock	-	4	-	19	
Far Eastern Geant Co., Ltd.		-	Investments in shares of stock	-	1	-	2	
Asia Cement Corp.		c.	Short-term investments	972	28,837	-	21,294	
Far Eastern Department Stores Ltd.		e.	Short-term investments	909	25,587	-	16,142	
Far Eastern Department Stores (USA)	a.	Other liabilities	50	(24,170 )	100	(24,170 )		
Pacific Liu Tong Investment Co.	a.	Investments in shares of stock	220,787	4,742,393	79	2,878,233	210,728 thousand shares of Pacific Sogo Department Store Co. pledged for loans or bonds issued by investor company	

(Continued)

Investor Company	Securities Type and Name	Relationship with the Investor Company (Note A)	Financial Statement Account	December 31, 2004				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
Pacific Sogo Development Store Co.	<u>Stock</u>							
	ASUSTek Computer Inc.	-	Short-term investments	271	\$ 49,612	-	\$ 21,561	
	CMC Magnetics Corp.	-	Short-term investments	510	29,401	-	8,160	
	China Development Financial Holding Co.	-	Short-term investments	522	23,133	-	7,936	
	Quanta computer Inc.	-	Short-term investments	174	14,921	-	9,480	
	Pacific Construction Co., Ltd.	-	Short-term investments	6,849	14,315	1	11,096	
	MiTAC International Corp.	-	Short-term investments	328	11,654	-	5,345	
	DBTEL Inc.	-	Short-term investments	268	6,474	-	2,566	
	PURETEK Corp.	-	Short-term investments	119	4,858	-	343	
	Pacific China Holdings (HK) Co., Ltd.	b.	Investments in shares of stock	11,400	3,662,980	60	111,517	
	Pacific Department Store Co., Ltd.	a.	Investments in shares of stock	27,825	209,408	26	209,408	7,950 thousand shares of Pacific Department Store Co., Ltd. pledged for loans by investor company
	Lian Ching Investment Co., Ltd.	b.	Investments in shares of stock	26,764	-	50	-	
	Pacific 88 Co., Ltd.	a.	Investments in shares of stock	2,838	13,625	28	13,625	
	Pacific United Consultant Co., Ltd.	a.	Investments in shares of stock	4,071	49,761	39	49,761	
	Pacific Liu Tong Investment Co., Ltd.	e.	Investments in shares of stock	400	4,019	-	4,481	
	Pacific Securities Co., Ltd.	-	Investments in shares of stock	20,279	81,116	5	234,169	20,279 thousand shares of Pacific Department Store Co., Ltd. pledged for loans by investor company
	Pacific Venture Investment Ltd.	a.	Investments in shares of stock	100,000	-	48	-	
	Sogo Department Store Co., Ltd.	a.	Investments in shares of stock	7,120	-	34	-	
	Pacific Sogo Investment Co., Ltd.	b.	Investments in shares of stock	99,990	-	100	-	
	Invenpec Besta Co., Ltd.	-	Investments in shares of stock	5	125	-	148	
	Fuyang (Chin Yu) Investment Co., Ltd.	-	Investments in shares of stock	2	18	-	-	
	E-Shou Hi-tech Co., Ltd.	-	Investments in shares of stock	18,300	-	15	-	
	Tain Yuan Investment Co., Ltd.	-	Investments in shares of stock	98,000	-	20	-	
	Ding Ding Integrated Marketing Service	a.	Investments in shares of stock	3,000	27,371	10	27,371	
	<u>Beneficiary certificate</u>							
	The First Global Investment Trust OTC Equity Fund	-	Short-term investments	1,500	15,000	-	8,040	
	First Securities Investment Trust Fund	-	Short-term investments	500	11,008	-	3,285	
	HSBC Taiwan MID & Small Cap Fund	-	Short-term investments	2,000	20,060	-	10,440	
	OTC Fund	-	Short-term investments	2,000	20,060	-	10,980	
	IIT New Emerging Enterprise Fund	-	Short-term investments	1,000	10,030	-	8,620	
	HSBC Taiwan Growth Fund	-	Short-term investments	1,021	20,060	-	14,157	
	The Golden Dragon Fund	-	Short-term investments	2,000	20,050	-	9,540	
	Waterland Vision Fund	-	Short-term investments	1,000	10,000	-	11,240	
	Far Eastern Alliance Taiwan Flagship Fund	-	Short-term investments	150	1,507	-	1,784	
	HSBC NTD Money Management Fund	-	Short-term investments	20,749	300,000	-	300,467	
	Fubon Ju-I Fund	-	Short-term investments	19,393	300,000	-	300,047	
	Ta Chong Bond Fund	-	Short-term investments	15,782	200,000	-	200,008	
	ABN AMRO Bond Fund	-	Short-term investments	27,231	300,000	-	300,427	
	Far Eastern Alliance Taiwan Bond Fund	-	Short-term investments	37,028	390,000	-	390,509	
	Pca Bond Fund	-	Short-term investments	6,615	100,128	-	100,276	
	Polaris Di-Po Fund	-	Short-term investments	18,547	200,000	-	200,254	
Upamc James Bond Fund	-	Short-term investments	19,960	300,000	-	300,050		
JIH Sun Bond Fund	-	Short-term investments	18,809	250,000	-	250,032		

(Continued)

Investor Company	Securities Type and Name	Relationship with the Investor Company (Note A)	Financial Statement Account	December 31, 2004				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
Pacific China Holdings (HK) Co.	<u>Stock</u> Pacific China Holdings Co.	b.	Investments in shares of stock	19,000	\$ 575,016	100	\$ 575,016	
Pacific China Holdings Co.	<u>Stock</u> Shanghai Pacific Department Store Co., Ltd.	b.	Investments in shares of stock	-	684,557	73	752,019	
	Chengdu Shangxia Pacific Department Store Co., Ltd.	b.	Investments in shares of stock	-	198,020	100	204,063	
	Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	b.	Other liabilities	-	(65,965)	100	(63,725)	
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	b.	Investments in shares of stock	-	291,650	100	291,666	
	Beijing Xidan Pacific Department Store Co., Ltd.	b.	Investments in shares of stock	-	49,459	55	49,443	
	Chongqing Pacific Business Management Consulting Co., Ltd.	b.	Investments in shares of stock	-	27,677	100	27,681	
	Shanghai Pacific Business Management Consulting Co., Ltd.	a.	Investments in shares of stock	-	5,840	49	5,840	

Note A:

- a. Equity-method investee.
- b. Subsidiary.
- c. Same director.
- d. A director of the Company is one of its directors.
- e. Parent company.
- f. Equity-method investor.
- g. Its director related by consanguinity to the Company's director.
- h. Cost-method investee.

Note B: The market values of the investment with quoted market prices were determined at the average closing price in December 2004, and at the net asset value of the mutual funds on the last trading day in December 2004. The investments, with no quoted market prices - except that in Chung-Nan Textile Co., Ltd., which was based on unaudited statements as of and for the year ended December 31, 2004 - were based on audited financial statements.

Note C: Neither the total assets nor total revenues of Lian Ching Investment Co. and Pacific Sogo Investment Co. individually reached at least 10% of the Company's total assets or total revenues. Thus, their information was not disclosed.

## FAR EASTERN DEPARTMENT STORES LTD.

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, 2004

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

Company Name	Marketable Securities Type and 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
Far Eastern Department Stores Ltd.	<u>Stock</u> Far Eastern CitySuper Ltd.	Investments in shares of stock	-	-	-	\$ -	13,000	\$ 130,000	-	\$ -	\$ 18,824 (Note A)	\$ -	13,000	\$ 111,176
	<u>Beneficiary certificate</u> Tlam Solomon Bond Fund	Short-term investments	-	-	-	-	23,254	260,000	23,254	260,679	260,000	679	-	-
	Invesco ROC Bond Fund	Short-term investments	-	-	-	-	20,259	290,000	20,259	290,334	290,000	334	-	-
	Prudential Financial Fund	Short-term investments	-	-	-	-	9,966	140,000	9,966	140,915	140,000	915	-	-
	Chung Hsing Pion fund	Short-term investments	-	-	-	-	28,146	290,000	28,146	291,013	290,000	1,013	-	-
	Union Bond Fund	Short-term investments	-	-	1,714	20,000	10,671	125,000	12,385	145,971	145,000	971	-	-
	TIIM Bond Fund	Short-term investments	-	-	-	-	13,931	190,000	13,931	190,312	190,000	312	-	-
	Ta Chong Bond Fund	Short-term investments	-	-	-	-	19,946	250,000	19,946	250,845	250,000	845	-	-
	NITC Bond Fund	Short-term investments	-	-	-	-	18,421	230,000	18,421	230,919	230,000	919	-	-
	Central Diamond Bond Fund	Short-term investments	-	-	2,219	350,019	1,831	290,000	4,050	642,438	640,019	2,419	-	-
	Forever Fund	Short-term investments	-	-	-	-	24,450	270,000	24,450	270,805	270,000	805	-	-
	Upamc James Bond Fund	Short-term investments	-	-	-	-	20,828	290,000	20,828	290,870	290,000	870	-	-
	Pca Bond Fund	Short-term investments	-	-	-	-	6,723	100,000	6,723	100,418	100,000	418	-	-
	En Trust Kirin Bond Fund	Short-term investments	-	-	-	-	19,317	290,000	19,317	290,933	290,000	933	-	-
	Tiam B.B. Bond Fund	Short-term investments	-	-	-	-	27,203	290,000	27,203	291,068	290,000	1,068	-	-
	AIG Taiwan Bond Fund	Short-term investments	-	-	-	-	26,647	290,000	26,647	290,538	290,000	538	-	-
	Ta chong Gallop Bond Fund	Short-term investments	-	-	-	-	23,636	290,000	23,636	290,727	290,000	727	-	-
	Truswell Bond Fund	Short-term investments	-	-	-	-	9,506	100,000	9,506	100,074	100,000	74	-	-
	The Rsit Enhanced Bond Fund	Short-term investments	-	-	-	-	8,105	100,000	8,105	100,068	100,000	68	-	-
	NITC Taiwan Bond Fund	Short-term investments	-	-	-	-	12,211	130,000	12,211	130,364	130,000	364	-	-
	Transcend Fortune Fund	Short-term investments	-	-	-	-	16,844	230,000	16,844	230,151	230,000	151	-	-
	Polaris Di-Po Fund	Short-term investments	-	-	-	-	8,521	100,000	8,521	100,284	100,000	284	-	-
		Short-term investments	-	-	-	-	13,074	140,000	13,074	140,338	140,000	338	-	-
Bai Ding Investment Co.	<u>Beneficiary certificate</u> Fuhwa Advantage Bond Fund	Short-term investments	-	-	-	-	10,000	100,000	10,000	100,198	100,000	198	-	-
	Fuhwa Diamond Fund	Short-term investments	-	-	-	-	10,000	100,000	10,000	100,502	100,000	502	-	-
	Union Bond Fund	Short-term investments	-	-	-	-	21,357	250,993	17,086	200,993	200,397	596	4,271	50,596
	Prudential Financial Bond Fund	Short-term investments	-	-	-	-	17,404	245,941	13,923	196,941	196,400	541	3,481	49,541
	Chung Hsing Happy Fund	Short-term investments	-	-	-	-	10,000	100,000	10,000	99,362	100,000	(638)	-	-
	ING CHB Taiwan Bond Fund	Short-term investments	-	-	-	-	8,781	100,000	8,781	100,021	100,000	21	-	-
	NITC Taiwan Bond Fund	Short-term investments	-	-	-	-	7,338	100,020	7,338	100,508	100,020	488	-	-
Feds New Century Development Ltd.	<u>Beneficiary certificate</u> NITC Bond Fund	Short-term investments	-	-	807	127,356	-	-	807	129,262	127,356	1,906	-	-
Bai Yang Investment Co.	<u>Beneficiary certificate</u> Far Eastern Alliance Taiwan Bond Fund	Short-term investments	-	-	-	-	57,528	605,000	23,934	252,020	251,677	343	33,594	353,323
	NITC Bond Fund	Short-term investments	-	-	-	-	946	150,000	946	151,332	150,000	1,332	-	-
	KGI Victory Fund	Short-term investments	-	-	-	-	24,082	250,000	24,082	251,394	250,000	1,394	-	-
	Grand Cathay Bond Fund	Short-term investments	-	-	-	-	7,998	100,000	7,998	100,601	100,000	601	-	-
	Forever Fund	Short-term investments	-	-	-	-	8,300	116,000	7,165	100,647	100,000	647	1,135	16,000
	Union Bond Fund	Short-term investments	-	-	-	-	11,938	140,000	11,938	140,833	140,000	833	-	-
	Polaris Di-Po Fund	Short-term investments	-	-	-	-	18,710	200,971	9,355	100,971	100,000	971	9,355	100,971
	Prudential Financial Bond Fund	Short-term investments	-	-	-	-	13,471	190,811	7,090	100,811	100,000	811	6,381	90,811
	Barits Bond Fund	Short-term investments	-	-	-	-	21,136	250,000	-	-	-	-	21,136	250,000

(Continued)

Company Name	Marketable Securities Type and 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	
Pacific Sogo Department Store Co.	<u>Stock</u> Far Eastern Telecom Co., Ltd.	Short-term investments	Far Eastern Telecom Co., Ltd.	Related party	113,044	\$ 2,080,044	-	\$ -	113,044	\$ 3,324,793	\$ 2,080,044	\$ 1,244,749	-	\$ -	
	<u>Beneficiary certificate</u> Ta Chong Bond Fund	Short-term investments	-	-	-	-	59,482	750,000	43,700	550,451	550,000	451	15,782	200,000	
	Pca Well Pool Fund	Short-term investments	-	-	-	-	24,829	300,000	24,829	300,240	300,000	240	-	-	
	Truswell Bond Fund	Short-term investments	-	-	-	-	20,376	250,000	20,376	250,028	250,000	28	-	-	
	Shinkong Chi-Shun Fund	Short-term investments	-	-	-	-	10,609	150,000	10,609	150,019	150,000	19	-	-	
	Far Eastern Alliance Taiwan Bond Fund	Short-term investments	-	-	-	28,810	300,000	145,869	1,530,000	137,651	1,441,076	1,440,000	1,076	37,028	390,000
	ABN AMRO Bond Fund	Short-term investments	-	-	-	-	-	20,708	300,000	20,708	300,178	300,000	178	-	-
	Tlam harvest Bond Fund	Short-term investments	-	-	-	48,067	500,000	-	-	48,067	500,385	500,000	385	-	-
	Soaring Eagle Bond Fund	Short-term investments	-	-	-	19,170	200,000	43,977	460,000	63,147	660,392	660,000	392	-	-
	Fubon Ju-I Fund	Short-term investments	-	-	-	19,693	300,000	32,492	500,000	32,792	500,469	500,000	469	19,393	300,000
	NT\$ High Yield fund	Short-term investments	-	-	-	-	-	6,241	100,000	6,241	100,061	100,000	61	-	-
	Shinkong chi-Shin Fund	Short-term investments	-	-	-	-	-	14,430	200,000	14,430	200,058	200,000	58	-	-
	HSBC NTD Money Management Fund	Short-term investments	-	-	-	-	-	40,844	590,000	20,095	290,197	290,000	197	20,749	300,000
	PCA Bond Fund	Short-term investments	-	-	-	-	-	16,517	250,000	9,902	150,000	149,872	128	6,615	100,128
	ABN AMRO Select Bond Fund	Short-term investments	-	-	-	-	-	27,231	300,000	-	-	-	-	27,231	300,000
	Polaris di-Po Fund	Short-term investments	-	-	-	-	-	18,547	200,000	-	-	-	-	18,547	200,000
	Upamc James Bond Fund	Short-term investments	-	-	-	-	-	19,960	300,000	-	-	-	-	19,960	300,000
Jih Sun Bond Fund	Short-term investments	-	-	-	-	-	18,809	250,000	-	-	-	-	18,809	250,000	

Note A: The Company recognized loss in September to December 2004 of investee.

Note B: Neither the total assets nor total revenues of Lian Ching Investment Co. and Pacific Sogo Investment Co. individually reached at least 10% of the Company's total assets or total revenues. Thus, their information was not disclosed.

**FAR EASTERN DEPARTMENT STORES LTD.**

**ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**YEAR ENDED DECEMBER 31, 2004**

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

Company Name	Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Far Eastern Geant Co., Ltd.	Building	2004.12.29	\$232,324	The purchase price for the building was \$232,324, which is offset by the original refundable deposits	Far Eastern Continent Co., Ltd.	Same director	-	-	-	\$ -	Market value of \$232,337 was based on an appraiser's report	For long-term operations	-

**FAR EASTERN DEPARTMENT STORES LTD.**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE CAPITAL STOCK  
YEAR ENDED DECEMBER 31, 2004**

**(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		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Far Eastern Department Stores, Ltd.	Far Eastern Apparel Co., Ltd.	An indirect subsidiary of Far Easter Textile Co.	Purchase	\$ 156,377	1.00	30-60 days after the end of the month	-	-	\$ 29,459	2%	Accounts payable
Pacific Sogo Department Store Co.	Pacific 88 Co., Ltd.	Equity-method investee	Purchase	236,508	1.05	15-45 days after the end of the month	-	-	15,021 13,997	- 1%	Notes payable Accounts payable

Note: Neither the total assets nor total revenues of Lian Ching Investment Co., Netmicro Technology Co. and Pacific Sogo Investment Co. individually reached at least 10% of the Company's total assets or total revenues. Thus, their information was not disclosed.

**FAR EASTERN DEPARTMENT STORES LTD.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2004**

**(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		
Pacific Sogo Department Stores	Pacific 88 Co., Ltd.	Equity-method investee	\$ 395,816	-	\$ 395,816	Collection expedited	\$ -	\$ 220,538
	Pacific Sogo Investment Co., Ltd.	Equity- method investee	534,137	-	534,137	Collection expedited	-	534,137

Note: Neither the total assets nor total revenues of Lian Ching Investment Co. and Pacific Sogo Investment Co., subsidiaries of Pacific Sogo Department Stores, individually reached at least 10% nor collectively reached 30% of the Company's total assets or total revenues. Thus, their information was not disclosed.



## FAR EASTERN DEPARTMENT STORES LTD.

## NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

YEAR ENDED DECEMBER 31, 2004

(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, 2004			Net Income (Loss) of the Investee	Equity in Net Income (Net Loss) (Note B)	Note A
				Dec. 31, 2004	Dec. 31, 2003	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Far Eastern Department Stores Ltd.	Oriental Securities Co., Ltd.	Taipei City, R.O.C.	Securities brokerage	\$ 143,652	\$ 143,652	128,713	20	\$ 2,043,606	\$ 808,794	\$ 155,938	a
	Feds Asia Pacific Development Ltd.	Taipei City, R.O.C.	Shopping mall	1,385,888	1,385,888	138,900	69	1,485,071	103,387	70,721	b
	Bai Yang Investment Co.	Taipei City, R.O.C.	Investment	249,424	249,406	29,921	100	1,360,871	1,228,875	1,225,743	b
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Hypermarket	1,275,999	1,275,999	163,579	50	1,111,078	(711,994)	(355,997)	b
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	50,041	49,993	145,111	100	1,107,483	43,595	43,588	b
	Pacific Liu Tong Investment Co.	Taipei City, R.O.C.	Investment	1,079,400	1,079,400	91,600	36	1,050,487	493,186	176,840	b
	Feds Development Ltd. (BVI)	British Virgin Island	Investment	26,190	26,190	100	100	294,550	(6,068)	(6,068)	b
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	106,399	505,967	9,992	100	155,950	17,475	17,458	b
	Far Eastern CitySuper Ltd.	Taipei City, R.O.C.	Hypermarket	130,000	-	13,000	87	111,176	(21,720)	(18,824)	b
	Yu Ming Advertising Agency Co.	Taipei City, R.O.C.	Advertising	24,000	23,994	2,900	100	35,018	2,897	(1,622)	b
	Ding Ding Integrated Marketing Service Co., Ltd.	Taipei City, R.O.C.	Marketing	30,000	-	3,000	10	27,371	(26,294)	(2,629)	a
	Ya Tung Department Store Ltd.	Taipei City, R.O.C.	Department store	124,029	124,021	3,673	73	18,058	(39,597)	(29,305)	b
	Far Eastern Continent Co., Ltd.	Taipei City, R.O.C.	Hypermarket	40,191	40,191	3,300	55	15,639	(5,365)	(3,114)	b
	Bai Chin (Singapore) Ptd. Ltd.	Singapore	Investment	1,718	1,718	90	90	516	(263)	(263)	b
Far Eastern Department Stores (USA) Inc.	U.S.A.	Importation of certain merchandise for the Company	63,787	63,787	45	100	(22,129)	(2,067)	(2,067)	b	
Bai Ding Investment Co.	Oriental Securities Co., Ltd.	Taipei City, R.O.C.	Securities brokerage	163,563	163,563	89,097	14	1,414,620	808,794		a
	Pacific Liu Tong Investment Co.	Taipei City, R.O.C.	Investment	99,000	99,000	9,900	4	135,340	493,186		b
	Pacific Sogo Department Store Co.	Taipei City, R.O.C.	Department store	33,490	33,490	3,818	1	50,227	1,075,688		c
	Yu Ming Trading Co., Ltd.	Taipei City, R.O.C.	Importation of certain merchandise	21,291	21,291	940	47	16,970	(35)		a
	Far Eastern Continent Co., Ltd.	Taipei City, R.O.C.	Hypermarket	28,672	28,672	2,670	45	12,653	(5,365)		b
	Ya Tung Department Store Ltd.	Taipei City, R.O.C.	Department store	33,646	32,500	1,327	27	6,485	(39,597)		b
	Feds Asia Pacific Development Ltd.	Taipei City, R.O.C.	Shopping mall	5,000	5,000	500	-	4,725	103,387		b
	Bai Yang Investment Co.	Taipei City, R.O.C.	Investment	551	503	78	-	551	1,228,875		b
	Bai Chin (Singapore) Pte., Ltd.	Singapore	Investment	191	191	10	10	191	(263)		b
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	20	100	2	-	12	17,475		b
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Hypermarket	2	2	-	-	2	(711,994)		b
Feds Asia Pacific Development Ltd.	Pacific Liu Tong Investment Co.	Taipei City, R.O.C.	Investment	99,000	99,000	9,900	4	135,222	493,186		b
	Far Eastern Continent co., Ltd.	Taipei City, R.O.C.	Hypermarket	231	231	6	-	60	(5,365)		b
Feds New Century Development Co., Ltd.	Pacific Liu Tong Investment Co.	Taipei City, R.O.C.	Investment	99,000	99,000	9,900	4	135,222	493,186		b
FEDS Development	Chongqing Bai Ding Business Management Consulting Co., Ltd.	Mainland China	Consulting service	3,171 (US\$ 100,000)	-	-	100	3,171 (US\$ 100,000)	-		c
Bai Yang Investment Co.	Pacific Liu Tong Investment Co.	Taipei City, R.O.C.	Investment	99,000	99,000	9,900	4	135,222	493,186		b
	Feds Asia Pacific Development Ltd.	Taipei City, R.O.C.	Shopping mall	6,064	4,900	600	-	5,722	103,387		b
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	100	100	9	-	89	43,595		b
	Far Eastern Continent Co., Ltd.	Taipei City, R.O.C.	Hypermarket	234	234	12	-	77	(5,365)		b
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	20	100	2	-	16	17,475		b
	Ya Tung Department Store Ltd.	Taipei City, R.O.C.	Department store	7	7	-	-	7	(39,597)		b
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Hypermarket	2	2	-	-	6	(711,994)		b

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products of the Investee Company	Investment Amount		Balance as of December 31, 2004			Net Income (Loss) of the Investee	Equity in Net Income (Net Loss) (Note B)	Note A
				Dec. 31, 2004	Dec. 31, 2003	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Ya Tung Department Store Ltd.	Pacific Liu Tong Investment Co.	Taipei City, R.O.C.	Investment	\$ 55,000	\$ 55,000	5,500	2	\$ 75,180	\$ 493,186	\$	b
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	20	100	2	-	13	17,475		b
	Far Eastern Continent Co., Ltd.	Taipei City, R.O.C.	Hypermarket	231	231	6	-	60	(5,365)		b
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	33	33	3	-	33	43,595		b
	Bai Yang Investment Co.	Taipei City, R.O.C.	Investment	4	4	-	-	4	1,228,875		b
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Hypermarket	2	2	-	-	2	(711,994)		b
Yu Ming Advertising Agency Co.	Pacific Liu Tong Investment Co.	Taipei City, R.O.C.	Investment	1,200	1,200	100	-	1,200	493,186		b
	Far Eastern Continent Co., Ltd.	Taipei City, R.O.C.	Hypermarket	100	100	6	-	56	(5,365)		b
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	33	33	3	-	33	43,595		b
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	20	100	2	-	20	17,475		b
	Ya Tung Department Store Ltd.	Taipei City, R.O.C.	Department store	7	7	-	-	7	(39,597)		b
	Bai Yang Investment co.	Taipei city, R.O.C.	Investment	4	4	-	-	4	1,228,875		b
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Hypermarket	2	2	-	-	1	(711,994)		b
Far Eastern Continent Co., Ltd.	Pacific Liu Tong Investment Co.	Taipei City, R.O.C.	Investment	8,400	8,400	700	-	7,841	493,186		b
Far Eastern Department Stores (USA) Inc.	Asians Merchandise Co.	U.S.A.	Importation of certain merchandise	1,600	1,600	50	100	(24,170)	(1,874)		c
Pacific Liu Tong Investment Co.	Pacific Sogo Department Store Co.	Taipei City, R.O.C.	Department store	4,469,904	4,469,904	220,787	79	4,742,393	1,075,688		c
Pacific Sogo Department Store Co.	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	27,825	26	209,408	-		d
	Pacific United Consultant Co., Ltd.	Taipei City, R.O.C.	Security and cleaning	76,099	76,099	4,071	39	49,761	4,510		d
	Pacific 88 Co., Ltd.	Taipei City, R.O.C.	Clothing, restaurant	19,900	19,900	2,838	28	13,625	(41,467)		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	-	-		
	Lian Ching Investment Co., Ltd.	Taipei City, R.O.C.	Investment	270,641	270,641	26,764	50	-	-		c
	Netmicro Technology Co., Ltd. (Note E)	Taipei City, R.O.C.	Internet, hardware and software maintenance	-	65,300	-	-	-	-		c
Ding Ding Inegrated Marketing Service Co., Ltd.	Ding Ding Inegrated Marketing Service Co., Ltd.	Taipei City, R.O.C.	Marketing	30,000	-	3,000	10	27,371	(26,294)		a
	Pacific China Holdings (HK) Co.	Hong Kong	Investment	4,000,000	4,000,000	11,400	60	3,662,980	386,545		c
Pacific China Holdings (HK) Co.	Pacific China Holdings Co.	British Virgin Islands	Investment	602,490	602,490	19,000	100	575,016	386,545		c
Pacific China Holdings Co.	Shanghai Pacific Department Store Co., Ltd.	Mainland China	Department store	406,919	406,919	-	73	684,557	465,461		c
	Chengdu Shangxia pacific Department Store Co., Ltd.	Mainland China	Department store	221,970	221,970	-	100	198,020	58,358		c
	Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Mainland China	Department store	31,393	31,393	-	100	(65,965)	29,638		c
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	Mainland China	Department store	95,130	95,130	-	100	291,650	159,397		c
	Beijing Xidan Pacific Department Store Co., Ltd.	Mainland China	Department store	209,286	209,286	-	55	49,459	(86,879)		c
	Chongqing Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	6,342	6,342	-	100	27,677	10,039		c
	Shanghai Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	5,438	5,438	-	49	5,840	163		d

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

Note B: In addition to Bai Chin (Singapore) Ptd. Ltd. and Far Eastern Department Stores (USA) Inc., the net income of equity- method investees were based on audited financial statements as of and for the year ended December 31, 2004.

Note C: Neither the total assets nor total revenues of Lian Ching Investment Co. and Pacific Sogo Investment Co. individually reached at least 10% of the Company's total assets or total revenues. Thus, their information was not disclosed.

Note D: The foreign-currency investments were translated at the rate of US\$1:NT\$31.71 prevailing on December 31, 2004.

Note E: The Netmicro Technology Co., Ltd. had liquidated in June 2004.

## FAR EASTERN DEPARTMENT STORES LTD.

INVESTMENT IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2004  
(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, 2004 (Note A)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2004 (Note A)	% Ownership of Direct and Indirect Investment	Investment Gain (Loss) (Note B)	Carrying Value as of Dec. 31, 2004	Accumulated Inward Remittance of Earnings as of Dec. 31, 2004	Accumulated Investment in Mainland China as of Dec. 31, 2004	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Defined by Investment Commission, MOEA
					Outflow	Inflow								
Shanghai Pacific Department Store Co., Ltd.	Department store	\$ 561,267	Indirect: Investment in mainland China company through a company registered in a third region	\$ 406,919	\$ -	\$ -	\$ 406,919	19	\$ 73,688	\$ 177,985	\$ -	\$ 976,478	Note A	\$ 6,889,541
Chengdu Shangxia Pacific Department Store Co., Ltd.	Department store	221,970	Indirect: Investment in mainland China company through a company registered in a third region	221,970	-	-	221,970	26	13,074	51,485	-	-	-	-
Chengdu Quanzheng Mansion Pacific Department Store Co., Ltd.	Department store	31,393	Indirect: Investment in mainland China company through a company registered in a third region	31,393	-	-	31,393	26	7,321	(17,151)	-	-	-	-
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Department store	95,130	Indirect: Investment in mainland China company through a company registered in a third region	95,130	-	-	95,130	26	41,443	75,829	-	-	-	-
Beijing Xidan Pacific Department Store Co., Ltd.	Department store	380,520	Indirect: Investment in mainland China company through a company registered in a third region	209,286	-	-	209,286	14	(12,424)	12,859	-	-	-	-
Chongqing Pacific Business Management Consulting Co., Ltd.	Business management consulting	6,342	Indirect: Investment in mainland China company through a company registered in a third region	6,342	-	-	6,342	26	2,610	7,196	-	-	-	-
Shanghai Pacific Business Management Consulting Co., Ltd.	Business management consulting	11,099	Indirect: Investment in mainland China company through a company registered in a third region	5,438	-	-	5,438	13	21	1,518	-	-	-	-
Chongqing Dai Ding Business Management Consulting Co., Ltd.	Business management consulting	3,171	Indirect: Investment in mainland China company through a company registered in a third region	-	-	-	-	100	-	3,171	-	-	-	-

Note A: Translated at the rate of US\$1:NT\$31.71 prevailing on December 31, 2004.

Note B: The investment gain (loss) was determined on the basis of the financial statements audited by an international CPA firm with cooperative relationship with CPA firms in the R.O.C.