

Far Eastern Department Stores, Ltd.

**Financial Statements for the
Years Ended December 31, 2005 and 2004 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, 2005 and 2004 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Far Eastern Department Stores, Ltd. as of December 31, 2005 and 2004, 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.

We have also audited the consolidated financial statements of Far Eastern Department Stores, Ltd. and subsidiaries as of and for the years ended December 31, 2005 and have expressed an unqualified opinion thereon in our report dated February 24, 2006.

February 24, 2006

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, 2005 AND 2004

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

| ASSETS | 2005 | | 2004 | | LIABILITIES AND STOCKHOLDERS' EQUITY | 2005 | | 2004 | |
|---|----------------------|------------|----------------------|------------|--|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % | | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | CURRENT LIABILITIES | | | | |
| Cash and cash equivalents (Notes 2 and 3) | \$ 587,227 | 2 | \$ 434,207 | 1 | Short-term debts (Notes 13 and 25) | \$ 1,350,000 | 4 | \$ 1,005,000 | 3 |
| Short-term investments, net (Notes 2 and 4) | 830,000 | 2 | 225,046 | 1 | Short-term notes and bills payable (Note 14) | 399,540 | 1 | 998,105 | 3 |
| Receivables: | | | | | Accounts payable (Note 24) | 1,764,407 | 5 | 1,603,434 | 4 |
| Notes | 27,436 | - | 9,271 | - | Accrued expenses (Note 24) | 501,126 | 1 | 471,045 | 1 |
| Accounts, net of allowance for doubtful accounts of \$3,550 thousand (Notes 2 and 24) | 187,269 | - | 161,027 | - | Balance payable-properties (Note 26) | 520,323 | 1 | 584,191 | 2 |
| Others (Notes 7, 24 and 26) | 677,933 | 2 | 311,917 | 1 | Advanced receipts | 1,050,364 | 3 | 1,019,873 | 3 |
| Inventories, net (Notes 2 and 5) | 236,643 | 1 | 188,986 | 1 | Current portion of bonds issued (Notes 15 and 25) | 2,300,000 | 6 | 600,000 | 2 |
| Prepayments | 32,339 | - | 33,288 | - | Current portion of long-term borrowings (Notes 16 and 25) | 535,700 | 2 | 285,700 | 1 |
| Deferred tax assets (Notes 2 and 20) | 36,250 | - | 94,747 | - | Current portion of franchise liability (Notes 2 and 8) | 460,284 | 1 | 466,613 | 1 |
| Pledged time deposits (Note 25) | 2,000 | - | 4,000 | - | Other current liabilities | 536,083 | 2 | 512,182 | 1 |
| Other current assets | 61,762 | - | 65,426 | - | | | | | |
| Total current assets | 2,678,859 | 7 | 1,527,915 | 4 | Total current liabilities | 9,417,827 | 26 | 7,546,143 | 21 |
| LONG-TERM STOCK INVESTMENTS (Notes 2, 6 and 25) | | | | | LONG-TERM LIABILITIES, NET OF CURRENT PORTION | | | | |
| Equity method | 10,485,031 | 29 | 8,523,215 | 25 | Bonds issued (Notes 15 and 25) | 3,700,000 | 10 | 5,500,000 | 16 |
| Cost method | 1,479,081 | 4 | 1,479,081 | 4 | Long-term borrowings (Notes 16, 24 and 25) | 3,582,067 | 10 | 1,721,400 | 5 |
| Prepayments for long-term investments in stocks | 30,000 | - | - | - | Franchise liability (Notes 2 and 8) | 601,283 | 1 | 1,061,567 | 3 |
| Total long-term stock investments | 11,994,112 | 33 | 10,002,296 | 29 | Total long-term liabilities | 7,883,350 | 21 | 8,282,967 | 24 |
| PROPERTIES (Notes 2, 7, 8, 9, 11, 24, 25 and 26) | | | | | RESERVES | | | | |
| Cost | | | | | Reserve for land revaluation increment tax (Note 7) | 575,490 | 1 | 987,738 | 3 |
| Land | 4,106,379 | 11 | 4,783,151 | 14 | OTHER LIABILITIES | | | | |
| Buildings and equipment | 5,850,997 | 16 | 5,860,054 | 17 | Deposits received (Notes 9 and 24) | 56,447 | - | 57,232 | - |
| Furniture and equipment | 3,078,922 | 9 | 2,984,322 | 8 | Deferred tax liabilities (Notes 2 and 20) | 228,491 | 1 | 226,435 | 1 |
| Total cost | 13,036,298 | 36 | 13,627,527 | 39 | Deferred credits - gains on intercompany accounts (Notes 2 and 24) | 369,086 | 1 | 369,086 | 1 |
| Revaluation increment | 1,194,771 | 3 | 1,197,577 | 4 | Miscellaneous (Notes 2 and 6) | 13,532 | - | 22,678 | - |
| Cost and appreciation | 14,231,069 | 39 | 14,825,104 | 43 | Total other liabilities | 667,556 | 2 | 675,431 | 2 |
| Less: Accumulated depreciation | 3,194,636 | 9 | 3,007,093 | 9 | Total liabilities | 18,544,223 | 50 | 17,492,279 | 50 |
| Unfinished construction | 4,698,008 | 13 | 4,683,188 | 13 | STOCKHOLDERS' EQUITY | | | | |
| Leasehold rights, net | 4,069,133 | 11 | 4,129,298 | 12 | Capital stock NT\$10 par value | | | | |
| Properties leased to others, net | 1,604,237 | 4 | 1,620,095 | 5 | Authorized - 1,350,000 thousand shares | | | | |
| Net properties | 21,407,811 | 58 | 22,250,592 | 64 | Issued and outstanding - 1,036,397 thousand shares in 2005 and 987,045 thousand shares in 2004 | 10,363,970 | 28 | 9,870,448 | 29 |
| OTHER ASSETS | | | | | Capital surplus: | | | | |
| Idle properties, net (Notes 2, 10 and 25) | 462,522 | 1 | 462,522 | 1 | Additional paid-in capital - common | 2,606,859 | 7 | 2,606,859 | 7 |
| Property waiting to be sold (land replacement for government - expropriated land) (Note 11) | - | - | 160,632 | 1 | Treasury stock transactions | 204,272 | 1 | 19,894 | - |
| Refundable deposits (Notes 8 and 12) | 166,537 | 1 | 161,702 | 1 | Reserve for asset revaluation increment | 883,944 | 2 | 614,880 | 2 |
| Prepaid pension costs (Notes 2 and 23) | 87,597 | - | 109,236 | - | Long-term equity investments | 324,135 | 1 | 313,621 | 1 |
| Miscellaneous | 30,118 | - | 41,237 | - | Total capital surplus | 4,019,210 | 11 | 3,555,254 | 10 |
| Total other assets | 746,774 | 2 | 935,329 | 3 | Retained earnings: | | | | |
| | | | | | Legal reserve | 1,179,369 | 3 | 1,031,416 | 3 |
| | | | | | Special reserve | 2,159,977 | 6 | 2,159,977 | 6 |
| | | | | | Unappropriated earnings | 1,149,216 | 3 | 1,485,215 | 5 |
| | | | | | Total retained earnings | 4,488,562 | 12 | 4,676,608 | 14 |
| | | | | | Other equity adjustments | | | | |
| | | | | | Unrealized valuation losses on long-term equity investments | (349,486) | (1) | (474,272) | (2) |
| | | | | | Cumulative translation adjustments | (18,875) | - | (96,459) | - |
| | | | | | Net loss not recognized as pension costs | (9,669) | - | (14,067) | - |
| | | | | | Total other equity adjustments | (378,030) | (1) | (584,798) | (2) |
| | | | | | Treasury stock - 33,830 thousand shares in 2005 and 44,977 thousand shares in 2004 | (210,379) | - | (293,659) | (1) |
| | | | | | Total stockholders' equity | 18,283,333 | 50 | 17,223,853 | 50 |
| TOTAL | \$ 36,827,556 | 100 | \$ 34,716,132 | 100 | TOTAL | \$ 36,827,556 | 100 | \$ 34,716,132 | 100 |

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

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2005 AND 2004

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

| | 2005 | | 2004 | |
|---|-------------------|------------|-------------------|------------|
| | Amount | % | Amount | % |
| REVENUES | | | | |
| Sales (Notes 2 and 24) | \$ 17,872,659 | 98 | \$ 16,827,261 | 98 |
| Other operating revenues (Notes 2, 19 and 24) | <u>340,145</u> | <u>2</u> | <u>333,512</u> | <u>2</u> |
| Total revenues | <u>18,212,804</u> | <u>100</u> | <u>17,160,773</u> | <u>100</u> |
| COSTS (Note 21) | | | | |
| Cost of goods sold (Note 24) | 14,333,323 | 79 | 13,487,030 | 79 |
| Other operating costs (Note 19) | <u>42,278</u> | <u>-</u> | <u>41,933</u> | <u>-</u> |
| Total costs | <u>14,375,601</u> | <u>79</u> | <u>13,528,963</u> | <u>79</u> |
| GROSS PROFIT | <u>3,837,203</u> | <u>21</u> | <u>3,631,810</u> | <u>21</u> |
| OPERATING EXPENSES (Notes 7, 8, 21, 23 and 24) | | | | |
| Selling | 602,347 | 3 | 626,477 | 3 |
| General and administrative | <u>2,553,464</u> | <u>14</u> | <u>2,553,951</u> | <u>15</u> |
| Total operating expenses | <u>3,155,811</u> | <u>17</u> | <u>3,180,428</u> | <u>18</u> |
| OPERATING INCOME | <u>681,392</u> | <u>4</u> | <u>451,382</u> | <u>3</u> |
| NONOPERATING INCOME AND GAINS | | | | |
| Gain on disposal of property (Note 11) | 463,358 | 3 | - | - |
| Gains on sale of investments, net | 88,203 | 1 | 15,442 | - |
| Interest income | 5,087 | - | 1,831 | - |
| Dividend income | 86,688 | - | 50,777 | - |
| Investment income on equity-method investees (Notes 2 and 6) | - | - | 1,270,399 | 8 |
| Gains on market price recovery of short-term investments | - | - | 33,973 | - |
| Other income (Note 24) | <u>59,805</u> | <u>-</u> | <u>58,079</u> | <u>-</u> |
| Total nonoperating income and gains | <u>703,141</u> | <u>4</u> | <u>1,430,501</u> | <u>8</u> |
| NONOPERATING EXPENSES AND LOSSES | | | | |
| Investment losses on equity-method investees (Notes 2 and 6) | 132,048 | 1 | - | - |
| Interest expense (Notes 7 and 24) | 107,719 | 1 | 119,056 | 1 |
| Loss on disposal of properties and idle assets (Note 7) | 38,362 | - | 117,680 | 1 |
| Other expenses (Notes 21 and 24) | <u>65,973</u> | <u>-</u> | <u>82,054</u> | <u>-</u> |
| Total nonoperating expenses and losses | <u>344,102</u> | <u>2</u> | <u>318,790</u> | <u>2</u> |

(Continued)

| | 2005 | | 2004 | |
|--------------------------------------|-------------------|----------|---------------------|----------|
| | Amount | % | Amount | % |
| INCOME BEFORE INCOME TAX | \$ 1,040,431 | 6 | \$ 1,563,093 | 9 |
| INCOME TAX EXPENSES (Notes 2 and 20) | <u>61,005</u> | <u>1</u> | <u>83,564</u> | <u>-</u> |
| NET INCOME | <u>\$ 979,426</u> | <u>5</u> | <u>\$ 1,479,529</u> | <u>9</u> |

| | 2005 | | 2004 | |
|------------------------------|-------------------|------------------|-------------------|------------------|
| | Before Tax | After Tax | Before Tax | After Tax |
| EARNINGS PER SHARE (Note 22) | | | | |
| Basic | <u>\$ 1.05</u> | <u>\$ 0.98</u> | <u>\$ 1.60</u> | <u>\$ 1.51</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 22):

| | 2005 | | 2004 | |
|--------------------|-------------------|------------------|-------------------|------------------|
| | Before Tax | After Tax | Before Tax | After Tax |
| EARNINGS PER SHARE | | | | |
| Basic | <u>\$ 1.18</u> | <u>\$ 1.12</u> | <u>\$ 1.53</u> | <u>\$ 1.45</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, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

| | Capital Surplus (Notes 2, 7, 11, 17 and 18) | | | | | Retained Earnings (Notes 2, 17 and 20) | | | Other Equity Adjustments | | | | Total Stockholders' Equity |
|---|---|-------------------------------------|-----------------------------|---|------------------------------|--|---------------------|-------------------------|---|---|---|---------------------------------|----------------------------|
| | Capital Stock Issued and Outstanding | Additional Paid-in Capital - Common | Treasury Stock Transactions | Reserve for Asset Revaluation Increment | Long-term Equity Investments | Legal Reserve | Special Reserve | Unappropriated Earnings | Unrealized Valuation Loss on Long-term Equity Investments (Note 2 and 17) | Cumulative Translation Adjustments (Note 2) | Net Loss not Recognized as Pension Cost (Note 17) | Treasury Stock (Notes 2 and 18) | |
| BALANCE, JANUARY 1, 2004 | \$ 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) |
| Reversal of unrealized valuation losses on long-term investments | - | - | - | - | - | - | - | - | 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 |
| Appropriation of prior year's earnings: | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | 147,953 | - | (147,953) | - | - | - | - | - |
| Stock dividends - 5% | 493,522 | - | - | - | - | - | - | (493,522) | - | - | - | - | - |
| Cash dividends - \$0.6 per share | - | - | - | - | - | - | - | (592,227) | - | - | - | - | (592,227) |
| Employee bonuses | - | - | - | - | - | - | - | (46,699) | - | - | - | - | (46,699) |
| Remuneration to directors and supervisors | - | - | - | - | - | - | - | (35,024) | - | - | - | - | (35,024) |
| Adjustment on gain from disposal of property (Note 11) | - | - | - | (49,756) | - | - | - | - | - | - | - | - | (49,756) |
| Adjustment due to a decrease in land revaluation increment tax rate | - | - | - | 318,820 | - | - | - | - | - | - | - | - | 318,820 |
| Adjustment due to disposal of parent's stocks by subsidiaries | - | - | 184,378 | - | - | - | - | - | - | - | - | 83,280 | 267,658 |
| Reversal of unrealized valuation losses on long-term investments | - | - | - | - | - | - | - | - | 124,786 | - | - | - | 124,786 |
| Translation adjustments on long-term equity investments | - | - | - | - | - | - | - | - | - | 10,979 | - | - | 10,979 |
| Adjustment reported by equity-method investees | - | - | - | - | 10,514 | - | - | - | - | 66,605 | 4,398 | - | 81,517 |
| Net income in 2005 | - | - | - | - | - | - | - | 979,426 | - | - | - | - | 979,426 |
| BALANCE, DECEMBER 31, 2005 | <u>\$ 10,363,970</u> | <u>\$ 2,606,859</u> | <u>\$ 204,272</u> | <u>\$ 883,944</u> | <u>\$ 324,135</u> | <u>\$ 1,179,369</u> | <u>\$ 2,159,977</u> | <u>\$ 1,149,216</u> | <u>\$ (349,486)</u> | <u>\$ (18,875)</u> | <u>\$ (9,669)</u> | <u>\$ (210,379)</u> | <u>\$ 18,283,333</u> |

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

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2005 AND 2004 (In Thousands of New Taiwan Dollars)

| | 2005 | 2004 |
|---|--------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 979,426 | \$ 1,479,529 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 429,111 | 415,513 |
| Amortization of deferred charges | 16,658 | 17,624 |
| Amortization of leasehold rights included as part of rental expense | 74,667 | 74,667 |
| Gains on market price recovery of short-term investments | - | (33,973) |
| Gain on disposal of property (Note 11) | (463,358) | - |
| Cash dividends from equity-method investees | 161,598 | 48,615 |
| Investment loss (gain) on equity-method investees, net | 132,048 | (1,270,399) |
| Loss on disposal of properties, net | 36,794 | 117,552 |
| Deferred income taxes | 60,553 | 83,380 |
| (Increase) decrease in prepaid pension cost | 21,639 | (29,521) |
| Net changes in operating assets and liabilities | | |
| Notes receivable | (18,165) | 10,382 |
| Accounts receivable | (26,242) | (12,541) |
| Other receivables | 135,828 | 9,200 |
| Inventories | (47,657) | 48,404 |
| Prepayments | 949 | 7,700 |
| Other current assets | 3,664 | 21,020 |
| Accounts payable | 160,973 | (617,498) |
| Income tax payable | - | (3,327) |
| Accrued expenses | 30,081 | (67,019) |
| Advanced receipts | 173,862 | 298,918 |
| Other current liabilities | <u>23,901</u> | <u>(53,942)</u> |
| Net cash provided by operating activities | <u>1,886,330</u> | <u>544,284</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| (Increase) decrease in short-term investments, net | (604,954) | 370,019 |
| Decrease in pledged time deposits | 2,000 | - |
| Acquisition of long-term investments | (1,809,678) | (160,192) |
| Return of capital due to subsidiary's capital reduction | - | 399,680 |
| Proceeds from disposals of properties and idle properties | 165,790 | 758 |
| Acquisition of properties and idle properties | (1,039,277) | (1,486,580) |
| Proceeds from disposal of property (Note 11) | 480,806 | - |
| Increase in refundable deposits | (4,835) | (2,965) |
| Increase in other assets | <u>(5,539)</u> | <u>-</u> |
| Net cash used in investing activities | <u>(2,815,687)</u> | <u>(879,280)</u> |

(Continued)

| | 2005 | 2004 |
|--|---------------------|-------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short-term debts | \$ 345,000 | \$ (215,000) |
| (Decrease) increase in short-term notes and bills payable | (598,565) | 269,018 |
| Proceeds from issuance of bonds | 500,000 | - |
| Repayments of bonds issued | (600,000) | (300,000) |
| Increase in long-term borrowings | 2,110,667 | 1,007,100 |
| Decrease in deposits received | (785) | (554) |
| Increase (decrease) in other liabilities | 10 | (9) |
| Proceeds from transferred treasury stock | - | 103,603 |
| Cash dividend, bonuses paid to employees and remuneration paid to supervisors and directors | <u>(673,950)</u> | <u>(261,344)</u> |
| Net cash provided by financing activities | <u>1,082,377</u> | <u>602,814</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 153,020 | 267,818 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>434,207</u> | <u>166,389</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 587,227</u> | <u>\$ 434,207</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 253,292 | \$ 256,530 |
| Less: Capitalized interest | <u>128,771</u> | <u>130,789</u> |
| Interest paid, excluding capitalized interest | <u>\$ 124,521</u> | <u>\$ 125,741</u> |
| Income tax paid | <u>\$ 1,060</u> | <u>\$ 3,597</u> |
| NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Proceeds from disposal of properties classified as other receivables | <u>\$ 115,564</u> | <u>\$ -</u> |
| Compensative receivable from reduced payment for land purchased | <u>\$ 386,280</u> | <u>\$ -</u> |
| Idle properties reclassified into properties | <u>\$ -</u> | <u>\$ 56,814</u> |
| Land to be exchanged by the government reclassified into properties | <u>\$ -</u> | <u>\$ 385,341</u> |
| Adjustment to advanced receipts and depreciation | <u>\$ 143,371</u> | <u>\$ 117,171</u> |
| Adjustment to advanced receipts and loss on disposal of properties | <u>\$ -</u> | <u>\$ 38,956</u> |
| Adjustment to the cost of property waiting to be sold and reserve for land revaluation increment tax | <u>\$ 93,428</u> | <u>\$ -</u> |
| Adjustment to the cost of property waiting to be sold and capital surplus | <u>\$ 49,756</u> | <u>\$ -</u> |
| Adjustment to the cost of buildings and payable on properties | <u>\$ 51,198</u> | <u>\$ -</u> |
| Refundable deposits reclassified into others receivables | <u>\$ -</u> | <u>\$ 50,000</u> |
| Current portion of bonds issued | <u>\$ 2,300,000</u> | <u>\$ 600,000</u> |
| Current portion of long-term borrowings | <u>\$ 535,700</u> | <u>\$ 285,700</u> |
| Current portion of franchise liabilities | <u>\$ 460,284</u> | <u>\$ 466,613</u> |
| Credit balance of long-term investments reclassified into other liabilities | <u>\$ 12,973</u> | <u>\$ 22,129</u> |

(Continued)

| | 2005 | 2004 |
|--|---------------------|---------------------|
| CASH PAID FOR ACQUISITION OF PROPERTIES AND IDLE PROPERTIES | | |
| Acquisition of properties and idle properties | \$ 671,973 | \$ 810,306 |
| Decrease in unfinished construction | (111,979) | - |
| Decrease in balance payable - properties | 12,670 | 45,569 |
| Decrease in franchise liabilities | <u>466,613</u> | <u>630,705</u> |
| | <u>\$ 1,039,277</u> | <u>\$ 1,486,580</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, 2005 AND 2004 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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, 2005. Its shares are listed on the Taiwan Stock Exchange.

The Company had 1,483 and 1,470 employees as of December 31, 2005 and 2004, 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

Cash and cash equivalents and other assets to be converted to cash, sold or consumed within one year from the balance sheet date are classified as current. Obligations to be paid or settled within one year from the balance sheet date 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 market value of funds is determined at the net asset value of the funds at the end of the year, and the market value of listed stocks is determined at the average closing prices of the listed stocks in the last month of the year.

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 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 investment is identified as impaired on the balance sheet date, the carrying amount of the investment is reduced to reflect other-than-temporary decline, with the impairment loss charged to current income.

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

Starting in 2005, if the Company's cumulative share in an investee's net loss exceeds the original investment acquisition cost, the entire amount of the loss will be recognized by the Company unless other stockholders of the investee commit to provide financial support to the investee. If the investee returns to profitable operations, the Company will have precedence over other stockholders in sharing in the investee's profits until the Company fully recovers from its investment loss.

Investments in which the Company exercises 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 have quoted market prices. 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.

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

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

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

If asset impairment is identified on the balance sheet date and the carrying amount of an asset exceeds its recoverable amount, the excess is recognized as a loss. If the recoverable amount increases, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized.

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 two types of pension plans: defined contribution and defined benefit.

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

Deferred Income

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

Revenue Recognition

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

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

Concessionaires' Sales

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

Treasury Stock

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

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

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

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.

3. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | <u>2005</u> | <u>2004</u> |
| Cash | | |
| Cash on hand and petty cash | \$ 63,604 | \$ 48,380 |
| Checking accounts | 445,749 | 105,793 |
| Savings accounts | 17,874 | 16,514 |
| Cash equivalents | | |
| Commercial paper - annual discount rates of 1.37% in 2005 and 1.12%-1.15% in 2004 | <u>60,000</u> | <u>263,520</u> |
| | <u>\$ 587,227</u> | <u>\$ 434,207</u> |

4. SHORT-TERM INVESTMENTS, NET

| | <u>December 31</u> | |
|---|--------------------|-------------------|
| | <u>2005</u> | <u>2004</u> |
| Mutual funds | \$ 830,000 | \$ 50,000 |
| Common stocks - traded over the counter | <u>-</u> | <u>175,046</u> |
| | <u>\$ 830,000</u> | <u>\$ 225,046</u> |

The fair values of the short-term investments as of December 31, 2005 and 2004 were \$830,028 thousand and \$289,270 thousand, respectively.

5. INVENTORIES, NET

| | <u>December 31</u> | |
|----------------------------|--------------------|-------------------|
| | <u>2005</u> | <u>2004</u> |
| Merchandise | \$ 231,474 | \$ 186,972 |
| Others | <u>14,479</u> | <u>11,324</u> |
| | 245,953 | 198,296 |
| Less: Allowance for losses | <u>9,310</u> | <u>9,310</u> |
| | <u>\$ 236,643</u> | <u>\$ 188,986</u> |

As of December 31, 2005, the maximum insurance indemnification to which the Company is entitled for any loss on inventory, properties, properties leased to others and idle properties was \$14,345,899 thousand.

6. LONG-TERM INVESTMENTS, NET

| | December 31 | | | |
|--|-------------------|------------------------|-------------------|------------------------|
| | 2005 | | 2004 | |
| | Carrying Value | % of Owner- ship | Carrying Value | % of Owner- ship |
| <u>Equity method</u> | | | | |
| Stocks with no quoted market prices: | | | | |
| Oriental Securities | \$ 2,151,127 | 20 | \$ 2,043,606 | 20 |
| FEDS Asia Pacific Development | 1,508,186 | 69 | 1,485,071 | 69 |
| Bai Yang Investment (“Bai Yang”) | 1,434,560 | 100 | 1,360,871 | 100 |
| Bai Ding Investment | 1,415,511 | 100 | 1,107,483 | 100 |
| Pacific Liu Tong Investment | 1,370,023 | 36 | 1,050,487 | 36 |
| Far Eastern International Leasing Corp. | 1,357,991 | 34 | - | - |
| Far Eastern Geant Co., Ltd. (“FE GEANT”) | 850,709 | 50 | 1,111,078 | 50 |
| FEDS Development | 295,071 | 76 | 294,550 | 100 |
| FEDS New Century Development | 184,803 | 100 | 155,950 | 100 |
| Yu Ming Advertising Agency | 47,505 | 100 | 35,018 | 100 |
| Ya Tung Department Stores (YTDS) | 36,244 | 75 | 18,058 | 73 |
| Far Eastern Hon Li Do Co., Ltd. | 20,260 | 55 | 15,639 | 55 |
| Ding Ding Integrated Marketing Service | 18,149 | 10 | 27,371 | 10 |
| Asians Merchandise Co. | 4,877 | 100 | - | - |
| Bai Chin (Singapore) Pte. Ltd. | 394 | 90 | 516 | 90 |
| Far Eastern CitySuper Ltd. | (12,973) | 87 | 111,176 | 87 |
| Far Eastern Department Stores (U.S.A.) Inc. (FEDS-USA) | - | - | (22,129) | 100 |
| | <u>10,682,437</u> | | <u>8,794,745</u> | |
| Add: Reclassification of credit balance in long-term investment as other liability | <u>12,973</u> | | <u>22,129</u> | |
| Less: Common stock held by subsidiaries and reclassified from short/long-term investments to treasury stock | | | | |
| Bai Ding Investment | 173,175 | | 229,831 | |
| Bai Yang Investment (“Bai Yang”) | 37,204 | | 57,891 | |
| Yu Ming Advertising Agency | - | | 5,937 | |
| | <u>210,379</u> | | <u>293,659</u> | |
| | <u>10,485,031</u> | | <u>8,523,215</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> | |

(Continued)

| | December 31 | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2005 | | 2004 | |
| | Carrying Value | % of Ownership | Carrying Value | % of Ownership |
| 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 Co., Ltd. | 10 | - | 10 | - |
| Hwa An International Trade | - | - | - | - |
| | <u>107,370</u> | | <u>107,370</u> | |
| | <u>1,479,081</u> | | <u>1,479,081</u> | |
| Prepayment for long-term investments in stocks | | | | |
| Far Eastern Citysuper Ltd. | <u>30,000</u> | - | <u>-</u> | - |
| | <u>\$ 11,994,112</u> | | <u>\$ 10,002,296</u> | |

The carrying values of equity-method investments, except those in Bai Chin (Singapore) Pte. Ltd. and Asians Merchandise Co. in 2005 and Bai Chin (Singapore) Pte. Ltd. and FEDS-USA in 2004, were based on audited financial statements. There is no material effect expected on our financial position if all investees were audited.

The cost-method investments were as follows:

| | December 31 | |
|---|--------------------|--------------|
| | 2005 | 2004 |
| Listed stocks - market value | \$ 1,582,311 | \$ 1,727,949 |
| Stocks with no quoted market prices - equity in the net assets of investees (based on audited and unaudited financial statements) | 109,175 | 112,338 |

In January 2005, the Company subscribed for 104,196 thousand shares (34% equity) of Far Eastern International Leasing Corp. at NT\$13.00 per share and increased its equity on YTDS by 75% by subscribing for 6,089 thousand shares of YTDS at NT\$10.00 per share.

The Company paid \$28,238 thousand to subscribe for 180 thousand shares of FEDS-USA in June 2005 and subscribed for 3,600 thousand shares of Yu Ming Advertising Agency at NT\$10.00 per share in August 2005. The Company subscribed for 3,000 thousand shares of Far Eastern CitySuper Ltd. at NT\$10.00 per share in December 2005. However, the registration of Far Eastern CitySuper Ltd.'s capital had not been completed as of December 31, 2005. Thus, the investment in Far Eastern City Super Ltd. of \$30,000 thousand was classified as prepayment for long-term investments in stocks.

FEDS-USA went into liquidation and transferred its investment in Asians Merchandise Co. to the Company on September 30, 2005. The liquidation of FEDS-USA had been completed on November 1, 2005.

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.

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.

On February 4, 2005, the Company's board of directors resolved to invest US\$2,000 thousand in FEDS Development to set up Tain Ching Far Eastern Department Stores, Ltd. in Mainland China. The Investment Commission approved this investment. On April 6, 2005, the Company's board of directors resolved to invest - through FEDS Development - US\$2,900 thousand provided by its subsidiary (Bai Yang) in Tianjin FEDS Limits., Co. in Mainland China. This investment had been approved by the Investment Commission and remitted to Mainland China.

All of the accounts of the Company's subsidiaries were included in its 2005 consolidated financial statements.

7. PROPERTIES

| | <u>December 31</u> | |
|---|----------------------|----------------------|
| | <u>2005</u> | <u>2004</u> |
| Cost | \$ 13,036,298 | \$ 13,627,527 |
| Revaluation increment | | |
| Land | 1,183,852 | 1,183,852 |
| Buildings and equipment | <u>10,919</u> | <u>13,725</u> |
| | <u>1,194,771</u> | <u>1,197,577</u> |
| Total cost and appreciation | <u>14,231,069</u> | <u>14,825,104</u> |
| Less: Accumulated depreciation | | |
| On cost | | |
| Buildings and equipment | 1,617,565 | 1,484,523 |
| Furniture and equipment | <u>1,568,876</u> | <u>1,511,722</u> |
| | 3,186,441 | 2,996,245 |
| On appreciation | | |
| Buildings and equipment | <u>8,195</u> | <u>10,848</u> |
| Total accumulated depreciation | <u>3,194,636</u> | <u>3,007,093</u> |
| | 11,036,433 | 11,818,011 |
| Unfinished construction | 4,698,008 | 4,683,188 |
| Leasehold right, net (Note 8) | 4,069,133 | 4,129,298 |
| Properties leased to others, net (Note 9) | <u>1,604,237</u> | <u>1,620,095</u> |
| | <u>\$ 21,407,811</u> | <u>\$ 22,250,592</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. 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 - reserve for asset revaluation increment.

Depreciation expenses were \$429,111 thousand in 2005 and \$410,897 thousand in 2004. Capitalized interest expenses were \$128,771 thousand in 2005 and \$130,789 thousand in 2004. The interest rate used in computing the amounts capitalized ranged from 2.31% to 2.58% in 2005 and 2.50% to 2.80% in 2004.

In February 2005, the Company entered into a contract with Far Eastern Construction Company (FECC) to build a mall on the land owned by the Company and FECC for the Company's customers in the Pan-Chiao City area. Under the contract, the cost of the construction would be paid on the basis of land ownership ratio. Thus, as of December 31, 2005, FECC had paid the Company \$111,979 thousand for the construction. The construction cost as of December 31, 2004 consisted mainly of the acquisition cost for land located in Pan-Chiao City and architect's fee of \$4,697,868 thousand.

In June 2005, the Company entered into an agreement to sell the land and building located in Tainan City to a related party, Yuan Bo Asset Management Company. The proceeds of this sale were \$291,244 thousand (including VAT of \$5,778 thousand). After the deduction of the relevant cost of \$286,359 thousand and expense and tax of \$6,307 thousand, the gain on this disposal was \$7,200 thousand. However, a portion of the proceeds, amounting to \$121,342 thousand (including VAT \$5,778 thousand), had been unpaid as of December 31, 2005 and was thus classified as other receivables, to be collected within one year from the date of sale in July 2005. The transference of the title to the land and the building was registered in July 2005 and September 2005, respectively.

8. LEASEHOLD RIGHTS, NET

| | <u>December 31</u> | |
|--------------------------------|---------------------|---------------------|
| | <u>2005</u> | <u>2004</u> |
| Cost | \$ 4,530,780 | \$ 4,516,278 |
| Less: Accumulated amortization | <u>461,647</u> | <u>386,980</u> |
| | <u>\$ 4,069,133</u> | <u>\$ 4,129,298</u> |

- a. The land use rights for A13 in the Hsinyi district, amounting to \$3,146,638 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. The monthly rent is \$54,429 in 2005 and 2004, shown as rent expense (under operating expense).

In September 2003, the Company paid \$959,066 thousand, or 30% of the total land use rights payment. The rest, amounting to \$2,237,822 thousand, would be paid annually in five consecutive years at no interest. After the deduction of unrealized interest expenses of \$78,937 thousand, the net value of the rights was \$2,158,885 thousand, shown as accrued franchised liabilities. In 2005, the franchised liabilities amounted to \$1,061,567 thousand, current portion was \$460,284 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 2005 and 2004.

9. PROPERTIES LEASED TO OTHERS, NET

| | December 31 | |
|--------------------------------|---------------------|---------------------|
| | 2005 | 2004 |
| Cost | | |
| Land | \$ 966,002 | \$ 966,002 |
| Buildings and equipment | 528,282 | 528,170 |
| Furniture and equipment | <u>9,732</u> | <u>9,732</u> |
| | <u>1,504,016</u> | <u>1,503,904</u> |
| Revaluation increment | | |
| Land | 211,744 | 211,744 |
| Building and equipment | <u>3,027</u> | <u>3,027</u> |
| | <u>214,771</u> | <u>214,771</u> |
| Less: Accumulated depreciation | | |
| Cost | | |
| Buildings and equipment | 102,904 | 87,019 |
| Furniture and equipment | <u>9,674</u> | <u>9,635</u> |
| | 112,578 | 96,654 |
| Revaluation increment | | |
| Building and equipment | <u>1,972</u> | <u>1,926</u> |
| Total accumulated depreciation | <u>114,550</u> | <u>98,580</u> |
| | <u>\$ 1,604,237</u> | <u>\$ 1,620,095</u> |

The Company's lease contracts are mainly as follows:

- a. The Company leases the land located in Yung-Kang Tainan County to Far Eastern Hon Li Do Co. and Far Eastern Geant Co., Ltd. under a contract expiring on September 23, 2015. Under the contract, the Company received deposits of \$13,380 thousand from Far Eastern Hon Li Do Co., classified as deposits received, and receives monthly rent from Far Eastern Geant Co., Ltd. The monthly rent has been adjusted to \$8,886 thousand since October 2005.
- b. The Company leases the site located in Kaohsiung City to two related parties, Far Eastern International Bank and Oriental Securities Co., for their office building; the lease terms will end in February 2010 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 has been adjusted to \$3,005 thousand since July 2005. The monthly rent has been adjusted to \$3,486 thousand since November 2005. 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 | |
|-------------|---------------------|
| 2006 | \$ 230,685 |
| 2007 | 225,385 |
| 2008 | 224,157 |
| 2009 | 224,692 |
| 2010 | <u>221,706</u> |
| | <u>\$ 1,126,625</u> |

10. IDLE PROPERTIES, NET

| | December 31 | |
|---------------------------------------|--------------------|-------------------|
| | 2005 | 2004 |
| Cost | | |
| Land | \$ 153,247 | \$ 153,247 |
| Buildings and equipment | 225,078 | 225,078 |
| Furniture and equipment | <u>28,403</u> | <u>28,403</u> |
| | <u>406,728</u> | <u>406,728</u> |
| Revaluation increment | | |
| Land | 255,291 | 255,291 |
| Buildings and equipment | <u>16,470</u> | <u>16,470</u> |
| | <u>271,761</u> | <u>271,761</u> |
| | 678,489 | 678,489 |
| Less: Allowance for impairment losses | <u>215,967</u> | <u>215,967</u> |
| | <u>\$ 462,522</u> | <u>\$ 462,522</u> |

11. PROPERTY SOLD (LAND REPLACEMENT FOR GOVERNMENT-EXPROPRIATED LAND)

| | December 31 | |
|-----------------------|--------------------|-------------------|
| | 2005 | 2004 |
| Land | | |
| Cost | \$ - | \$ 7,646 |
| Revaluation increment | <u>-</u> | <u>152,986</u> |
| | <u>\$ -</u> | <u>\$ 160,632</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 and the title of the land was transferred to the Company on February 15, 2005; thus, the cost \$7,646 thousand and revaluation increment on property of \$152,986 thousand should be reclassified as property for disposal. Proceeds from disposal of the land were \$496,720 thousand. After the deduction from the proceeds of the relevant cost and revaluation increment of \$160,632 thousand, relevant expenses and tax of \$15,914 thousand, capital surplus of \$49,756 thousand reserved for asset revaluation increment in prior years and reserve of \$93,428 thousand for land revaluation increment tax, the gain on disposal of properties was \$463,358 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>2005</u> | <u>2004</u> |
| Deposits on lease contracts | \$ 150,252 | \$ 150,252 |
| Others | <u>16,285</u> | <u>11,450</u> |
| | <u>\$ 166,537</u> | <u>\$ 161,702</u> |

13. SHORT-TERM DEBTS

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2005</u> | <u>2004</u> |
| Unsecured bank loan - interest from 1.400% to 1.448% in 2005 and 1.25% to 1.30% in 2004 | \$ 1,000,000 | \$ 1,005,000 |
| Secured bank loan - interest from 1.448%-1.449% | <u>350,000</u> | <u>-</u> |
| | <u>\$ 1,350,000</u> | <u>\$ 1,005,000</u> |

14. SHORT-TERM NOTES AND BILLS PAYABLE

| | <u>December 31</u> | | | |
|--|--------------------|-------------------|-----------------|-------------------|
| | <u>2005</u> | | <u>2004</u> | |
| | <u>Interest</u> | | <u>Interest</u> | |
| | (%) | Value | (%) | Value |
| China Bills Finance | 1.32-1.36 | \$ 250,000 | 1.102 | \$ 200,000 |
| Taiwan Finance | 1.15 | 150,000 | 1.00 | 50,000 |
| Chung Hsing Bills Finance | - | - | 1.01 | 550,000 |
| International Bills Finance | - | - | 0.94 | 100,000 |
| Fu Bon Bills Finance | - | <u>-</u> | 1.05 | <u>100,000</u> |
| | | 400,000 | | 1,000,000 |
| Less: Discount on commercial paper payable | | <u>460</u> | | <u>1,895</u> |
| | | <u>\$ 399,540</u> | | <u>\$ 998,105</u> |

15. BONDS ISSUED

| | Due in One Year | Due Over One Year | Total |
|-----------------------------------|----------------------------|------------------------------|---------------------|
| <u>December 31, 2005</u> | | | |
| Domestic secured bonds issued on: | | | |
| February 7 and 8, 2001 | \$ 300,000 | \$ - | \$ 300,000 |
| 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 | - | 1,200,000 | 1,200,000 |
| August 12, 2005 | - | 500,000 | 500,000 |
| | <u>\$ 2,300,000</u> | <u>\$ 3,700,000</u> | <u>\$ 6,000,000</u> |
| <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 | - | 1,200,000 | 1,200,000 |
| | <u>\$ 600,000</u> | <u>\$ 5,500,000</u> | <u>\$ 6,100,000</u> |

- a. 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.

- b. 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.
- c. 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.
- d. 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.

- e. 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.
- f. 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.
- g. 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.
- h. The average face value of domestic secured bonds issued on August 12, 2005 was \$500,000 thousand. The bond will all mature on August 12, 2010. Interest on all bond is 1.81% payable annually.
- i. 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 were repayable on July 28, 2004 and 2005 at \$150,000 thousand for each payment period.

16. LONG-TERM BORROWINGS

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2005</u> | <u>2004</u> |
| Secured bank loan - interest from 1.51% to 2.00% in 2005 and 1.28% to 1.96% in 2004 | \$ 2,471,400 | \$ 1,657,100 |
| Commercial paper issued - from 1.26% to 1.612% interest | 896,367 | - |
| Unsecured bank loan - interest from 1.44% to 1.46% in 2005 and 1.30% to 1.40% in 2004 | <u>750,000</u> | <u>350,000</u> |
| | 4,117,767 | 2,007,100 |
| Less: Current portion | <u>535,700</u> | <u>285,700</u> |
| | <u>\$ 3,582,067</u> | <u>\$ 1,721,400</u> |

As of December 31, 2005, the secured bank loans amounted to \$571,400 thousand, repayable semiannually in three years. The other borrowings 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, 2005, unused bank credit lines aggregated \$8,281,000 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 \$2,793,000 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) at a certain percentage of the Company's paid-in capital.

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

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

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.

Based on the Company Law, legal reserve should be appropriated until the reserve equals the Company's paid-in capital. The reserve can be used to offset a deficit. If the reserve exceeds 50% of the Company's paid-in capital and the Company has no unappropriated earnings, the excess may be distributed as dividends and bonuses. The Company Law also prescribes that, when the reserve has reached 50% of the Company's paid-in capital, up to 50% of the reserve 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.

On June 7, 2005 and May 26, 2004, the Company's stockholders resolved earnings appropriation and distribution of bonus to employees and remuneration to directors and supervisors in 2004 and 2003, that is shown as follows:

| | <u>Earnings Appropriation</u> | | <u>Dividends Per Shares(NT\$)</u> | |
|---|-------------------------------|-------------------|-----------------------------------|-------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| Legal reserve | \$ 147,953 | \$ 29,671 | | |
| Stock dividend - common stock | 493,522 | - | \$ 0.50 | \$ - |
| Cash dividend - common stock | 592,227 | 243,050 | 0.60 | 0.25 |
| Bonus to employees - cash paid | 46,699 | 10,454 | | |
| Remuneration to directors and supervisors - cash paid | <u>35,024</u> | <u>7,840</u> | | |
| | <u>\$ 1,315,425</u> | <u>\$ 291,015</u> | | |

The stock issuance for the above appropriation of stock dividends was approved by the Securities and Futures Bureau (SFB), and the board of directors resolved that the effective date of stock dividend appropriation was August 10, 2005.

Had the above bonus to employees and remuneration to directors and supervisors been paid entirely in cash and charged against earnings for 2004 and 2003, the after-tax basic earnings per share would have decreased from NT\$1.51 to NT\$1.43 in 2004 and from NT\$0.33 to NT\$0.31 in 2003.

As of the accompanying auditors' report date (February 24, 2006), the board of directors had not approved the proposal on the distribution of the 2005 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

| <u>Reason for Acquisition</u> | <u>Shares in Thousands (Beginning of Year)</u> | <u>Increase</u> | <u>Decrease</u> | <u>Shares in Thousands (End of Year)</u> |
|--|--|-----------------|-----------------|--|
| <u>Year 2005</u> | | | | |
| a. Company's issued stock held by subsidiaries | <u>44,977</u> | <u>1,908</u> | <u>13,055</u> | <u>33,830</u> |
| <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> |

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. The treasury stocks held by subsidiaries increased by 1,908 thousand shares because of the Company's stock dividend distribution in 2005. Between July 2005 and December 2005, subsidiaries disposed of 13,055 treasury shares, with proceeds amounting to \$267,861 thousand. After deducting the treasury stock acquisition cost of \$83,352 thousand from the foregoing proceeds, the Company debited \$184,378 thousand to capital surplus - treasury stock transactions based on the Company's equity in these subsidiaries.

As of December 31, 2005, the book value of the treasury shares was \$210,379 thousand and fair value was \$641,395 thousand. As of December 31, 2004, the book value of the treasury shares was \$293,659 thousand and fair value was \$798,307 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. The Company's stocks held by its subsidiaries are treated as treasury stock and the holders are entitled to the rights of stockholders, except that starting from June 24, 2005, pursuant to the revised Company Law, the holders are no longer entitled to the right to vote.

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. OTHER OPERATING REVENUES AND COSTS

| | 2005 | 2004 |
|--|-------------------|-------------------|
| Other operating revenues | | |
| Concessionaires' sales | \$ 135,613 | \$ 138,322 |
| Revenue on properties leased to others | 140,256 | 138,577 |
| Revenue on parking lots | <u>64,276</u> | <u>56,613</u> |
| | <u>\$ 340,145</u> | <u>\$ 333,512</u> |
| Other operating costs | | |
| Concessionaires' sales | \$ 21,864 | \$ 21,965 |
| Revenue on properties leased to others | 7,249 | 9,553 |
| Revenue on parking lots | <u>13,165</u> | <u>10,415</u> |
| | <u>\$ 42,278</u> | <u>\$ 41,933</u> |

20. INCOME TAX

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

| | 2005 | 2004 |
|--|-----------------|-----------------|
| Tax on pretax income at 25% statutory rate | \$ 260,108 | \$ 390,773 |
| Add (deduct) tax effects of: | | |
| Permanent differences | (303,608) | (436,469) |
| Temporary differences | 92,264 | 65,283 |
| Loss carryforwards | <u>(48,764)</u> | <u>(19,587)</u> |
| Currently payable | <u>\$ -</u> | <u>\$ -</u> |

- b. Income tax expense consisted of:

| | | |
|---|------------------|------------------|
| Income tax expense - current | \$ - | \$ - |
| Prior years' adjustment | 1 | 137 |
| Income tax expense on short-term negotiable instruments taxed at 20% | 451 | 47 |
| Income tax expense - deferred | <u>60,553</u> | <u>83,380</u> |
| Income tax expense | <u>\$ 61,005</u> | <u>\$ 83,564</u> |

- c. Deferred income tax consisted of the following:

Current

Deferred income tax assets

| | | |
|--------------------------------------|-----------------|-----------------|
| Investment tax credits | \$ 20,000 | \$ 20,000 |
| Loss carryforwards | 16,243 | 63,145 |
| Allowance for doubtful accounts | 10,534 | 20,869 |
| Allowance for losses on obsolescence | 2,328 | 2,328 |
| Others | <u>7</u> | <u>1,351</u> |
| | 49,112 | 107,693 |
| Less: Valuation allowance | <u>(12,862)</u> | <u>(12,946)</u> |

| | | |
|-------------------------|------------------|------------------|
| Net deferred tax assets | <u>\$ 36,250</u> | <u>\$ 94,747</u> |
|-------------------------|------------------|------------------|

Noncurrent

Deferred income tax assets

| | | |
|--|------------------|------------------|
| Cumulative equity in net loss of investees | \$ 318,700 | \$ 209,369 |
| Less: Valuation allowance | <u>(271,391)</u> | <u>(160,209)</u> |
| | <u>47,309</u> | <u>49,160</u> |

Deferred income tax liabilities

| | | |
|---|------------------|------------------|
| Difference of depreciation expense between financial reporting and tax reporting | (238,819) | (211,584) |
| Cumulative equity in net income of foreign-domiciled investees | (54,121) | (56,613) |
| Difference of pension cost between financial income and tax income | <u>17,140</u> | <u>(7,398)</u> |
| | <u>(275,800)</u> | <u>(275,595)</u> |

| | | |
|------------------------------|---------------------|---------------------|
| Net deferred tax liabilities | <u>\$ (228,491)</u> | <u>\$ (226,435)</u> |
|------------------------------|---------------------|---------------------|

(Continued)

2005 **2004**

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

Balance of imputation credit account (ICA) \$ 75,919 \$ 36,228

The actual creditable tax ratio for earnings of the Company in 2004 was 2.72%. The projected creditable tax ratio for earnings of the Company as of December 31, 2005 was 6.61%. The imputation credit allocated to stockholders is based on the ICA balance as of the date of dividend distribution. Thus, the projected creditable ratio may change depending on the ICA balance on the date of dividend distribution.

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

The loss carryforwards and unused investment tax credits as of December 31, 2005 were as follows:

| Year | Item | Amount | Expiry Year | Status of Examination by Tax Authorities |
|------|-----------------------|-----------|-------------|--|
| 2003 | Loss carryforward | \$ 16,243 | 2008 | Unexamined |
| 2002 | Investment tax credit | \$ 20,000 | 2006 | examined |

Income tax returns through 2002 had been examined and cleared by the tax authorities.

21. PAYROLL, DEPRECIATION AND AMORTIZATION EXPENSES

| | Operating Costs | Operating Expenses | Nonoperating Expenses | Total |
|------------------|------------------|---------------------|-----------------------|---------------------|
| <u>2005</u> | | | | |
| Payroll expenses | | | | |
| Salary | \$ 15,150 | \$ 746,899 | \$ - | \$ 762,049 |
| Insurance | 1,180 | 53,061 | - | 54,241 |
| Pension | <u>1,013</u> | <u>30,025</u> | - | <u>31,038</u> |
| | 17,343 | 829,985 | - | 847,328 |
| Depreciation | 17,174 | 411,937 | - | 429,111 |
| Amortization | <u>-</u> | <u>78,057</u> | <u>13,268</u> | <u>91,325</u> |
| | <u>\$ 34,517</u> | <u>\$ 1,319,979</u> | <u>\$ 13,268</u> | <u>\$ 1,367,764</u> |
| <u>2004</u> | | | | |
| Payroll expenses | | | | |
| Salary | \$ 24,451 | \$ 723,416 | \$ - | \$ 747,867 |
| Insurance | 1,873 | 52,963 | - | 54,836 |
| Pension | <u>1,139</u> | <u>34,875</u> | - | <u>36,014</u> |
| | 27,463 | 811,254 | - | 838,717 |
| Depreciation | 17,148 | 393,749 | 4,616 | 415,513 |
| Amortization | <u>-</u> | <u>78,921</u> | <u>13,370</u> | <u>92,291</u> |
| | <u>\$ 44,611</u> | <u>\$ 1,283,924</u> | <u>\$ 17,986</u> | <u>\$ 1,346,521</u> |

22. EARNINGS PER SHARE

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

| | <u>Amount (Numerator)</u> | | Shares in Thousands (Denominator) | <u>Earnings Per Share(NT\$)</u> | |
|--------------------------------------|---------------------------|----------------------|---|-------------------------------------|----------------------|
| | <u>Before Tax</u> | <u>After Tax</u> | | <u>Before Tax</u> | <u>After Tax</u> |
| <u>2005</u> | | | | | |
| Net income of common stockholders | \$ <u>1,040,431</u> | \$ <u>979,426</u> | | | |
| Basic earnings per share | | | <u>995,407</u> | \$ <u>1.05</u> | \$ <u>0.98</u> |

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

| | <u>Amount (Numerator)</u> | | Shares in Thousands (Denominator) | <u>Earnings Per Share(NT\$)</u> | |
|--------------------------------------|---------------------------|----------------------|---|-------------------------------------|----------------------|
| | <u>Before Tax</u> | <u>After Tax</u> | | <u>Before Tax</u> | <u>After Tax</u> |
| <u>2005</u> | | | | | |
| Net income of common stockholders | \$ <u>1,224,809</u> | \$ <u>1,163,804</u> | | | |
| Basic earnings per share | | | <u>1,036,397</u> | \$ <u>1.18</u> | \$ <u>1.12</u> |

2004

| | | | | | |
|--------------------------------------|---------------------|---------------------|----------------|----------------|----------------|
| Net income of common stockholders | \$ <u>1,563,093</u> | \$ <u>1,479,529</u> | | | |
| Basic earnings per share | | | <u>979,376</u> | \$ <u>1.60</u> | \$ <u>1.51</u> |

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

| | <u>Amount (Numerator)</u> | | Shares in Thousands (Denominator) | <u>Earnings Per Share(NT\$)</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 | \$ <u>1,567,601</u> | \$ <u>1,484,037</u> | | | |
| Basic earnings per share | | | <u>1,026,602</u> | \$ <u>1.53</u> | \$ <u>1.45</u> |

The denominators for the purposes of calculating the above basic EPS had been adjusted retroactively to reflect the issuance of stock dividends in August 2005 (see Note 17). This adjustment caused the basic EPS in 2004 before and after tax to decrease from NT\$1.68 to NT\$1.60 and from NT\$1.59 to NT\$1.51, respectively.

23. PENSION PLAN

The Labor Pension Act (the "Act"), which took effect and the pension mechanism under the Act is deemed a defined contribution plan. The employees who were subject to the Labor Standards Law before July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Act or continue to be subject to the pension mechanism under the Labor Standards Law. For Company employees who were subject to the Labor Standards Law before July 1, 2005 and chose to be subject instead to the pension mechanism under the Act, their service years as of June 30, 2005 were retained. Based on the Act, the Company's rate of monthly contributions to employees' individual pension accounts is at 6% of monthly salaries and wages starting on July 1, 2005. Thus, the Company's monthly contributions to employees' pension accounts, which were recognized as pension costs, amounted to \$9,399 thousand in the second half of 2005.

The Company has a defined benefit plan under the Labor Standards Law, which provides benefits based on an employee's length of service and average salary of the six months before retirement. The Company contributes an amount equal to 6% of monthly salaries and wages to a pension fund. This fund is administered by a pension fund monitoring committee and deposited in the committee's name in the Central Trust of China.

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

| | 2005 | 2004 |
|--|-------------------|-------------------|
| a. Net periodic pension cost | | |
| Service cost | \$ 20,626 | \$ 29,485 |
| Interest cost | 17,087 | 16,955 |
| Projected return on plan assets | (15,007) | (13,139) |
| Amortization | <u>(1,067)</u> | <u>2,713</u> |
| | <u>\$ 21,639</u> | <u>\$ 36,014</u> |
| b. Reconciliation of the funded status of the plan and prepaid pension cost | | |
| Present value of benefit obligation: | | |
| Vested benefit obligation | \$ (110,116) | \$ (92,661) |
| Non-vested benefit obligation | <u>(228,153)</u> | <u>(282,657)</u> |
| Accumulated benefit obligation | (338,269) | (375,318) |
| Additional benefits based on future salaries | <u>(67,075)</u> | <u>(152,092)</u> |
| Projected benefit obligation | (405,344) | (527,410) |
| Fair value of plan assets | <u>489,502</u> | <u>463,406</u> |
| Funded status | 84,158 | (64,004) |
| Unrecognized net transition assets | (172,993) | (192,215) |
| Unrecognized prior service cost due to the adoption of the Labor Standards Law in 1998 | (17,778) | (19,145) |
| Unrecognized net actuarial loss | <u>194,210</u> | <u>384,600</u> |
| Prepaid pension cost | <u>\$ 87,597</u> | <u>\$ 109,236</u> |
| c. Vested benefits - undiscounted | <u>\$ 133,416</u> | <u>\$ 121,011</u> |

(Continued)

| | 2005 | 2004 |
|---|------------------|------------------|
| d. Actuarial assumptions | | |
| Discount rate used in determining present value | 3.25% | 3.25% |
| Future salary increase rate | 2.00% | 3.00% |
| Expected rate of return on plan assets | 3.25% | 3.25% |
| e. Contributions to and payments from the fund | | |
| Contributions | \$ - | \$ 65,535 |
| Payments | <u>\$ 47,581</u> | <u>\$ 49,744</u> |

24. RELATED-PARTY TRANSACTIONS

Significant related party transactions, in addition to those shown in Notes 7, 9, 16 and 26, 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 Hon Li Do Co., Ltd. | Equity-method investee |
| Bai Ding Investment Co. | Equity-method investee |
| Ya Tung Department Stores | Equity-method investee |
| Oriental Securities Corporation | Equity-method investee |
| FEDS Asia Pacific Development Co., Ltd. | Equity-method investee |
| Yu Ming Advertising Agency Co. | Equity-method investee |
| Bai Yang Investment Co. | Equity-method investee |
| FEDS New Century Development | Equity-method investee |
| Far Eastern CitySuper Ltd. | Equity-method investee |
| Pacific Liu Tong Investment Co. | Equity-method investee |
| Ding Ding Integrated Marketing Service | Equity-method investee |
| Far Eastern International Leasing Corp. | 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 |
| New Century Infocom Tech., Co., Ltd. | Same director |
| Far Eastern Construction Company | Same director |
| Pacific Sogo Department Stores Co., Ltd. | An indirect subsidiary |
| Far Eastern Apparel Co., Ltd. | An indirect subsidiary of Far Eastern Textile Co. |
| Yuan Bo Asset Management Company | An indirect subsidiary of Far Eastern International Leasing Corp. |
| Others | Others (no transactions; see Table 10) |

25. ASSETS PLEDGED OR MORTGAGED

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

| | 2005 | 2004 |
|----------------------------|----------------------|----------------------|
| Pledged time deposits | \$ 2,000 | \$ 4,000 |
| Long-term investments, net | 2,041,552 | 2,197,216 |
| Properties, net | 9,767,340 | 10,580,336 |
| Idle properties, net | <u>278,445</u> | <u>278,445</u> |
| | <u>\$ 12,089,337</u> | <u>\$ 13,059,997</u> |

26. COMMITMENTS AND CONTINGENT LIABILITIES AS OF DECEMBER 31, 2005

Significant commitments and contingent liabilities are summarized as follows:

- a. Unused letters of credit aggregated \$4,083 thousand.
- b. Outstanding construction contracts aggregated \$178,935 thousand.
- c. Guarantees on the loans of related parties were as follows:

| | |
|-----------------------------------|----------------------|
| Bai-Ding Investment Corporation | \$ 2,744,156 |
| Pacific Sogo Department Store Co. | 3,590,056 |
| Far Eastern Geant Co., Ltd. | 1,595,000 |
| FEDS Asia Pacific Development | 1,195,000 |
| Tianjin FEDS Limits., Co | 476,252 |
| Far Eastern Citysuper Ltd. | 195,333 |
| Far Eastern Hon Li Do Co., Ltd. | 165,000 |
| Yu Ming Advertising Agency Co. | <u>69,166</u> |
| | <u>\$ 10,029,963</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. The refundable deposits were reclassified as other receivables on December 31, 2004 and were collected in December 2005.

- 4) On November 28, 2005, the Company paid a deposit of \$5,100 thousand, shown as part of refundable deposits, to enter a bid on the right to lease land owned by the Ministry of Education and located in Taichung City. The Company won the bid and thus got back its refundable deposit. The Company then used a credit letter guaranteed by the International Commercial Bank of China to secure its execution of the leasing rights. The credit letter will expire on December 25, 2006. As of December 31, 2005, the Company had not signed a new lease contract with the Ministry of Education.

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 |
|-------------|-----------------------|
| 2006 | \$ 414,750 |
| 2007 | 332,013 |
| 2008 | 324,965 |
| 2009 | 323,556 |
| 2010 | <u>323,556</u> |
| | <u>\$ 1,718,840</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 unfinished construction to the cost of property. However, as of December 31, 2002, the Company had not paid the construction final payment of \$457,819 thousand, shown as part of payable on properties.

On January 23, 2003, TDTC sued the Company for not making the final payment of \$1,020,367 thousand (the final payment for the sales contract and additional payment for the change of design) and demanded that the Company make this payment plus interest. On February 14, 2006, the Taipei District Court ruled that the Company should pay TDTC \$724,111 thousand plus an (a) interest, from June 5, 2002 to the full-repayment date, of \$692,801 thousand based on the 0.03% daily interest rate for and (b) interests, from January 31, 2003 to the full-repayment date, of \$28,365 thousand based on the 0.03% daily interest rate and of \$2,945 thousand based on the 5% annual interest rate. However, the Company would file an appeal with the Taiwan High Court against TDTC for serious breaches of the related contract and claim compensation from TDTC, which can be offset against the payments to TDTC. Thus, the Company had recorded a final construction payment of only \$457,819 thousand as of December 31, 2005.

27. FINANCIAL INSTRUMENTS

The Company had no derivative transactions in 2005 and 2004.

| Nonderivative Financial Instruments | December 31, 2005 | | December 31, 2004 | |
|---|-------------------|------------|-------------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Assets | | | | |
| Cash and cash equivalents | \$ 587,227 | \$ 587,227 | \$ 434,207 | \$ 434,207 |
| Short-term investments | 830,000 | 830,028 | 225,046 | 289,270 |
| Notes receivable | 27,436 | 27,436 | 9,271 | 9,271 |
| Accounts receivable | 187,269 | 187,269 | 161,027 | 161,027 |
| Other receivable | 677,933 | 677,933 | 311,917 | 311,917 |
| Pledged time deposit | 2,000 | 2,000 | 4,000 | 4,000 |
| Long-term stock investments(including credit balance of long-term stock investment) | 11,981,139 | 12,680,122 | 9,980,167 | 11,103,499 |
| Refundable deposits | 166,537 | 166,537 | 161,702 | 161,702 |
| Liabilities | | | | |
| Short-term debts | 1,350,000 | 1,350,000 | 1,005,000 | 1,005,000 |
| Short-term notes and bills payable | 399,540 | 399,540 | 998,105 | 998,105 |
| Accounts payable | 1,764,407 | 1,764,407 | 1,603,434 | 1,603,434 |
| Accrued expense | 501,126 | 501,126 | 471,045 | 471,045 |
| Balance payables - properties | 520,323 | 520,323 | 584,191 | 584,191 |
| Bonds issued | 6,000,000 | 6,024,893 | 6,100,000 | 6,128,380 |
| Long-term borrowings | 4,117,767 | 4,117,767 | 2,007,100 | 2,007,100 |
| Franchise liability | 1,061,567 | 1,061,567 | 1,528,180 | 1,528,180 |
| Deposits received | 56,447 | 56,447 | 57,232 | 57,232 |

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

- The carrying values of financial instruments approximate fair values because of the short maturity of these instruments. This assumption was applied to cash and cash equivalents, notes receivable, accounts receivable, other receivable, short-term debts, short-term notes and bills payable, accounts payables, accrued expenses and balance payables - properties.
- Long-term and short-term investments in shares of listing stocks 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.
- The fair values of pledged time deposits, refundable deposits, and deposits received are based on book values because there is no big difference between the book values and the amounts of future cash flows.
- The fair value of the bonds issued are based on their market values on the balance sheet date.
- The fair value of long-term borrowings and the accrued franchise liability are based on the present values of expected cash outflows discounted at the rate of bank loans with similar maturities.

28. ADDITIONAL DISCLOSURES

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

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

- c. Marketable securities held: Table 5 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- e. Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: None
- f. Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: Table 7 (attached)
- 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 in 2005 and 2004.

- c. Export sales: There were no export sales in 2005 and 2004.
- d. Sales to major customers: In 2005 and 2004, 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, 2005 AND 2004****(In Thousands of New Taiwan Dollars)**

| Related Party | Accounts Receivable | | Other Receivables | | Accounts Payable | | Accrued Expenses | | Deposits Received | | Deferred Credits | |
|--|---------------------|----------|-------------------|-----------|------------------|----------|------------------|----------|-------------------|-----------|-------------------|------------|
| | Amount | Total | Amount | Total | Amount | Total | Amount | Total | Amount | Total | Amount | Total |
| <u>2005</u> | | | | | | | | | | | | |
| Far Eastern Geant Co., Ltd. | \$ 7,492 | 4 | \$ 21 | - | \$ 8,720 | 1 | \$ - | - | \$ - | - | \$ 363,639 | 99 |
| Far Eastern Hon Li Do Co., Ltd. | - | - | - | - | - | - | - | - | 13,380 | 24 | - | - |
| Bai Ding Investment Co. | - | - | - | - | - | - | - | - | - | - | 5,447 | 1 |
| Ya Tung Department Stores | 475 | - | - | - | 284 | - | 26 | - | - | - | - | - |
| Oriental Securities Co., Ltd. | 282 | - | - | - | - | - | 1,479 | - | 472 | 1 | - | - |
| Yu Ming Advertising Agency Co. | 38 | - | - | - | 1,896 | - | 379 | - | - | - | - | - |
| Far Eastern Textile Co., Ltd. | 770 | 1 | - | - | - | - | 13,036 | 2 | - | - | - | - |
| Asia Cement Corp. | 60 | - | - | - | - | - | 5,742 | 1 | - | - | - | - |
| Far Eastern International Bank | 5,114 | 3 | 69 | - | - | - | 42 | - | 1,556 | 3 | - | - |
| Far EasTone Telecom Co., Ltd. | 130 | - | 65 | - | - | - | - | - | - | - | - | - |
| Far Eastern Resource Development Ltd., Corp. | - | - | - | - | - | - | 866 | - | - | - | - | - |
| Ding Ding Integrated Marketing Service | - | - | - | - | - | - | 18,271 | 4 | - | - | - | - |
| Yuan Bo Asset Management Company | - | - | 121,342 | 42 | - | - | - | - | - | - | - | - |
| Far Eastern Apparel Co., Ltd. | 1,612 | 1 | - | - | 38,110 | 2 | 2,222 | 1 | - | - | - | - |
| Other | 300 | - | 6 | - | 603 | - | 352 | - | 363 | - | - | - |
| | <u>\$ 16,273</u> | <u>9</u> | <u>\$ 121,503</u> | <u>42</u> | <u>\$ 49,613</u> | <u>3</u> | <u>\$ 42,415</u> | <u>8</u> | <u>\$ 15,771</u> | <u>28</u> | <u>\$ 369,086</u> | <u>100</u> |
| <u>2004</u> | | | | | | | | | | | | |
| Far Eastern Geant Co., Ltd. | \$ 8,851 | 6 | \$ 21 | - | \$ 8,585 | 1 | \$ 87 | - | \$ - | - | \$ 363,639 | 99 |
| Far Eastern Hon Li Do 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> |

TABLE 2

FAR EASTERN DEPARTMENT STORES, LTD. AND INVESTEES

SUMMARY OF RELATED-PARTY TRANSACTIONS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars)

| Related Party | Sales (Note A) | | Purchases (Note B) | | Other Operating Revenue - Rental (Note C) | | Operating Expenses (Note C) | | Nonoperating Revenue | | Nonoperating Expenses | | Payable to Affiliates | | | | | |
|--|------------------|------------|--------------------|------------|---|------------|-----------------------------|------------|----------------------|------------|-----------------------|------------|---------------------------------|-------------------------|-------------------|-----------|------------------|------------|
| | Amount | % to Total | Amount | % to Total | Amount | % to Total | Amount | % to Total | Amount | % to Total | Amount | % to Total | Highest Balance During the Year | Date of Highest Balance | Year-End Amount | Rate (%) | Interest Expense | |
| | | | | | | | | | | | | | | | | | Amount | % to Total |
| 2005 | | | | | | | | | | | | | | | | | | |
| Far Eastern Geant Co., Ltd. | \$ 3,606 | - | \$ - | - | \$ 104,366 | 31 | \$ - | - | \$ 208 | - | \$ - | - | \$ - | - | \$ - | - | \$ - | - |
| Far Eastern Hon Li Do Co., Ltd. | - | - | - | - | 197 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Ya Tung Department Stores | 4,822 | - | - | - | - | - | 312 | - | - | - | - | - | - | - | - | - | - | - |
| Oriental Securities Co., Ltd. | 955 | - | - | - | 3,033 | 1 | - | - | - | - | 7,370 | 11 | - | - | - | - | - | - |
| FEDS Asia Pacific Development Co., Ltd. | - | - | - | - | 4 | - | 228,000 | 7 | - | - | - | - | - | - | - | - | - | - |
| Bai Yang Investment Co. | - | - | - | - | 27 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Yu Ming Advertising Agency Co. | 66 | - | 33,630 | - | 4,127 | 1 | 2,965 | - | - | - | - | - | - | - | - | - | - | - |
| Far Eastern Resource Development Ltd., Corp. | - | - | - | - | - | - | 8,019 | 1 | - | - | - | - | - | - | - | - | - | - |
| Far Eastern Textile Co., Ltd. | - | - | - | - | - | - | 23,728 | 1 | 6,000 | 10 | 146 | - | - | - | - | - | - | - |
| Asia Cement Corp. | - | - | - | - | - | - | 74,079 | 2 | - | - | - | - | - | - | - | - | - | - |
| Far Eastern International Bank | 6,589 | - | - | - | 5,793 | 2 | - | - | 2,810 | 5 | - | - | 500,000 | 2005.12.31 | 500,000 | 1.35-1.55 | 2,124 | 2 |
| Far EasTone Telecom Co., Ltd. | - | - | - | - | 2,009 | 1 | - | - | - | - | - | - | - | - | - | - | - | - |
| Yuan Bo Asset Management Company | - | - | - | - | - | - | 1,190 | - | - | - | - | - | - | - | - | - | - | - |
| Ding Ding Integrated Marketing Service | - | - | - | - | - | - | 30,228 | 1 | - | - | - | - | - | - | - | - | - | - |
| Far Eastern Apparel Co., Ltd. | 2,419 | - | 172,558 | 1 | 45 | - | 6,860 | - | - | - | 1,817 | 3 | - | - | - | - | - | - |
| Other | - | - | 963 | - | 1,991 | - | 7,497 | - | 438 | 1 | - | - | - | - | - | - | - | - |
| | <u>\$ 18,457</u> | <u>-</u> | <u>\$ 207,151</u> | <u>1</u> | <u>\$ 121,592</u> | <u>36</u> | <u>\$ 382,878</u> | <u>12</u> | <u>\$ 9,456</u> | <u>16</u> | <u>\$ 9,333</u> | <u>14</u> | | | <u>\$ 500,000</u> | | <u>\$ 2,124</u> | <u>2</u> |
| 2004 | | | | | | | | | | | | | | | | | | |
| Far Eastern Geant Co., Ltd. | \$ 4,903 | - | \$ - | - | \$ 101,326 | 30 | \$ 192 | - | \$ - | - | \$ - | - | \$ - | - | \$ - | - | \$ - | - |
| Far Eastern Hon Li Do 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> |

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.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED

YEAR ENDED DECEMBER 31, 2005

(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 | | |
| 1 | Feds Development Ltd. (BVI) | Asians Merchandise Co. | Other receivables | \$ 23,777 (US\$723,819) | \$ - | 5.00-5.75% | (Note A) | - | For operating requirements | - | - | \$ - | \$ 77,439 (Note B) | \$ 193,597 (Note C) |
| 2 | Pacific Sogo Department Store Co. | Pacific China Holdings Co. | Other receivables | 8,000 | - | 3.7-3.87% | (Note A) | - | To repay debt | - | - | - | 2,144,584 (Note D) | 2,144,584 (Note D) |

Note A: Short-term financing.

Note B: The upper limit is 20% of the financier's net value as of December 31, 2005.

Note C: The upper limit is 50% of the financier's net value as of December 31, 2005.

Note D: The upper limit is 40% of the financier's net value as of December 31, 2005.

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. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2005
(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. | \$ 18,283,333 (Note B) | \$ 3,969,594 | \$ 2,744,156 | \$ - | 15 | \$ 36,566,666 (Note C) |
| | | FEDS Asia Pacific Development Ltd. | a. | 18,283,333 (Note B) | 1,299,000 | 1,195,000 | - | 7 | 36,566,666 (Note C) |
| | | Pacific Sogo Department Store Co. | d. | 18,283,333 (Note B) | 3,590,056 | 3,590,056 | - | 20 | 36,566,666 (Note C) |
| | | Far Eastern Geant Co., Ltd. | a. | 18,283,333 (Note B) | 1,700,000 | 1,595,000 | - | 9 | 36,566,666 (Note C) |
| | | Far Eastern CitySuper Ltd. | a. | 18,283,333 (Note B) | 195,333 | 195,333 | - | 1 | 36,566,666 (Note C) |
| | | Far Eastern Hon Li Do Co., Ltd. | a. | 18,283,333 (Note B) | 188,000 | 165,000 | - | 1 | 36,566,666 (Note C) |
| | | Yu Ming Advertising Agency Co. | a. | 18,283,333 (Note B) | 137,628 | 69,166 | - | - | 36,566,666 (Note C) |
| | | Tianjin FEDS Limits, Co. | d. | 18,283,333 (Note B) | 476,252 | 476,252 | - | 3 | 36,566,666 (Note C) |
| | | | | (RMB117,000,000) | (RMB117,000,000) | | | | |
| 1 | Yu Ming Advertising Agency Co. | Pacific Sogo Department Store Co. | c. | 57,709 (Note B) | 666 | 666 | - | 1 | 115,418 (Note C) |
| 2 | Bai Ding Investment Co. | Pacific Sogo Department Store Co. | c. | 1,731,040 (Note B) | 257,934 (Note H) | 257,934 (Note H) | 192,000 | 15 | 3,462,080 (Note C) |
| 3 | Bai Yang Investment Co. | Pacific Sogo Department Store Co. | c. | 1,499,845 (Note B) | 65,934 | 65,934 | - | 4 | 2,999,690 (Note C) |
| 4 | Feds Asia Pacific Development Ltd. | Pacific Sogo Department Store Co. | c. | 2,175,700 (Note B) | 65,934 | 65,934 | - | 3 | 4,351,400 (Note C) |
| 5 | Feds New Century Development Co., Ltd. | Pacific Sogo Department Store Co. | c. | 185,268 (Note B) | 65,934 | 65,934 | - | 36 | 370,536 (Note C) |
| 6 | Far Eastern Hon Li Do Co., Ltd. | Pacific Sogo Department Store Co. | c. | 36,835 (Note B) | 4,662 | 4,662 | - | 13 | 73,670 (Note C) |
| 7 | Ya Tung Department Store Ltd. | Pacific Sogo Department Store Co. | c. | 48,267 (Note B) | 36,630 | 36,630 | - | 76 | 96,534 (Note C) |
| 8 | Pacific Liu Tong Investment Co. | Pacific Sogo Department Store Co. | a. | 18,529,395 (Note D) | 11,602,080 | 9,821,680 | - | 265 | 37,058,790 (Note E) |
| 9 | Pacific Sogo Department Store Co. | Pacific Liu Tong Investment Co. | a. | 10,722,918 (Note C) | 1,585,000 | 1,585,000 | - | 30 | 21,445,836 (Note F) |
| | | Taiwan Chong-Guang Ltd. | - | 10,722,918 (Note C) | 374,297 | 304,297 | - | 6 | 21,445,836 (Note F) |
| | | Hong-Tong Comprehensive Commercial Developing Co., Ltd. | - | 10,722,918 (Note C) | 2,200,000 | 2,200,000 | - | 41 | 21,445,836 (Note F) |

Note A:
a. Company's subsidiary.
b. Investee of Company's subsidiary.
c. Subsidiary of the Company and its subsidiaries.
d. Investee of subsidiary of the Company's subsidiary.
e. Business transactions.
f. 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.

Note H: Including 19,200 thousand shares of Far Eastern Textile Co., Ltd. and an endorsement of \$65,934 thousand.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2005

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

| Investor Company | Securities Type and Issuer | Relationship with the Investor Company (Note A) | Financial Statement Account | December 31, 2005 | | | | 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. | Investment in shares of stock | 140,297 | \$ 2,151,127 | 20 | \$ 2,154,341 | 83,200 thousand shares of Oriental Securities Co., Ltd. pledged for loans of the investor company |
| | FEDS Asia Pacific Development Co., Ltd. | b. | Investment in shares of stock | 138,900 | 1,508,186 | 69 | 1,511,024 | |
| | Bai Yang Investment Co. | b. | Investment in shares of stock | 131,652 | 1,434,560 | 100 | 1,495,886 | |
| | Bai Ding Investment Co. | b. | Investment in shares of stock | 145,111 | 1,415,511 | 100 | 1,730,866 | |
| | Pacific Liu Tong Investment Co. | b. | Investment in shares of stock | 91,600 | 1,370,023 | 36 | 1,352,423 | |
| | Far Eastern International Leasing Corp. | a. | Investment in shares of stock | 104,196 | 1,357,991 | 34 | 1,280,213 | |
| | Far Eastern Geant Co., Ltd. | b. | Investment in shares of stock | 163,579 | 850,709 | 50 | 859,033 | |
| | Feds Development Ltd. (BVI) | b. | Investment in shares of stock | 100 | 295,071 | 76 | 295,071 | |
| | FEDS New Century Development | b. | Investment in shares of stock | 11,990 | 184,803 | 100 | 185,120 | |
| | Yu Ming Advertising Agency Co. | b. | Investment in shares of stock | 6,500 | 47,505 | 100 | 57,708 | |
| | Ya Tung Department Stores | b. | Investment in shares of stock | 9,762 | 36,244 | 75 | 36,244 | |
| | Far Eastern Hon Li Do Co., Ltd. | b. | Investment in shares of stock | 3,300 | 20,260 | 55 | 20,260 | |
| | Ding Ding Integrated Marketing Service | a. | Investment in shares of stock | 3,000 | 18,149 | 10 | 18,149 | |
| | Asians Merchandise Co. | b. | Investment in shares of stock | 950 | 4,877 | 100 | 4,877 | |
| | Bai Chin (Singapore) Pte., Ltd. | b. | Investment in shares of stock | 90 | 394 | 90 | 394 | |
| | Far Eastern CitySuper Ltd. | b. | Other liabilities | 13,000 | (12,973) | 87 | (12,973) | |
| | Asia Cement Corp. | c. | Investment in shares of stock | 47,285 | 1,068,261 | 2 | 902,676 | |
| | Far Eastern International Bank | c. | Investment in shares of stock | 22,083 | 179,771 | 1 | 349,350 | |
| | Far Eastern Textile Co., Ltd. | f. | Investment in shares of stock | 15,305 | 123,679 | - | 330,285 | |
| | Kaohsiung M.R.T. | - | Investment in shares of stock | 10,000 | 100,000 | 1 | 99,433 | |
| | Yuan Ding Leasing Co., Ltd. | - | Investment in shares of stock | 920 | 7,360 | 9 | 9,706 | |
| | Yuan Ding Co., Ltd. | c. | Investment in shares of stock | 2 | 10 | - | 36 | |
| | Hwa An International Trade | - | Investment in shares of stock | - | - | - | - | |
| Far Eastern CitySuper Ltd. | b. | Prepayment of shares | - | 30,000 | - | - | | |
| <u>Beneficiary certificate</u> HUWHWA Bond Fund | - | Short-term investments | 19,810 | 250,000 | - | 250,010 | | |
| JIH Sun Bond Fund | - | Short-term investments | 7,425 | 100,000 | - | 100,004 | | |
| Fubon Chi-Hsiang III Fund | - | Short-term investments | 12,429 | 130,000 | - | 130,002 | | |
| NITC Taiwan Bond Fund | - | Short-term investments | 7,195 | 100,000 | - | 100,004 | | |
| NITC Bond Fund | - | Short-term investments | 19,556 | 250,000 | - | 250,008 | | |

(Continued)

| Investor Company | Securities Type and Issuer | Relationship with the Investor Company (Note A) | Financial Statement Account | December 31, 2005 | | | | Note |
|---|---|---|-------------------------------|--------------------|----------------|-------------------------|--|---|
| | | | | Shares (Thousands) | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value (Note B) | |
| Bai Ding Investment Co. | <u>Stock</u> Oriental Securities Co., Ltd. | a. | Investment in shares of stock | 97,116 | \$ 1,494,542 | 14 | \$ 1,497,067 | 22,030 thousand shares of Oriental Securities Co., Ltd. pledged for loans of the investor company 16,000 thousand shares of Asia Cement Corp. pledged for loans of the investor company 19,200 thousand shares of Far Eastern Textile Co., Ltd. deposited for Pacific Sogo Department Stores Co., Ltd. by court 33,350 thousand shares of New Century Infocomm Tech., Co., Ltd. pledged or for loans of the investor company |
| | Pacific Liu Tong Investment Co. | a. | Investment in shares of stock | 9,900 | 167,061 | 4 | 146,012 | |
| | Far Eastern International Leasing Corp. | a. | Investment in shares of stock | 7,475 | 135,909 | 2 | 91,837 | |
| | Pacific Sogo Department Stores Co., Ltd. | a. | Investment in shares of stock | 4,467 | 73,498 | 1 | 72,928 | |
| | Yu Ming Advertising Agency Co. | a. | Investment in shares of stock | 940 | 17,656 | 47 | 17,656 | |
| | Far Eastern Hon Li Do Co., Ltd. | a. | Investment in shares of stock | 2,670 | 16,391 | 45 | 16,391 | |
| | Ya Tung Department Stores | a. | Investment in shares of stock | 3,238 | 12,023 | 25 | 12,023 | |
| | FEDS Asia Pacific Development Co., Ltd. | a. | Investment in shares of stock | 500 | 4,497 | - | 5,440 | |
| | Bai Yang Investment Co. | a. | Investment in shares of stock | 345 | 551 | - | 3,919 | |
| | Bai Chin (Singapore) Pte., Ltd. | a. | Investment in shares of stock | 10 | 44 | 10 | 44 | |
| | FEDS New Century Development | a. | Investment in shares of stock | 2 | 10 | - | 31 | |
| | Far Eastern Geant Co., Ltd. | a. | Investment in shares of stock | - | 2 | - | - | |
| | Asia Cement Corp. | c. | Investment in shares of stock | 49,789 | 1,068,923 | 2 | 950,479 | |
| | Far Eastern Textile Co., Ltd. | c. | Investment in shares of stock | 37,440 | 530,287 | 1 | 807,962 | |
| | Far Eastern Department Stores, Ltd. | e. | Investment in shares of stock | 27,835 | 458,678 | 4 | 528,021 | |
| | New Century Infocomm Tech., Co., Ltd. | c. | Investment in shares of stock | 44,560 | 374,304 | 1 | 374,304 | |
| | Chung-Nan Textile Co., Ltd. | - | Investment in shares of stock | 2,984 | 81,390 | 5 | 97,995 | |
| Ding Ding Management Consultants Co., Ltd. | - | Investment in shares of stock | 180 | 11,817 | 18 | 6,650 | | |
| Oriental Securities Investment Advisory Co., Ltd. | - | Investment in shares of stock | 1 | 10 | - | 10 | | |
| FEDS Asia Pacific Development Co., Ltd. | <u>Stock</u> Pacific Liu Tong Investment Co. | a. | Investment in shares of stock | 9,900 | 166,906 | 4 | 146,012 | |
| | Far Eastern Hon Li Do Co., Ltd. | a. | Investment in shares of stock | 6 | 60 | - | 37 | |
| FEDS New Century Development | <u>Stock</u> Pacific Liu Tong Investment Co. | a. | Investment in shares of stock | 9,900 | 166,906 | 4 | 146,012 | |
| | <u>Beneficiary certificate</u> Far Eastern Alliance Taiwan Bond Fund | - | Short-term investments | 921 | 9,666 | - | 9,820 | |
| | Upamc Home Runond Bond Fund | - | Short-term investments | 578 | 8,000 | - | 8,000 | |
| FEDS Development Ltd. (BVI) | <u>Stock</u> Tianjin FEDS Limits., Co | a. | Investment in shares of stock | - | 82,098 | 100 | 82,098 | |
| | Chongqing Bai Ding Business Management Consulting Co., Ltd. | a. | Other liabilities | - | (5,762) | 100 | (5,762) | |
| | Kowloon Cement Corp., Ltd. | - | Investment in shares of stock | 46 | 9,660 | 2 | 13,214 | |

(Continued)

| Investor Company | Securities Type and Issuer | Relationship with the Investor Company (Note A) | Financial Statement Account | December 31, 2005 | | | | Note | |
|---------------------------------|---|---|-------------------------------|-------------------------------|----------------|-------------------------|--|---|---------|
| | | | | Shares (Thousands) | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value (Note B) | | |
| Bai Yang Investment Co. | <u>Stock</u> | | | | | | | | |
| | Pacific Liu Tong Investment Co. | a. | Investment in shares of stock | 9,900 | \$ 166,906 | 4 | \$ 146,012 | Stocks thousand shares of New Century Infocomm Tech., Co., Ltd. pledged for loans of the investor company | |
| | Feds Development Ltd. (BVI) | a. | Investment in shares of stock | 31 | 92,121 | 24 | 92,121 | | |
| | FEDS Asia Pacific Development Co., Ltd. | a. | Investment in shares of stock | 600 | 5,449 | - | 6,527 | | |
| | Bai Ding Investment Co. | a. | Investment in shares of stock | 9 | 89 | - | 107 | | |
| | Far Eastern Hon Li Do Co., Ltd. | a. | Investment in shares of stock | 12 | 77 | - | 74 | | |
| | FEDS New Century Development | a. | Investment in shares of stock | 2 | 14 | - | 31 | | |
| | Ya Tung Department Stores | a. | Investment in shares of stock | - | 7 | - | 1 | | |
| | Far Eastern Geant Co., Ltd. | a. | Investment in shares of stock | - | 6 | - | 1 | | |
| | Far Eastern International Bank | c. | Investment in shares of stock | 18,025 | 290,376 | 1 | 285,155 | | |
| | Far Eastern Department Stores, Ltd. | e. | Investment in shares of stock | 5,995 | 98,791 | 1 | 113,726 | | |
| | Asia Cement Corp. | c. | Investment in shares of stock | 2,685 | 57,644 | - | 51,256 | | |
| | Far Eastern Textile Co., Ltd. | c. | Investment in shares of stock | 1,699 | 27,659 | - | 36,670 | | |
| | New Century Infocom Tech., Co., Ltd. | c. | Investment in shares of stock | 20,560 | 172,704 | 1 | 172,704 | | |
| | | | | | | | | | |
| | | Oriental Securities Investment Advisory Co., Ltd. | - | Investment in shares of stock | 1 | 10 | - | | 10 |
| | | <u>Beneficiary certificate</u> | | | | | | | |
| | | Far Eastern Alliance Taiwan Bond Fund | - | Short-term investments | 26,996 | 283,924 | - | | 287,817 |
| | | Fubon Ju-I Fund | - | Short-term investments | 641 | 10,000 | - | | 10,054 |
| | | Prudential Financial Fund | - | Short-term investments | 2,644 | 38,000 | - | | 38,116 |
| | Chung Hsing Pion fund | - | Short-term investments | 1,905 | 20,000 | - | 20,107 | | |
| | HUWHWA Bond Fund | - | Short-term investments | 8,512 | 107,000 | - | 107,426 | | |
| | JIH Sun Bond Fund | - | Short-term investments | 2,011 | 27,000 | - | 27,089 | | |
| | Upamc Home Runond Bond Fund | - | Short-term investments | 289 | 4,000 | - | 4,000 | | |
| | Polaris Di-Po Fund | - | Short-term investments | 9,355 | 100,971 | - | 102,294 | | |
| Ya Tung Department Stores | <u>Stock</u> | | | | | | | | |
| | Pacific Liu Tong Investment Co. | a. | Investment in shares of stock | 5,500 | 92,801 | 2 | 81,118 | | |
| | Far Eastern Hon Li Do Co., Ltd. | a. | Investment in shares of stock | 6 | 60 | - | 37 | | |
| | Bai Ding Investment Co. | a. | Investment in shares of stock | 3 | 33 | - | 36 | | |
| | FEDS New Century Development | a. | Investment in shares of stock | 2 | 11 | - | 31 | | |
| | Bai Yang Investment Co. | a. | Investment in shares of stock | 2 | 4 | - | 23 | | |
| | Far Eastern Geant Co., Ltd. | a. | Investment in shares of stock | - | 2 | - | - | | |
| Yu Ming Advertising Agency Co. | <u>Stock</u> | | | | | | | | |
| | Pacific Liu Tong Investment Co. | - | Investment in shares of stock | 100 | 1,200 | - | 1,475 | | |
| | Far Eastern Hon Li Do Co., Ltd. | - | Investment in shares of stock | 6 | 56 | - | 37 | | |
| | Bai Ding Investment Co. | - | Investment in shares of stock | 3 | 33 | - | 36 | | |
| | FEDS New Century Development | - | Investment in shares of stock | 2 | 20 | - | 31 | | |
| | Ya Tung Department Stores | - | Investment in shares of stock | - | 7 | - | 1 | | |
| | Bai Yang Investment Co. | - | Investment in shares of stock | 2 | 4 | - | 23 | | |
| | Far Eastern Geant Co., Ltd. | - | Investment in shares of stock | - | 1 | - | - | | |
| Asia Cement Corp. | c. | Investment in shares of stock | 1,050 | 20,176 | - | 20,047 | | | |
| Far Eastern Hon Li Do Co., Ltd. | <u>Stock</u> | | | | | | | | |
| | Pacific Liu Tong Investment Co. | a. | Investment in shares of stock | 700 | 10,307 | - | 10,324 | | |

(Continued)

| Investor Company | Securities Type and Issuer | Relationship with the Investor Company (Note A) | Financial Statement Account | December 31, 2005 | | | | Note |
|--|---|---|-------------------------------|--------------------|----------------|-------------------------|--|--|
| | | | | Shares (Thousands) | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value (Note B) | |
| Pacific Liu Tong Investment Co. | <u>Stock</u> Pacific Sogo Department Stores Co., Ltd. | a. | Investment in shares of stock | 258,321 | \$ 5,839,709 | 79 | \$ 4,214,900 | 219,728 thousand shares of Pacific Sogo Department Store Co. pledged for loans of the investor company |
| Pacific Sogo Department Stores Co., Ltd. | <u>Stock</u> ASUSTek Computer Inc. | - | Short-term investments | 298 | 49,612 | - | 29,351 | |
| | CMC Magnetics Corp. | - | Short-term investments | 510 | 29,401 | - | 5,911 | |
| | China Development Financial Holding Co. | - | Short-term investments | 522 | 23,133 | - | 6,293 | |
| | Quanta computer Inc. | - | Short-term investments | 183 | 14,921 | - | 8,987 | |
| | Pacific Construction Co., Ltd. | - | Short-term investments | 6,849 | 14,315 | 1 | 13,904 | |
| | DBTEL Inc. | - | Short-term investments | 268 | 6,474 | - | 455 | |
| | PURETEK Corp. | - | Short-term investments | 119 | 4,858 | - | - | |
| | Pacific China Holdings (HK) Co., Ltd. | b. | Investment in shares of stock | 11,400 | 3,783,331 | 60 | 3,783,331 | |
| | Pacific Department Store Co., Ltd. | a. | Investment in shares of stock | 27,825 | 200,948 | 26 | 269,240 | 7,950 thousand shares of Pacific Department Store Co., Ltd. pledged for loans of the investor company |
| | Lian Ching Investment Co., Ltd. | b. | Investment in shares of stock | 26,764 | - | 50 | - | |
| | Pacific 88 Co., Ltd. | a. | Investment in shares of stock | 2,838 | 4,366 | 28 | 4,365 | |
| | Pacific United Consultant Co., Ltd. | a. | Investment in shares of stock | 4,071 | 61,223 | 39 | 61,245 | |
| | Pacific Liu Tong Investment Co. | e. | Investment in shares of stock | 400 | 4,019 | - | 5,906 | |
| | Pacific Securities Co., Ltd. | - | Investment in shares of stock | 20,279 | 81,116 | 5 | 196,825 | 20,279 thousand shares of Pacific Department Store Co., Ltd. pledged for loans of the investor company |
| | Pacific Venture Investment Ltd. | a. | Investment in shares of stock | 100,000 | - | 48 | - | |
| | Sogo Department Store Co., Ltd. | a. | Investment in shares of stock | 7,120 | - | 34 | - | |
| | Pacific Sogo Investment Co., Ltd. | b. | Investment in shares of stock | 99,990 | - | 100 | - | |
| | Invenpec Besta Co., Ltd. | - | Investment in shares of stock | 3 | 99 | - | 131 | |
| | E-Shou Hi-tech Co., Ltd. | - | Investment in shares of stock | 18,300 | - | 15 | - | |
| | Tain Yuan Investment Co., Ltd. | - | Investment in shares of stock | 98,000 | - | 20 | - | |
| | Ding Ding Integrated Marketing Service | a. | Investment in shares of stock | 3,000 | 18,149 | 10 | 18,149 | |
| | <u>Beneficiary certificate</u> The First Global Investment Trust OTC Equity Fund | - | Short-term investments | 1,500 | 15,000 | - | 9,180 | |
| | First Securities Investment Trust Fund | - | Short-term investments | 500 | 11,008 | - | 4,720 | |
| | HSBC Taiwan MID & Small Cap Fund | - | Short-term investments | 2,000 | 20,060 | - | 13,280 | |
| | Fubon Elite Fund | - | Short-term investments | 2,000 | 20,060 | - | 14,320 | |
| | HSBC Taiwan Growth Fund | - | Short-term investments | 1,021 | 20,060 | - | 18,315 | |
| | The Golden Dragon Fund | - | Short-term investments | 2,000 | 20,050 | - | 15,060 | |
| | Waterland Vision Fund | - | Short-term investments | 1,000 | 10,000 | - | 12,030 | |
| | Far Eastern Alliance Taiwan Flagship Security Investment Trust Fund | - | Short-term investments | 150 | 1,507 | - | 2,100 | |
| | HSBC Trinity Balanced Fund | - | Short-term investments | 900 | 9,027 | - | 9,259 | |

(Continued)

| Investor Company | Securities Type and Issuer | Relationship with the Investor Company (Note A) | Financial Statement Account | December 31, 2005 | | | | Note |
|---------------------------------------|--|---|-------------------------------|--------------------|----------------|-------------------------|--|------|
| | | | | Shares (Thousands) | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value (Note B) | |
| | Far Eastern Alliance Taiwan Bond Fund | - | Short-term investments | 28,174 | \$ 300,000 | - | \$ 300,369 | |
| | HSBC NTD Money Management Fund 2 | - | Short-term investments | 20,927 | 290,000 | - | 290,320 | |
| | Truswell Premier Fund | - | Short-term investments | 18,225 | 200,000 | - | 200,253 | |
| | Fubon JU-I Fund | - | Short-term investments | 13,926 | 200,000 | - | 200,163 | |
| | Polaris Di-Po Fund | - | Short-term investments | 27,458 | 300,000 | - | 300,247 | |
| Pacific China Holdings (HK) Co., Ltd. | <u>Stock</u> Pacific China Holdings Co. | b. | Investment in shares of stock | - | 6,305,552 | 100 | 2,707,337 | |
| Pacific China Holdings Co. | <u>Stock</u> Shanghai Pacific Department Store Co., Ltd. | b. | Investment in shares of stock | - | 786,577 | 73 | 786,577 | |
| | Chengdu Shangxia Pacific Department Store Co., Ltd. | b. | Investment in shares of stock | - | 158,950 | 100 | 158,950 | |
| | Chengdu Quanxing Mansion Pacific Department Store Co., Ltd. | b. | Other liabilities | - | (41,224) | 100 | (41,224) | |
| | Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd. | b. | Investment in shares of stock | - | 255,535 | 100 | 255,535 | |
| | Beijing Xidan Pacific Department Store Co., Ltd. | b. | Investment in shares of stock | - | 61,530 | 55 | 61,530 | |
| | Chongqing Pacific Business Management Consulting Co., Ltd. | b. | Investment in shares of stock | - | 31,776 | 100 | 31,776 | |
| | Shanghai Pacific Business Management Consulting Co., Ltd. | a. | Investment in shares of stock | - | 6,304 | 49 | 6,304 | |

Note A:

- Equity-method investee.
- Subsidiary.
- Same director.
- A director of the Company is one of its directors.
- Parent company.
- Equity-method investor.
- Its director is related by second-degree consanguinity to the Company's director.
- Cost-method investee.

Note B: The market values of the investment with quoted market prices were determined at the average closing price in December 2005, and at the net asset value of the mutual funds on the last trading day in December 2005. The investments, with no quoted market prices - except that in Bai Chin (Singapore) Pte., Ltd., Asians Merchandise Co. and Pacific Department Store Co., Ltd., which was based on unaudited statements as of and for the year ended December 31, 2005 - 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. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

YEAR ENDED DECEMBER 31, 2005

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

| Company Name | Marketable Securities Type and Issuer | 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 Geant Co., Ltd. | Investment in shares of stock | - | Subsidiary | 163,579 | \$ 1,111,078 | 30,000 | \$ 300,000 | 30,000 (Note E) | \$ - | \$ 560,369 (Note F) | \$ - | 163,579 | \$ 850,709 |
| | Far Eastern International Leasing Corp. | Investment in shares of stock | - | - | - | - | 104,196 | 1,369,453 (Note A) | - | - | 11,462 (Note B) | - | 104,196 | 1,357,991 |
| | Far EasTone Telecom Co., Ltd. | Short-term investments | - | - | 6,588 | 175,046 | - | - | 6,588 | 262,228 | 175,046 | 87,182 | - | - |
| | <u>Beneficiary certificate</u> HUWHWA Bond Fund | Short-term investments | - | - | - | - | 19,810 | 250,000 | - | - | - | - | 19,810 | 250,000 |
| | JIH Sun Bond Fund | Short-term investments | - | - | - | - | 7,425 | 100,000 | - | - | - | - | 7,425 | 100,000 |
| | Fubon Chi-Hsiang III Fund | Short-term investments | - | - | - | - | 12,429 | 130,000 | - | - | - | - | 12,429 | 130,000 |
| | NITC Taiwan Bond Fund | Short-term investments | - | - | - | - | 7,195 | 100,000 | - | - | - | - | 7,195 | 100,000 |
| | NITC Bond Fund | Short-term investments | - | - | - | - | 19,556 | 250,000 | - | - | - | - | 19,556 | 250,000 |
| Bai Ding Investment Co. | <u>Stock</u> Far Eastern Department Stores, Ltd. | Investment in shares of stock | - | - | 35,183 | 608,762 | 1,552 (Note C) | - | 8,900 | 182,164 | 150,084 | 32,080 | 27,835 | 458,678 |
| | <u>Beneficiary certificate</u> Far Eastern Alliance Taiwan Bond Fund | Short-term investments | - | - | 8,060 | 85,000 | 16,886 | 179,000 | 24,946 | 264,235 | 264,000 | 235 | - | - |
| Bai Yang Investment Co. | <u>Stock</u> Far Eastern International Bank | Investment in shares of stock | - | - | - | - | 18,025 (Note D) | 299,241 | - | - | 8,865 (Note B) | - | 18,025 | 290,376 |
| | <u>Beneficiary certificate</u> Barits Bond Fund | Short-term investments | - | - | 21,136 | 250,000 | - | - | 21,136 | 252,174 | 250,000 | 2,174 | - | - |
| | HUWHWA Bond Fund | Short-term investments | - | - | 4,027 | 50,000 | 8,512 | 107,000 | 4,027 | 50,477 | 50,000 | 477 | 8,512 | 107,000 |
| Pacific Sogo Department Stores Co., Ltd. | <u>Beneficiary certificate</u> Ta Chong Bond Fund | Short-term investments | - | - | 15,782 | 200,000 | 16,527 | 210,000 | 32,309 | 410,374 | 410,000 | 374 | - | - |
| | Far Eastern Alliance Taiwan Bond Fund | Short-term investments | - | - | 37,028 | 390,000 | 51,836 | 550,000 | 60,690 | 640,807 | 640,000 | 807 | 28,174 | 300,000 |
| | ABN AMRO Bond Fund | Short-term investments | - | - | - | - | 19,707 | 290,000 | 19,707 | 290,127 | 290,000 | 127 | - | - |
| | Fubon Ju-I Fund | Short-term investments | - | - | 19,393 | 300,000 | 19,341 | 300,000 | 38,734 | 600,677 | 600,000 | 677 | - | - |
| | Truswell Hua-win Bond Fund | Short-term investments | - | - | - | - | 28,143 | 290,000 | 28,143 | 290,170 | 290,000 | 170 | - | - |
| | HSBC NTD Money Management Fund | Short-term investments | - | - | 20,749 | 300,000 | 36,473 | 530,000 | 57,222 | 830,997 | 830,000 | 997 | - | - |
| | Pca Bond Fund | Short-term investments | - | - | 6,615 | 100,128 | 26,298 | 400,000 | 32,913 | 500,701 | 500,128 | 573 | - | - |
| | ABN AMRO Bond Fund | Short-term investments | - | - | 27,231 | 300,000 | 18,018 | 200,000 | 45,249 | 500,747 | 500,000 | 747 | - | - |
| | Polaris Di-Po Fund | Short-term investments | - | - | 18,547 | 200,000 | 99,373 | 1,080,000 | 90,462 | 981,330 | 980,000 | 1,330 | 27,458 | 300,000 |
| | Transcend Fortune Fund | Short-term investments | - | - | - | - | 39,504 | 470,000 | 39,504 | 470,292 | 470,000 | 292 | - | - |
| | Upamc James Bond Fund | Short-term investments | - | - | 19,960 | 300,000 | 19,601 | 295,000 | 39,561 | 595,661 | 595,000 | 661 | - | - |
| | JIH Sun Bond Fund | Short-term investments | - | - | 18,809 | 250,000 | 11,183 | 150,000 | 29,992 | 400,203 | 400,000 | 203 | - | - |
| | TIIM Bond Fund | Short-term investments | - | - | - | - | 20,918 | 290,000 | 20,918 | 290,151 | 290,000 | 151 | - | - |
| | Fubon Ju-I Fund | Short-term investments | - | - | - | - | 20,929 | 300,000 | 7,003 | 100,055 | 100,000 | 55 | 13,926 | 200,000 |
| | Truswell Premier Fund | Short-term investments | - | - | - | - | 43,855 | 480,000 | 25,630 | 280,142 | 280,000 | 142 | 18,225 | 200,000 |
| | HSBC NTD Money Management Fund 2 | Short-term investments | - | - | - | - | 20,927 | 290,000 | - | - | - | - | 20,927 | 290,000 |

Note A: Including the payment of \$1,354,548 thousand on acquisition and the investment income of \$14,905 thousand on equity-method.

Note B: Cash dividend.

Note C: Stock dividend.

Note D: Including 16,961 thousand shares of sock from acquirement and 1,064 thousand shares of stock dividend.

Note E: Reducing capital.

Note F: The investment loss of \$564,767 thousand but excluding the net loss of \$4,398 thousand not recognized as pension cost due to the equity-method adjustment.

Note G: 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. AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATES AT PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

YEAR ENDED DECEMBER 31, 2005

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

| Company Name | Types of Properties | Disposal Date | Original Acquisition Date | Carrying Value | Disposal Price | Payment Terms | Gain (Loss) on Disposal | Counter-party | Nature of Relationship | Purpose of Disposal | Price Reference | Other Terms |
|-------------------------------------|---------------------|-------------------------|---------------------------|----------------|----------------|---------------|-------------------------|----------------------------------|------------------------|---------------------|-------------------------------|---|
| Far Eastern Department Stores, Ltd. | Land | 2005.2.15 | 1979.5 | \$ 160,632 | \$ 496,720 | Paid | \$ 463,358 (Note A) | Bank of Panhsin | - | Service need | \$496,726 of appraisal report | 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 operating site. |
| | Land and building | 2005.7.22 and 2005.9.29 | 1997.2 | 286,359 | 285,466 | Note B | (7,200) (Note C) | Yuan Bo Asset Management Company | Equity-method investee | Service need | \$266,269 of appraisal report | |
| Bai Ding Investment Co. | Land and building | 2005.9.19 | 1999.7 and 1999.8 | 538,354 | 659,923 | Paid | 86,579 (Note D) | Yuan Bo Asset Management Company | Equity-method investee | Service need | \$703,233 of appraisal report | |

Note A: Proceeds from disposal of the land were \$496,720 thousand; after the deduction from the proceeds of the relevant cost and revaluation increment of \$160,632 thousand, relevant expense and tax of \$15,914 thousand, capital surplus of \$49,756 thousand reserve for land revaluation increment in prior years and reserve of \$93,428 thousand for land revaluation increment tax.

Note B: A portion of the proceeds, amounting to \$121,342 thousand (including VAT\$5,778 thousand), had been unpaid as of December 31, 2005.

Note C: Proceeds from disposal of land and building after the deduction of direct expense and tax.

Note D: Proceeds from disposal of land and building, after the deduction of the relevant expense, tax and the gain on disposal deferred based on the equity of the Company's equity-method investee, Far Eastern international leasing Corp., on Yuan Bo Asset Management Company.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

YEAR ENDED DECEMBER 31, 2005

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

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Abnormal Transaction | | Note/Accounts (Payable) 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. | Equity method investee's subsidiary | Purchase | \$ 172,588 | 1.20 | 45-60 days after the end of the month | - | - | \$ 38,110 | 2% | Accounts payable |
| Pacific Sogo Department Store Co. | Pacific 88 Co., Ltd. | Equity-method investee | Purchase | 176,656 | 0.74 | 15-45 days after the end of the month | - | - | 2,753 12,550 | 0.06% 0.68% | 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. AND SUBSIDIARIES

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

DECEMBER 31, 2005

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

| Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|-------------------------------------|-----------------------------------|-------------------------------------|----------------|---------------|---------|----------------------|---------------------------------------|-------------------------|
| | | | | | Amount | Action Taken | | |
| Far Eastern Department Stores, Ltd. | Yuan Bo Asset Management Company | Equity method investee's subsidiary | \$ 121,342 | - | \$ - | - | \$ - | \$ - |
| Pacific Sogo Department Stores | Pacific 88 Co., Ltd. | Equity-method investee | 286,371 | - | 286,371 | 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. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2005
(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, 2005 | | | Net Income (Loss) of the Investee | Equity in Net Income (Net Loss) (Note B) | Note A | |
|--|---|---------------------------------|--|----------------------|---------------|---------------------------------|-------------------------|----------------|-----------------------------------|--|--------|---|
| | | | | Dec. 31, 2005 | Dec. 31, 2004 | 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 | 140,297 | 20 | \$ 2,151,127 | \$ 604,734 | \$ 107,521 | a | |
| | FEDS Asia Pacific Development Co., Ltd. | Taipei City, R.O.C. | Shopping mall | 1,385,888 | 1,385,888 | 138,900 | 69 | 1,508,186 | 123,619 | 83,137 | b | |
| | Bai Yang Investment Co. | Taipei City, R.O.C. | Investment | 249,424 | 249,424 | 131,652 | 100 | 1,434,560 | 36,061 | (9,969) | b | |
| | Bai Ding Investment Co. | Taipei City, R.O.C. | Investment | 50,041 | 50,041 | 145,111 | 100 | 1,415,511 | 226,873 | 71,470 | b | |
| | Pacific Liu Tong Investment Co. | Taipei City, R.O.C. | Investment | 1,079,400 | 1,079,400 | 91,600 | 36 | 1,370,023 | 990,963 | 354,104 | b | |
| | Far Eastern International Leasing Corp. | Taipei City, R.O.C. | Leasing | 1,354,548 | - | 104,196 | 34 | 1,357,991 | 102,172 | 14,905 | a | |
| | Far Eastern Geant Co., Ltd. | Taipei City, R.O.C. | Hypermarket | 1,575,999 | 1,275,999 | 163,579 | 50 | 850,709 | (1,129,534) | (564,767) | b | |
| | Feds Development Ltd. (BVI) | British Virgin Island | Investment | 26,190 | 26,190 | 100 | 76 | 295,071 | (13,078) | (9,967) | b | |
| | FEDS New Century Development | Taipei City, R.O.C. | Shopping mall | 106,399 | 106,399 | 11,990 | 100 | 184,803 | 35,187 | 34,274 | b | |
| | Yu Ming Advertising Agency Co. | Taipei City, R.O.C. | Advertising and importation of certain merchandise | 60,000 | 24,000 | 6,500 | 100 | 47,505 | (23,381) | (37,366) | b | |
| | Ya Tung Department Stores | Taipei City, R.O.C. | Department store | 184,921 | 124,029 | 9,762 | 75 | 36,244 | (58,713) | (44,617) | b | |
| | Far Eastern Hon Li Do Co., Ltd. | Taipei City, R.O.C. | Building rental | 40,191 | 40,191 | 3,300 | 55 | 20,260 | 8,077 | 4,442 | b | |
| | Ding Ding Integrated Marketing Service | Taipei City, R.O.C. | Marketing | 30,000 | 30,000 | 3,000 | 10 | 18,149 | (93,785) | (9,222) | a | |
| | Asians Merchandise Co. | U.S.A. | Trading | 5,316 | - | 950 | 100 | 4,877 | (386) | (386) | b | |
| | Bai Chin (Singapore) Pte., Ltd. | Singapore | Investment | 1,718 | 1,718 | 90 | 90 | 394 | (141) | (127) | b | |
| | Far Eastern CitySuper Ltd. | Taipei City, R.O.C. | Department store | 130,000 | 130,000 | 13,000 | 87 | (12,973) | (143,249) | (124,149) | b | |
| | Far Eastern Department Stores (USA) Inc. (Note E) | U.S.A. | Trading | - | 63,787 | - | - | - | (1,331) | (1,331) | b | |
| | Bai Ding Investment Co. | Oriental Securities Co., Ltd. | Taipei City, R.O.C. | Securities brokerage | 163,563 | 163,563 | 97,116 | 14 | 1,494,542 | 604,734 | | a |
| | | Pacific Liu Tong Investment Co. | Taipei City, R.O.C. | Investment | 99,000 | 99,000 | 9,900 | 4 | 167,061 | 990,963 | | b |
| Far Eastern International Leasing Corp. | | Taipei City, R.O.C. | Leasing | 135,000 | 135,000 | 7,475 | 2 | 135,909 | 102,172 | | a | |
| Pacific Sogo Department Stores Co., Ltd. | | Taipei City, R.O.C. | Department store | 33,490 | 33,490 | 4,467 | 1 | 73,498 | 1,666,109 | | c | |
| Yu Ming Advertising Agency Co. | | Taipei City, R.O.C. | Importation of certain merchandise | 21,291 | 21,291 | 940 | 47 | 17,656 | 1,459 | | a | |
| Far Eastern Hon Li Do Co., Ltd. | | Taipei City, R.O.C. | Building rental | 28,672 | 28,672 | 2,670 | 45 | 16,391 | 8,077 | | b | |
| Ya Tung Department Stores | | Taipei City, R.O.C. | Department store | 52,754 | 33,646 | 3,238 | 25 | 12,023 | (58,713) | | b | |
| FEDS Asia Pacific Development Co., Ltd. | | Taipei City, R.O.C. | Shopping mall | 5,000 | 5,000 | 500 | - | 4,497 | 123,619 | | b | |
| Bai Yang Investment Co. | | Taipei City, R.O.C. | Investment | 551 | 551 | 345 | - | 551 | 36,061 | | b | |
| Bai Chin (Singapore) Pte., Ltd. | | Singapore | Investment | 191 | 191 | 10 | 10 | 44 | (141) | | b | |
| FEDS New Century Development | | Taipei City, R.O.C. | Shopping mall | 20 | 20 | 2 | - | 10 | 35,187 | | b | |
| Far Eastern Geant Co., Ltd. | | Taipei City, R.O.C. | Hypermarket | 2 | 2 | - | - | 2 | (1,129,534) | | b | |
| FEDS Asia Pacific Development Co., Ltd. | | Pacific Liu Tong Investment Co. | Taipei City, R.O.C. | Investment | 99,000 | 99,000 | 9,900 | 4 | 166,906 | 990,963 | | b |
| | Far Eastern Hon Li Do Co., Ltd. | Taipei City, R.O.C. | Building rental | 231 | 231 | 6 | - | 60 | 8,077 | | b | |
| FEDS New Century Development | Pacific Liu Tong Investment Co. | Taipei City, R.O.C. | Investment | 99,000 | 99,000 | 9,900 | 4 | 166,906 | 990,963 | | b | |
| Feds Development Ltd. (BVI) | Tianjin FEDS Limits, Co. | Mainland China | Department store | 95,265 | - | - | 100 | 82,098 | (13,092) | | c | |
| | Chongqing Bai Ding Business Management Consulting Co., Ltd. | Mainland China | Consulting service | 3,285 | 3,285 | - | 100 | (5,762) | (8,803) | | c | |
| Bai Yang Investment Co. | Pacific Liu Tong Investment Co. | Taipei City, R.O.C. | Investment | 99,000 | 99,000 | 9,900 | 4 | 166,906 | 990,963 | | b | |
| | Feds Development Ltd. (BVI) | British Virgin Island | Investment | 92,556 | - | 31 | 24 | 92,121 | (13,078) | | b | |
| | FEDS Asia Pacific Development Co., Ltd. | Taipei City, R.O.C. | Shopping mall | 6,064 | 6,064 | 600 | - | 5,449 | 123,619 | | b | |
| | Bai Ding Investment Co. | Taipei City, R.O.C. | Investment | 100 | 100 | 9 | - | 89 | 226,873 | | b | |
| | Far Eastern Hon Li Do Co., Ltd. | Taipei City, R.O.C. | Building rental | 234 | 234 | 12 | - | 77 | 8,077 | | b | |
| | FEDS New Century Development | Taipei City, R.O.C. | Shopping mall | 20 | 20 | 2 | - | 14 | 35,187 | | b | |
| | Ya Tung Department Stores | Taipei City, R.O.C. | Department store | 7 | 7 | - | - | 7 | (58,713) | | b | |
| | Far Eastern Geant Co., Ltd. | Taipei City, R.O.C. | Hypermarket | 2 | 2 | - | - | 6 | (1,129,534) | | b | |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products of the Investee Company | Investment Amount | | Balance as of December 31, 2005 | | | Net Income (Loss) of the Investee | Equity in Net Income (Net Loss) (Note B) | Note A |
|---|---|-----------------------|--|-------------------|---------------|---------------------------------|-------------------------|----------------|-----------------------------------|--|--------|
| | | | | Dec. 31, 2005 | Dec. 31, 2004 | Shares (Thousands) | Percentage of Ownership | Carrying Value | | | |
| Ya Tung Department Stores | Pacific Liu Tong Investment Co. | Taipei City, R.O.C. | Investment | \$ 55,000 | \$ 55,000 | 5,500 | 2 | \$ 92,801 | \$ 990,963 | b | |
| | Far Eastern Hon Li Do Co., Ltd. | Taipei City, R.O.C. | Building rental | 231 | 231 | 6 | - | 60 | 8,077 | b | |
| | Bai Ding Investment Co. | Taipei City, R.O.C. | Investment | 33 | 33 | 3 | - | 33 | 226,873 | b | |
| | Bai Yang Investment Co. | Taipei City, R.O.C. | Investment | 4 | 4 | 2 | - | 4 | 36,061 | b | |
| | FEEDS New Century Development | Taipei City, R.O.C. | Shopping mall | 20 | 20 | 2 | - | 11 | 35,187 | b | |
| | Far Eastern Geant Co., Ltd. | Taipei City, R.O.C. | Hypermarket | 2 | 2 | - | - | 2 | (1,129,534) | b | |
| Yu Ming Advertising Agency Co. | Pacific Liu Tong Investment Co. | Taipei City, R.O.C. | Investment | 1,200 | 1,200 | 100 | - | 1,200 | 990,963 | b | |
| | Far Eastern Hon Li Do Co., Ltd. | Taipei City, R.O.C. | Hypermarket | 100 | 100 | 6 | - | 56 | 8,077 | b | |
| | Bai Ding Investment Co. | Taipei City, R.O.C. | Investment | 33 | 33 | 3 | - | 33 | 226,873 | b | |
| | FEEDS New Century Development | Taipei City, R.O.C. | Shopping mall | 20 | 20 | 2 | - | 20 | 35,187 | b | |
| | Ya Tung Department Stores | Taipei City, R.O.C. | Department store | 7 | 7 | - | - | 7 | (58,713) | b | |
| | Bai Yang Investment Co. | Taipei City, R.O.C. | Investment | 4 | 4 | 2 | - | 4 | 36,061 | b | |
| Far Eastern Geant Co., Ltd. | Taipei City, R.O.C. | Hypermarket | 2 | 2 | - | - | 1 | (1,129,534) | b | | |
| Far Eastern Hon Li Do Co., Ltd. | Pacific Liu Tong Investment Co. | Taipei City, R.O.C. | Investment | 8,400 | 8,400 | 700 | - | 10,307 | 990,963 | b | |
| Pacific Liu Tong Investment Co. | Pacific Sogo Department Stores Co., Ltd. | Taipei City, R.O.C. | Department store | 4,469,904 | 4,469,904 | 258,321 | 79 | 5,839,709 | 1,666,109 | c | |
| Pacific Sogo Department Stores Co., Ltd. | Pacific China Holdings (HK) Co., Ltd. | Hong Kong | Investment | 4,000,000 | 4,000,000 | 11,400 | 60 | 3,783,331 | (43,369) | c | |
| | Pacific Department Store Co., Ltd. | Taipei City, R.O.C. | Department store | 525,000 | 525,000 | 27,825 | 26 | 200,948 | 108,515 | d | |
| | Lian Ching Investment Co., Ltd. | Taipei City, R.O.C. | Investment | 270,641 | 270,641 | 26,764 | 50 | - | - | c | |
| | Pacific 88 Co., Ltd. | Taipei City, R.O.C. | Clothing, restaurant | 19,900 | 19,900 | 2,838 | 28 | 4,366 | 1,330 | d | |
| | Pacific United Consultant Co., Ltd. | Taipei City, R.O.C. | Security and cleaning | 76,099 | 76,099 | 4,071 | 39 | 61,223 | 32,833 | d | |
| | Pacific Venture Investment Ltd | Hong Kong | Investment | 357,050 | 357,050 | 100,000 | 48 | - | - | d | |
| | Sogo Department Store Co., Ltd. | Taipei City, R.O.C. | Credit card business | 32,984 | 32,984 | 7,120 | 34 | - | - | d | |
| | Pacific Sogo Investment Co., Ltd. | Taipei City, R.O.C. | Investment | 999,900 | 999,900 | 99,990 | 100 | - | - | c | |
| Ding Ding Integrated Marketing Service | Taipei City, R.O.C. | Marketing | 30,000 | 30,000 | 3,000 | 10 | 18,149 | (93,785) | d | | |
| Pacific China Holdings (HK) Co., Ltd. | Pacific China Holdings Co. | British Virgin Island | Investment | 624,150 | 624,150 | - | 100 | 6,305,552 | 300,354 | c | |
| Pacific China Holdings Co. | Shanghai Pacific Department Store Co., Ltd. | Mainland China | Department store | 421,531 | 421,531 | - | 73 | 786,577 | 505,193 | c | |
| | Chengdu Shangxia Pacific Department Store Co., Ltd. | Mainland China | Department store | 229,950 | 229,950 | - | 100 | 158,950 | (8,806) | c | |
| | Chengdu Quanxing Mansion Pacific Department Store Co., Ltd. | Mainland China | Department store | 32,522 | 32,522 | - | 100 | (41,224) | 25,533 | c | |
| | Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Mainland China | Department store | 98,550 | 98,550 | - | 100 | 255,535 | 87,121 | c | |
| | Beijing Xidan Pacific Department Store Co., Ltd. | Mainland China | Department store | 216,810 | 216,810 | - | 55 | 61,530 | 15,944 | c | |
| | Chongqing Pacific Business Management Consulting Co., Ltd. | Mainland China | Consulting service | 6,570 | 6,570 | - | 100 | 31,776 | 2,324 | c | |
| Shanghai Pacific Business Management Consulting Co., Ltd. | Mainland China | Consulting service | 5,634 | 5,634 | - | 49 | 6,304 | 175 | 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 Asians Merchandise Co., the net income of equity- method investees were based on audited financial statements as of and for the year ended December 31, 2005.

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\$32.85 prevailing on December 31, 2005.

Note E: Far Eastern Department Stores (USA) Inc. had liquidated in November 2005.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital (Note) | Investment Type (e.g., Direct or Indirect) | Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2005 (Note) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2005 (Note) | % Ownership of Direct and Indirect Investment | Investment Gain (Loss) | Carrying Value as of Dec. 31, 2005 | Accumulated Inward Remittance of Earnings as of Dec. 31, 2005 | Accumulated Investment in Mainland China as of Dec. 31, 2005 | Investment Amounts Authorized by Investment Commission, MOEA (Note) | Upper Limit on Investment Defined by Investment Commission, MOEA |
|--|--------------------------------|--|---|---|------------------|--------|--|---|------------------------|------------------------------------|---|--|---|--|
| | | | | | Outflow | Inflow | | | | | | | | |
| Shanghai Pacific Department Store Co., Ltd. | Department store | \$ 581,445 | Indirect: Investment in mainland China company through a company registered in a third region | \$ 421,531 | \$ - | \$ - | \$ 421,531 | 19 | \$ 79,654 | \$ 206,138 | \$ - | \$ 1,106,832 | \$ 4,089,806 | \$ 5,156,667 |
| Chengdu Shangxia Pacific Department Store Co., Ltd. | Department store | 229,950 | Indirect: Investment in mainland China company through a company registered in a third region | 229,950 | - | - | 229,950 | 26 | (4,714) | 41,327 | - | - | - | - |
| Chengdu Quanxing Mansion Pacific Department Store Co., Ltd. | Department store | 32,522 | Indirect: Investment in mainland China company through a company registered in a third region | 32,522 | - | - | 32,522 | 26 | 7,235 | (10,718) | - | - | - | - |
| Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd. | Department store | 98,550 | Indirect: Investment in mainland China company through a company registered in a third region | 98,550 | - | - | 98,550 | 26 | 22,651 | 66,439 | - | - | - | - |
| Beijing Xidan Pacific Department Store Co., Ltd. | Department store | 394,200 | Indirect: Investment in mainland China company through a company registered in a third region | 216,810 | - | - | 216,810 | 14 | 2,232 | 15,662 | - | - | - | - |
| Chongqing Pacific Business Management Consulting Co., Ltd. | Business management consulting | 6,570 | Indirect: Investment in mainland China company through a company registered in a third region | 6,570 | - | - | 6,570 | 26 | 604 | 8,262 | - | - | - | - |
| Shanghai Pacific Business Management Consulting Co., Ltd. | Business management consulting | 11,498 | Indirect: Investment in mainland China company through a company registered in a third region | 5,634 | - | - | 5,634 | 13 | 20 | 1,643 | - | - | - | - |
| Chongqing Bai Ding Business Management Consulting Co., Ltd. | Business management consulting | 3,285 | Indirect: Investment in mainland China company through a company registered in a third region | - | - | - | - | 100 | (8,803) | (5,762) | - | - | - | - |
| Tianjin FEDS Limits, Co. | Department store | 95,265 | Indirect: Investment in mainland China company through a company registered in a third region | - | 95,265 | - | 95,265 | 100 | (13,092) | 82,098 | - | - | - | - |

Note: Translated at the rate of US\$1:NT\$32.85 prevailing on December 31, 2005.