

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

**Consolidated Financial Statements for the  
Years Ended December 31, 2006 and 2005 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the consolidated balance sheets of Far Eastern Department Stores, Ltd. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Far Eastern Department Stores, Ltd. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended, in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 4 to the financial statements, on January 1, 2006, the accompanying consolidated financial statements included the accounts of all direct and indirect subsidiaries of Far Eastern Department Stores, Ltd. in compliance with the newly released ROC Statements of Financial Accounting Standards (SFAS) No. 34 - "Accounting for Financial Instruments" and No. 36 - "Disclosure and Presentation of Financial Instruments" and the newly revised SFAS No. 5 - "Long-term Investments in Equity Securities" and No. 25 "Business Combinations - Accounting Treatment under Purchase Method."

As stated in Note 4 to the financial statements, the equity in the net assets of an investee, Pacific Department Store, was determined on the basis of the current audited financial statements in compliance with the revised ROC SFAS No. 5 - "Long-term Investments in Equity Securities," which took effect on January 1, 2005. The adoption of the revised SFAS No. 5 resulted in an increase of NT\$10,601 thousand (US\$325 thousand) in the net income in 2005.

Our audits also comprehended the translation of the 2006 and 2005 New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers.

February 26, 2007

Notice to Readers

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

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

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

**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2006 AND 2005**  
(In Thousands, Except Par Value)

ASSETS	2006			2005			LIABILITIES AND STOCKHOLDERS' EQUITY	2006			2005		
	New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%		New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash and cash equivalents (Notes 2 and 5)	\$ 10,444,283	\$ 320,377	13	\$ 7,927,182	\$ 243,165	10	Short-term debts (Notes 19 and 31)	\$ 4,623,000	\$ 141,810	6	\$ 5,307,680	\$ 162,812	7
Financial assets at fair value through profit or loss (Notes 2, 4 and 6)	1,654,661	50,756	2	2,893,077	88,745	4	Short-term notes and bills payable (Notes 20 and 31)	4,737,582	145,325	6	3,552,232	108,964	5
Available-for-sale financial assets - current (Notes 2, 4 and 7)	654,463	20,076	1	464,926	14,262	1	Notes and accounts payable (Notes 30 and 32)	17,174,141	526,814	21	14,750,187	452,460	19
Notes and accounts receivable, net of allowance for doubtful accounts of NTS\$224,241 thousand (US\$6,879 thousand) in 2006 and NTS\$245,866 thousand (US\$7,542 thousand) in 2005 (Notes 2 and 30)	1,451,578	44,527	2	1,201,451	36,854	1	Income tax payable (Notes 2 and 25)	522,781	16,036	1	448,283	13,751	1
Other receivables (Notes 12, 30 and 32)	17,598	17,598	1	900,594	27,626	1	Accrued expenses (Notes 30 and 32)	1,791,815	54,964	2	1,598,830	49,044	2
Inventories, net (Notes 2 and 8)	2,119,491	65,015	3	2,174,236	66,694	3	Other payables (Note 32)	463,267	14,210	1	758,497	23,267	1
Prepayments (Notes 17 and 30)	958,738	29,409	1	783,496	24,034	1	Balance payable - property (Notes 13, 30 and 32)	1,001,610	30,724	1	781,774	23,981	1
Deferred tax assets (Notes 2 and 25)	205,955	6,318	-	122,059	3,744	-	Advance receipts (Note 30)	3,655,668	112,137	4	3,550,084	108,898	4
Pledged time deposits (Note 31)	10,932	335	-	15,098	463	-	Current portion of bonds issued (Notes 21 and 31)	2,000,000	61,350	2	2,675,000	82,055	3
Refundable deposits - current (Notes 15 and 30)	293,975	9,018	-	-	-	-	Current portion of long-term borrowings (Notes 22 and 31)	1,805,609	55,387	2	3,535,700	108,457	4
Other current assets	101,081	3,101	-	122,349	3,753	-	Current portion of franchise liability (Notes 2 and 13)	302,694	9,285	-	460,284	14,119	1
							Other current liabilities	677,657	20,787	1	621,921	19,078	1
Total current assets	18,468,865	566,530	23	16,604,468	509,340	21	Total current liabilities	38,755,824	1,188,829	47	38,040,472	1,166,886	49
<b>LONG-TERM INVESTMENTS</b>							<b>LONG-TERM LIABILITIES, NET OF CURRENT PORTION</b>						
Investments accounted for by the equity method (Notes 2, 4, 9 and 31)	5,881,869	180,425	7	5,458,935	167,452	7	Bonds issued (Notes 21 and 31)	1,700,000	52,147	2	3,700,000	113,497	5
Real estate, net (Notes 2 and 11)	93,600	2,871	-	93,600	2,871	-	Long-term borrowings (Notes 22 and 31)	13,346,147	409,391	16	11,147,019	341,933	14
Available-for-sale financial assets - noncurrent (Notes 2, 4, 7 and 31)	4,624,164	141,846	6	2,899,122	88,930	4	Franchise liability (Notes 2 and 13)	298,588	9,160	1	601,283	18,445	1
Financial assets carried at cost (Notes 2, 4, 10 and 31)	846,322	25,961	1	827,563	25,386	1	Total long-term liabilities	15,344,735	470,698	19	15,448,302	473,875	20
Total long-term investments	11,445,955	351,103	14	9,279,220	284,639	12	<b>RESERVE</b>						
<b>PROPERTY (Notes 2, 12, 13, 14, 30, 31 and 32)</b>							Reserve for land revaluation increment tax (Note 12)	575,490	17,653	1	575,490	17,653	1
Cost							<b>OTHER LIABILITIES</b>						
Land	6,844,331	209,949	9	6,357,590	195,018	8	Accrued pension costs (Notes 2 and 29)	260,559	7,993	-	250,352	7,680	-
Buildings and equipment	17,483,651	536,308	21	16,836,757	516,465	22	Deposits received (Note 14)	177,713	5,451	-	141,173	4,330	-
Furniture and equipment	6,255,607	191,890	8	6,210,623	190,510	8	Miscellaneous (Notes 2, 11 and 30)	32,643	1,001	-	43,752	1,342	-
Leasehold improvements	3,552,086	108,960	4	3,083,997	94,601	4	Total other liabilities	470,915	14,445	-	435,277	13,352	-
Total cost	34,135,675	1,047,107	42	32,488,967	996,594	42	Total liabilities	55,146,964	1,691,625	67	54,499,541	1,671,766	70
Revaluation increment	1,194,771	36,649	1	1,194,771	36,649	1	<b>STOCKHOLDERS' EQUITY</b>						
Cost and appreciation	35,330,446	1,083,756	43	33,683,738	1,033,243	43	Capital stock of parent company, NTS\$10.00 par value						
Less: Accumulated depreciation	9,609,311	294,764	12	8,549,846	262,265	11	Authorized - 1,350,000 thousand shares						
	25,721,135	788,992	31	25,133,892	770,978	32	Issued and outstanding - 1,077,853 thousand shares in 2006 and 1,036,397 thousand shares in 2005	10,778,529	330,630	13	10,363,970	317,913	13
Construction in progress	5,031,541	154,342	6	4,733,208	145,190	6	Capital surplus:						
Leasehold rights, net	8,654,693	265,481	11	8,948,059	274,480	12	Additional paid-in capital	2,606,859	79,965	3	2,606,859	79,965	3
Properties leased to others, net	1,043,994	32,024	1	1,059,286	32,494	1	Treasury stock transactions	267,469	8,205	-	204,272	6,266	-
Net properties	40,451,363	1,240,839	49	39,874,445	1,223,142	51	Long-term investments	345,117	10,586	1	324,135	9,943	1
<b>INTANGIBLE ASSETS</b>							Total capital surplus	3,219,445	98,756	4	3,135,266	96,174	4
Deferred pension costs (Notes 2 and 29)	43,713	1,341	-	63,294	1,942	-	Retained earnings:						
<b>OTHER ASSETS</b>							Legal reserve	1,277,311	39,181	1	1,179,369	36,177	2
Refundable deposits - noncurrent (Notes 13, 15, 17, 30 and 32)	1,316,934	40,397	2	1,121,564	34,404	1	Special reserve	2,159,977	66,257	3	2,159,977	66,257	3
Idle assets, net (Notes 2, 16 and 31)	459,085	14,082	1	462,722	14,194	1	Unappropriated earnings	634,461	19,462	1	1,149,216	35,252	1
Long-term prepayments (Notes 17, 30 and 32)	3,224,265	98,904	4	3,813,836	116,989	5	Total retained earnings	4,071,749	124,900	5	4,488,562	137,686	6
Prepaid pension costs (Notes 2 and 29)	111,098	3,408	-	87,597	2,687	-	Other equity adjustments						
Deferred tax assets (Notes 2 and 25)	329,738	10,115	-	325,169	9,975	-	Cumulative translation adjustments	(19,354)	(594)	-	(18,875)	(579)	-
Consolidated debits (Notes 2, 4 and 18)	5,365,259	164,578	6	5,365,259	164,578	7	Net losses not recognized as pension costs	(11,660)	(358)	-	(9,669)	(297)	-
Pledged assets (Notes 31 and 32)	210,498	6,457	-	391,561	12,011	1	Unrealized valuation gains (losses) on financial instruments	2,121,567	65,079	3	(349,486)	(10,720)	-
Miscellaneous	554,205	17,000	1	479,928	14,722	1	Unrealized asset revaluation increment	883,944	27,115	1	883,944	27,115	1
Total other assets	11,571,082	354,941	14	12,047,636	369,560	16	Total other equity adjustments	2,974,497	91,242	4	505,914	15,519	1
<b>TOTAL</b>	<b>\$ 81,980,978</b>	<b>\$ 2,514,754</b>	<b>100</b>	<b>\$ 77,869,063</b>	<b>\$ 2,388,623</b>	<b>100</b>	Treasury stock - 30,414 thousand shares in 2006 and 33,830 thousand shares in 2005	(181,950)	(5,581)	-	(210,379)	(6,453)	-
							Minority interest	5,971,744	183,182	7	5,086,189	156,018	6
							Total stockholders' equity	26,834,014	823,129	33	23,369,522	716,857	30
							<b>TOTAL</b>	<b>\$ 81,980,978</b>	<b>\$ 2,514,754</b>	<b>100</b>	<b>\$ 77,869,063</b>	<b>\$ 2,388,623</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated February 26, 2007)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2006 AND 2005 (In Thousands, Except Per Share Amounts)

	2006			2005		
	New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%
<b>REVENUES</b>						
Sales (Notes 2 and 30)	\$ 77,699,994	\$2,383,436	98	\$ 74,949,774	\$2,299,073	98
Other operating revenues (Notes 2 and 30)	<u>1,748,416</u>	<u>53,632</u>	<u>2</u>	<u>1,862,773</u>	<u>57,140</u>	<u>2</u>
Total revenues	<u>79,448,410</u>	<u>2,437,068</u>	<u>100</u>	<u>76,812,547</u>	<u>2,356,213</u>	<u>100</u>
<b>COSTS (Notes 26 and 30)</b>						
Cost of goods sold	62,379,871	1,913,493	78	60,360,927	1,851,562	79
Other operating costs	<u>100,153</u>	<u>3,072</u>	<u>-</u>	<u>177,601</u>	<u>3,450</u>	<u>-</u>
Total costs	<u>62,480,024</u>	<u>1,916,565</u>	<u>78</u>	<u>60,538,528</u>	<u>1,855,012</u>	<u>79</u>
<b>GROSS PROFIT</b>	<u>16,968,386</u>	<u>520,503</u>	<u>22</u>	<u>16,274,019</u>	<u>501,201</u>	<u>21</u>
<b>OPERATING EXPENSES (Notes 11, 12, 13, 17, 18, 26, 30 and 32)</b>						
Selling	7,492,358	229,827	10	7,910,801	242,663	10
General and administrative	<u>6,683,507</u>	<u>205,016</u>	<u>8</u>	<u>5,934,461</u>	<u>184,036</u>	<u>8</u>
Total operating expenses	<u>14,175,865</u>	<u>434,843</u>	<u>18</u>	<u>13,845,262</u>	<u>426,699</u>	<u>18</u>
<b>OPERATING INCOME</b>	<u>2,792,521</u>	<u>85,660</u>	<u>4</u>	<u>2,428,757</u>	<u>74,502</u>	<u>3</u>
<b>NONOPERATING INCOME AND GAINS</b>						
Equity in earning of equity-method investees, net (Notes 2 and 9)	287,601	8,822	1	217,462	6,671	1
Dividend income	200,130	6,139	-	205,378	6,300	-
Interest income	180,225	5,529	-	78,834	2,418	-
Gain on disposal of investments, net	115,871	3,554	-	-	-	-
Valuation gain on financial instruments, net (Notes 2, 4 and 6)	60,534	1,857	-	40,373	1,238	-
Gains on write-off of accounts payable	1,271	39	-	61,146	1,876	-
Gain on disposal of property (Note 27)	-	-	-	463,358	14,213	1
Gain on sale of real estate investments (Notes 2 and 30)	-	-	-	56,679	1,739	-
Other income (Note 30)	<u>261,873</u>	<u>8,033</u>	<u>-</u>	<u>191,101</u>	<u>5,862</u>	<u>-</u>
Total nonoperating income and gains	<u>1,107,505</u>	<u>33,973</u>	<u>1</u>	<u>1,314,331</u>	<u>40,317</u>	<u>2</u>
<b>NONOPERATING EXPENSES AND LOSSES</b>						
Interest expenses (Notes 12, 30 and 32)	787,133	24,145	1	747,298	22,923	1
Loss on disposal of property and idle assets	106,908	3,280	-	86,385	2,650	-
Loss on physical inventory	49,022	1,504	-	42,132	1,292	-
Impairment loss on financial assets carried at cost (Notes 2, 4 and 10)	46,886	1,438	-	57,957	1,778	-
Unrealized loss on physical inventory and slow-moving inventories	14,281	438	-	5,845	179	-
Loss on disposal of investments, net (Note 6)	-	-	-	9,440	290	-
Valuation loss on financial instruments, net (Notes 2, 4 and 7)	-	-	-	8,661	266	-
Other expenses (Notes 2, 16, 26, 30 and 32)	<u>712,313</u>	<u>21,850</u>	<u>1</u>	<u>416,385</u>	<u>12,772</u>	<u>1</u>
Total nonoperating expenses and losses	<u>1,716,543</u>	<u>52,655</u>	<u>2</u>	<u>1,374,103</u>	<u>42,150</u>	<u>2</u>

(Continued)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2006 AND 2005 (In Thousands, Except Per Share Amounts)

	2006			2005		
	New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%
INCOME BEFORE INCOME TAX	\$ 2,183,483	\$ 66,978	3	\$ 2,368,985	\$ 72,669	3
INCOME TAX (Notes 2 and 25)	847,572	25,999	1	944,725	28,979	1
SUBSIDIARIES' BONUS TO EMPLOYEES AND REMUNERATION TO DIRECTORS AND SUPERVISORS	<u>(26,488)</u>	<u>(813)</u>	-	<u>(24,797)</u>	<u>(761)</u>	-
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	1,309,423	40,166	2	1,399,463	42,929	2
CUMULATIVE EFFECT OF ACCOUNTING CHANGES (Notes 2 and 4)	<u>5,846</u>	<u>180</u>	-	<u>10,601</u>	<u>325</u>	-
NET INCOME	<u>\$ 1,315,269</u>	<u>\$ 40,346</u>	<u>2</u>	<u>\$ 1,410,064</u>	<u>\$ 43,254</u>	<u>2</u>
ATTRIBUTED TO:						
Stockholders of the parent	\$ 586,152	\$ 17,980	1	\$ 979,426	\$ 30,044	1
Minority interest	<u>729,117</u>	<u>22,366</u>	<u>1</u>	<u>430,638</u>	<u>13,210</u>	<u>1</u>
	<u>\$ 1,315,269</u>	<u>\$ 40,346</u>	<u>2</u>	<u>\$ 1,410,064</u>	<u>\$ 43,254</u>	<u>2</u>

	2006				2005			
	Before Tax		After Tax		Before Tax		After Tax	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
CONSOLIDATED EARNINGS PER SHARE (Note 28)								
Basic	<u>\$ 0.59</u>	<u>\$ 0.02</u>	<u>\$ 0.56</u>	<u>\$ 0.02</u>	<u>\$ 1.01</u>	<u>\$ 0.03</u>	<u>\$ 0.95</u>	<u>\$ 0.03</u>

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

(With Deloitte & Touche audit report dated February 26, 2007)

(Concluded)

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2006 AND 2005  
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Capital Surplus (Notes 2, 23 and 24)				Retained Earnings (Notes 2, 23 and 25)			Other Equity Adjustments					Total Stockholders' Equity	
	Capital Stock Issued and Outstanding	Additional Paid-in Capital	Treasury Stock Transactions	Long-term Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized as Pension Cost (Notes 2 and 29)	Unrealized Valuation Gain or Loss on Financial Instrument (Notes 2, 4 and 7)	Reserve for Asset Revaluation Increment (Notes 2 and 12)	Treasury Stock (Notes 2 and 24)		Minority Interests
BALANCE, JANUARY 1, 2005	\$ 9,870,448	\$ 2,606,859	\$ 19,894	\$ 313,621	\$ 1,031,416	\$ 2,159,977	\$ 1,485,215	\$ (96,459)	\$ (14,067)	\$ (474,272)	\$ 614,880	\$ (293,659)	\$ 4,513,898	\$ 21,737,751
Appropriation of prior year's earnings:														
Legal reserve	-	-	-	-	147,953	-	(147,953)	-	-	-	-	-	-	-
Stock dividends - 5%	493,522	-	-	-	-	-	(493,522)	-	-	-	-	-	-	-
Cash dividends - NT\$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	-	-	-	-	-	-	-	-	-	-	(49,756)	-	-	(49,756)
Adjustment due to a decrease in the land revaluation increment tax rate	-	-	-	-	-	-	-	-	-	-	318,820	-	-	318,820
Adjustment due to subsidiaries' disposal of parent's stocks	-	-	184,378	-	-	-	-	-	-	-	-	83,280	-	267,658
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	124,786	-	-	-	124,786
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	10,979	-	-	-	-	-	10,979
Adjustments reported by equity-method investees	-	-	-	10,514	-	-	-	66,605	4,398	-	-	-	-	81,517
Net income in 2005	-	-	-	-	-	-	979,426	-	-	-	-	-	430,638	1,410,064
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	141,653	141,653
BALANCE, DECEMBER 31, 2005	10,363,970	2,606,859	204,272	324,135	1,179,369	2,159,977	1,149,216	(18,875)	(9,669)	(349,486)	883,944	(210,379)	5,086,189	23,369,522
Effect of accounting change adjustments	-	-	-	-	-	-	-	-	-	523,659	-	-	-	523,659
Appropriation of prior year's earnings:														
Legal reserve	-	-	-	-	97,942	-	(97,942)	-	-	-	-	-	-	-
Stock dividends - 4%	414,559	-	-	-	-	-	(414,559)	-	-	-	-	-	-	-
Cash dividends - NT\$0.5 per share	-	-	-	-	-	-	(518,198)	-	-	-	-	-	-	(518,198)
Employee bonuses	-	-	-	-	-	-	(40,119)	-	-	-	-	-	-	(40,119)
Remuneration to directors and supervisors	-	-	-	-	-	-	(30,089)	-	-	-	-	-	-	(30,089)
Adjustment due to subsidiaries' disposal of parent's shares	-	-	63,197	-	-	-	-	-	-	-	-	28,429	-	91,626
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(1,780)	-	-	-	-	-	(1,780)
Adjustment due to nonproportional subscription for additional shares issued by investees	-	-	-	22,579	-	-	-	-	-	-	-	-	-	22,579
Adjustments reported by equity-method investees	-	-	-	(1,597)	-	-	-	1,301	(1,991)	347,313	-	-	-	345,026
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	1,600,081	-	-	-	1,600,081
Net income in 2006	-	-	-	-	-	-	586,152	-	-	-	-	-	729,117	1,315,269
Changes in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	156,438	156,438
BALANCE, DECEMBER 31, 2006	<u>\$ 10,778,529</u>	<u>\$ 2,606,859</u>	<u>\$ 267,469</u>	<u>\$ 345,117</u>	<u>\$ 1,277,311</u>	<u>\$ 2,159,977</u>	<u>\$ 634,461</u>	<u>\$ (19,354)</u>	<u>\$ (11,660)</u>	<u>\$ 2,121,567</u>	<u>\$ 883,944</u>	<u>\$ (181,950)</u>	<u>\$ 5,971,744</u>	<u>\$ 26,834,014</u>

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

(With Deloitte & Touche audit report dated February 26, 2007)

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2006 AND 2005  
(In Thousands of U.S. Dollars, Except Amounts Per Share)

	Capital Surplus (Notes 2, 23 and 24)				Retained Earnings (Notes 2, 23 and 25)			Other Equity Adjustments					Total Stockholders' Equity	
	Capital Stock Issued and Outstanding	Additional Paid-in Capital	Treasury Stock Transactions	Long-term Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized as Pension Cost (Notes 2 and 29)	Unrealized Valuation Gain or Loss on Financial Instrument (Notes 2, 4 and 7)	Reserve for Asset Revaluation Increment (Notes 2 and 12)	Treasury Stock (Notes 2 and 24)		Minority Interests
BALANCE, JANUARY 1, 2005	\$ 302,775	\$ 79,965	\$ 610	\$ 9,620	\$ 31,639	\$ 66,257	\$ 45,559	\$ (2,959)	\$(432)	\$ (14,548)	\$ 18,861	\$ (9,008)	\$ 138,463	\$ 666,802
Appropriation of prior year's earnings:														
Legal reserve	-	-	-	-	4,538	-	(4,538)	-	-	-	-	-	-	-
Stock dividends - 5%	15,138	-	-	-	-	-	(15,138)	-	-	-	-	-	-	-
Cash dividends - NT\$0.6 per share	-	-	-	-	-	-	(18,167)	-	-	-	-	-	-	(18,167)
Employee bonuses	-	-	-	-	-	-	(1,433)	-	-	-	-	-	-	(1,433)
Remuneration to directors and supervisors	-	-	-	-	-	-	(1,075)	-	-	-	-	-	-	(1,075)
Adjustment on gain from disposal of property	-	-	-	-	-	-	-	-	-	-	(1,526)	-	-	(1,526)
Adjustment due to a decrease in the land revaluation increment tax rate	-	-	-	-	-	-	-	-	-	-	9,780	-	-	9,780
Adjustment due to subsidiaries' disposal of parent's stocks	-	-	5,656	-	-	-	-	-	-	-	-	2,555	-	8,211
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	3,828	-	-	-	3,828
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	337	-	-	-	-	-	337
Adjustments reported by equity-method investees	-	-	-	323	-	-	-	2,043	135	-	-	-	-	2,501
Net income in 2005	-	-	-	-	-	-	30,044	-	-	-	-	-	13,210	43,254
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	4,345	4,345
BALANCE, DECEMBER 31, 2005	317,913	79,965	6,266	9,943	36,177	66,257	35,252	(579)	(297)	(10,720)	27,115	(6,453)	156,018	716,857
Effect of accounting change adjustments	-	-	-	-	-	-	-	-	-	16,063	-	-	-	16,063
Appropriation of prior year's earnings:														
Legal reserve	-	-	-	-	3,004	-	(3,004)	-	-	-	-	-	-	-
Stock dividends - 4%	12,717	-	-	-	-	-	(12,717)	-	-	-	-	-	-	-
Cash dividends - NT\$0.5 per share	-	-	-	-	-	-	(15,896)	-	-	-	-	-	-	(15,896)
Employee bonuses	-	-	-	-	-	-	(1,230)	-	-	-	-	-	-	(1,230)
Remuneration to directors and supervisors	-	-	-	-	-	-	(923)	-	-	-	-	-	-	(923)
Adjustment due to subsidiaries' disposal of parent's shares	-	-	1,939	-	-	-	-	-	-	-	-	872	-	2,811
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(55)	-	-	-	-	-	(55)
Adjustment due to nonproportional subscription for additional shares issued by investees	-	-	-	692	-	-	-	-	-	-	-	-	-	692
Adjustments reported by equity-method investees	-	-	-	(49)	-	-	-	40	(61)	10,654	-	-	-	10,584
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	49,082	-	-	-	49,082
Net income in 2006	-	-	-	-	-	-	17,980	-	-	-	-	-	22,366	40,346
Changes in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	4,798	4,798
BALANCE, DECEMBER 31, 2006	<u>\$ 330,630</u>	<u>\$ 79,965</u>	<u>\$ 8,205</u>	<u>\$ 10,586</u>	<u>\$ 39,181</u>	<u>\$ 66,257</u>	<u>\$ 19,462</u>	<u>\$ (594)</u>	<u>\$(358)</u>	<u>\$ 65,079</u>	<u>\$ 27,115</u>	<u>\$ (5,581)</u>	<u>\$ 183,182</u>	<u>\$ 823,129</u>

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

(With Deloitte & Touche audit report dated February 26, 2007)



## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2006 AND 2005 (In Thousands)

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	\$ 1,315,269	\$ 40,346	\$ 1,410,064	\$ 43,253
Cumulative effect of accounting changes	(5,846)	(179)	(10,601)	(325)
Depreciation	1,611,695	49,438	1,699,798	52,141
Amortization	31,847	977	518,229	15,897
Amortization of leasehold rights included in rental expenses	317,685	9,745	320,198	9,822
Valuation gain on financial instruments	(60,534)	(1,857)	(40,373)	(1,238)
Unrealized loss on physical inventory and slow-moving inventories	14,281	438	5,845	179
Equity in earnings of equity-method investees, net	(287,601)	(8,822)	(217,462)	(6,671)
Acquisition of financial assets carried at cost to repay a debt	(521)	(16)	-	-
Valuation loss on financial instruments	-	-	8,661	266
Impairment loss on financial assets carried at cost	46,886	1,438	57,957	1,778
Cash dividends from equity-method investees	172,600	5,295	14,075	432
Gain on disposal of available-for-sale financial assets, net	(109,240)	(3,351)	(20,535)	(630)
Gain on sale of real estate investments, net	-	-	(56,679)	(1,739)
Loss on disposal of property and idle assets, net	106,927	3,280	84,655	2,597
Gain on disposal of property	-	-	(463,358)	(14,213)
Gain on write-off of accounts payable	(1,271)	(39)	(61,146)	(1,876)
Other expenses	483,863	14,842	244,210	7,491
Amortization of prepaid rent	200,148	6,140	23,756	729
Deferred income taxes	(88,465)	(2,714)	(16,501)	(506)
(Increase) decrease in prepaid pension cost	(23,501)	(721)	21,639	664
Increase in accrued pension cost	27,797	853	30,538	937
Net changes in operating assets and liabilities				
Financial assets at fair value through profit or loss	1,304,796	40,024	1,017,660	31,217
Notes and accounts receivable	(250,127)	(7,673)	(64,345)	(1,974)
Other receivables	32,911	1,010	68,036	2,087
Inventories	40,464	1,241	124,944	3,833
Prepayments	(147,864)	(4,536)	(31,622)	(970)
Other current assets	21,268	652	(24,285)	(745)
Notes and accounts payable	2,426,478	74,432	1,318,113	40,433
Accrued expenses	183,122	5,617	145,360	4,459
Income tax payable	74,498	2,285	(83,187)	(2,552)
Other payables	(495,230)	(15,191)	151,210	4,638
Advance receipts	263,402	8,080	519,454	15,934
Other current liabilities	6,635	204	80,148	2,458
Net cash provided by operating activities	<u>7,212,372</u>	<u>221,238</u>	<u>6,774,456</u>	<u>207,806</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease (increase) in pledged time deposits	4,166	128	(2,367)	(73)
Acquisition of investments accounted for by the equity method	-	-	(1,354,548)	(41,551)
Return of capital due to subsidiary's capital reduction	-	-	26	1
Acquisition of available-for-sale financial assets	-	-	(290,376)	(8,907)
Proceeds of the disposal of available-for-sale financial assets	365,427	11,209	51,220	1,571
Acquisition of financial assets carried at cost	(65,200)	(2,000)	-	-
Proceeds of the sale of real estate investments	-	-	627,078	19,236
Acquisition of property	(3,032,616)	(93,025)	(1,945,558)	(59,680)
Proceeds of the disposal of property and land held for future construction	12,460	382	166,685	5,113
Proceeds of the disposal of property held for sale	-	-	480,806	14,749
(Increase) decrease in refundable deposits	(111,857)	(3,431)	105,549	3,238

(Continued)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2006 AND 2005 (In Thousands)

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Decrease (increase) in long-term prepayments	\$ 391,671	\$ 12,015	\$ (744,018)	\$ (22,823)
Decrease (increase) in pledged assets	181,063	5,554	(95,727)	(2,936)
Increase in other assets	<u>(189,637)</u>	<u>(5,817)</u>	<u>(9,080)</u>	<u>(279)</u>
Net cash used in investing activities	<u>(2,444,523)</u>	<u>(74,985)</u>	<u>(3,010,310)</u>	<u>(92,341)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
(Decrease) increase in short-term debts	(684,680)	(21,003)	2,276,000	69,816
Increase (decrease) in short-term notes and bills payable	1,185,350	36,360	(1,079,195)	(33,104)
Proceeds of the issuance of bonds	-	-	500,000	15,337
Repayments of bonds issued	(2,675,000)	(82,055)	(1,100,000)	(33,743)
Increase (decrease) in long-term borrowings	469,037	14,388	(1,351,653)	(41,462)
Increase (decrease) in deposits received	36,540	1,121	(13,110)	(402)
(Decrease) increase in other liabilities	(11,109)	(341)	34,612	1,062
Proceeds of subsidiaries' disposal of parent's shares	91,727	2,814	267,861	8,217
Increase in minority interests	928,602	28,485	205,119	6,292
Dividends paid to minority interests	(709,336)	(21,759)	(192,601)	(5,908)
Cash dividends and payment of bonus to employees and remuneration to supervisors and directors	<u>(588,406)</u>	<u>(18,049)</u>	<u>(687,139)</u>	<u>(21,078)</u>
Net cash used in financing activities	<u>(1,957,275)</u>	<u>(60,039)</u>	<u>(1,140,106)</u>	<u>(34,973)</u>
EFFECT ON EXCHANGE RATE CHANGES	<u>(293,473)</u>	<u>(9,002)</u>	<u>(38,302)</u>	<u>(1,175)</u>
EFFECT OF INCREASE IN CONSOLIDATED SUBSIDIARIES	<u>-</u>	<u>-</u>	<u>429,149</u>	<u>13,164</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,517,101	77,212	3,014,887	92,481
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,927,182</u>	<u>243,165</u>	<u>4,912,295</u>	<u>150,684</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,444,283</u>	<u>\$ 320,377</u>	<u>\$ 7,927,182</u>	<u>\$ 243,165</u>
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION</b>				
Interest paid	\$ 780,049	\$ 23,928	\$ 793,972	\$ 24,355
Less: Capitalized interest	<u>137,622</u>	<u>4,222</u>	<u>128,840</u>	<u>3,952</u>
Interest paid, excluding capitalized interest	<u>\$ 642,427</u>	<u>\$ 19,706</u>	<u>\$ 665,132</u>	<u>\$ 20,403</u>
Income tax paid	<u>\$ 836,430</u>	<u>\$ 25,657</u>	<u>\$ 932,869</u>	<u>\$ 28,616</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>				
Proceeds of the disposal of properties classified as other receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,564</u>	<u>\$ 3,545</u>
Financial assets at fair value through profit or loss reclassified into available-for-sale financial assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,837</u>	<u>\$ 885</u>
Compensation receivable from reduced payment for land purchased	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 386,280</u>	<u>\$ 11,849</u>
Land held for future construction reclassified into property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,981</u>	<u>\$ 950</u>
Adjustment to advance receipts and depreciation	<u>\$ 133,363</u>	<u>\$ 4,091</u>	<u>\$ 143,855</u>	<u>\$ 4,413</u>
Adjustment to advance receipts and loss on disposal of property	<u>\$ 24,455</u>	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>
Adjustment to the cost of property for disposal and reserve for land revaluation increment tax	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,428</u>	<u>\$ 2,866</u>

(Continued)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2006 AND 2005 (In Thousands)

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Adjustment to the cost of property for disposal and capital surplus	\$ -	\$ -	\$ 49,756	\$ 1,526
Adjustment to the cost of buildings and payable on properties	\$ -	\$ -	\$ 51,198	\$ 1,570
Adjustment to the cost of leasehold rights and payable on properties	\$ -	\$ -	\$ 231,120	\$ 7,090
Current portion of bonds issued	\$ 2,000,000	\$ 61,350	\$ 2,675,000	\$ 82,055
Current portion of long-term borrowings	\$ 1,805,609	\$ 55,387	\$ 3,535,700	\$ 108,457
Current portion of franchise liabilities	\$ 302,694	\$ 9,285	\$ 460,284	\$ 14,119
Payable on remuneration to directors and supervisors and employee bonuses shown in other current liabilities	\$ -	\$ -	\$ 5,807	\$ 178
Receivable on investments in shares of minority interest shown in other receivables	\$ -	\$ -	\$ 20,000	\$ 613
<b>CASH PAID FOR ACQUISITION OF PROPERTY</b>				
Acquisition of property	\$ 2,796,562	\$ 85,784	\$ 1,220,533	\$ 37,440
Decrease in construction in progress	(4,395)	(135)	(111,979)	(3,435)
Increase in balance payable - property	(219,836)	(6,743)	(15,161)	(465)
Decrease in franchise liabilities	460,285	14,119	466,613	14,313
Decrease in capital lease liabilities	-	-	385,552	11,827
	<u>\$ 3,032,616</u>	<u>\$ 93,025</u>	<u>\$ 1,945,558</u>	<u>\$ 59,680</u>

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

(With Deloitte & Touche audit report dated February 26, 2007)

(Concluded)

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 AND 2005

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

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### 1. ORGANIZATION AND OPERATIONS

Far Eastern Department Stores, Ltd. (the “Company” or FEDS) manages and operates a nationwide chain of department stores, which numbered 9 as of December 31, 2006. Its shares are listed on the Taiwan Stock Exchange.

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

Pacific SOGO Department Store Co., Ltd. (SOGO), Shanghai Pacific Department Store Co., Chengdu Shangxia Pacific Department Store Co., Chengdu Quanxing Mansion Pacific Department Store Co., Chongqing Metropolitan Plaza Pacific Department Store Co. and Sidan of Beijing Pacific Department Store Co. all manage and operate a chain of department stores. Tianjin FEDS Limits, Co., which was invested in by Bai Yang through FEDS Development Ltd. (BVI), was set up in Mainland China in April 2005 to operate a department store.

Ya Tung Department Stores Ltd. (YTDS), FEDS Asia Pacific Development Corp. (FAPD), FEDS New Century Development Co., Ltd. (FNCD) and Far Eastern CitySuper Ltd. (FECS) manage department stores and shopping malls. Far Eastern Hon Li Do Co., Ltd. (FEHL) leases building to Far Eastern Geant Co., Ltd. for shopping mall. Yu Ming Advertising Agency Co. (Yu Ming) operate advertising and act as agent for importing goods. FNCD was still in the development stage as of December 31, 2006.

Bai Ding Investment Co., Ltd. (BDIC), Bai Yang Investment Co., Ltd. (“Bai Yang”), Pacific Liu Tong Investment Co., Ltd. (“Pacific Liu Tong Investment”), Bai Chin (Singapore) Pte. Ltd., FEDS Development Ltd. (BVI), Pacific China Holdings (HK) Co., Ltd. and Pacific China Holdings Co., Ltd. operate investing and holding business. Bai Chin (Singapore) Pte. Ltd., went into liquidation and transferred its investment in December, 2006. The liquidation of Bai Chin (Singapore) Pte. Ltd., is not completed on December 31, 2006. Chongqing Pacific Consultant and Management Co., Ltd. and Chongqing Bai Ding Business Management Consulting Co., Ltd. render consulting services.

Far Eastern Department Stores (USA) Inc. (FEDS-USA) went into liquidation and transferred its investment in Asians Merchandise Co. (AMC) 950 thousand stocks to FEDS on September 30, 2005. The liquidation of FEDS-USA was completed on November 1, 2005.

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

The diagram of the Company-subsidiary relationship (including unconsolidated subsidiaries) as of December 31, 2006 is shown in Table 1.

As of December 31, 2006 and 2005, the Company and its subsidiaries had 9,333 and 9,505 employees, respectively.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Presentation**

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

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

The significant accounting policies of the Company and consolidated subsidiaries (collectively, “the Group”) are summarized as follows:

### **Consolidation**

As required by the revised ROC Statement of Financial Accounting Standards (SFAS) No. 7 - “Consolidated Financial Statements,” starting from January 2006 and 2005, consolidated financial statements should include the accounts of the Company and its direct and indirect subsidiaries and other investees in which the Company has controlling interests. However, the investment in Pacific Sogo Investment Co., Ltd. and Lian Ching Investment Co., Ltd. had been written off to zero, and their liabilities would not be undertaken by the Group. Therefore, their accounts are excluded from the consolidated financial statements.

The account of Far Eastern Department Store (USA) Inc. was included only in the consolidated financial statements for the year ended December 31, 2005 because this subsidiary’s liquidation was completed in November 2005.

Based on the revised SFAS No. 7, the consolidated financial statements as of and for the year ended December 31, 2006 and 2005 included the accounts of FEDS and of Far Eastern Geant Co., Ltd., FEDS New Century Development, FEDS Asia Pacific Development, Bai Yang Investment Co., Ya Tung Department Stores, Bai Ding Investment Co., Far Eastern Hon Li Do Co., Ltd., Bai Chin (Singapore) Pte. Ltd., Asians Merchandise Co., Yu Ming Advertising Agency Co., FEDS Development (BVI) Ltd., Far Eastern CitySuper Ltd., Pacific Liu Tong Investment, Chongqing Bai Ding Business Management Consulting Co., Ltd., Tianjin FEDS Limits, Co., Pacific Sogo Department Stores Co., Ltd., Pacific China Holdings (HK) Co., Ltd., Pacific China Holdings Co., Shanghai Pacific Department Store Co., Ltd., Chengdu Shangxia Pacific Department Store Co., Ltd., Chengdu Quanxing Mansion Pacific Department Store Co., Ltd., Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd., Beijing Xidan Pacific Department Store Co., Ltd. and Chongqing Pacific Consultant and Management Co., Ltd. All significant intercompany transactions and accounts have been eliminated. Except those of Bai Chin (Singapore) Pte. Ltd. and Chongqing Pacific Consultant and Management Co., Ltd. in 2006 and Bai Chin (Singapore) Pte. Ltd. and Asians Merchandise Co. in 2005, the financial statements of all subsidiaries had been audited. Had these two investees’ financial statements been audited, there would have been no significant effect on the consolidated financial statements.

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

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

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

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

### **Cash Equivalents**

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

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

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

The bases of fair values of publicly traded stock and close-end mutual fund are the closing prices on the balance sheet date and, for open-end mutual funds, their net asset value on the balance sheet date.

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

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

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

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

### **Allowances for Doubtful Accounts**

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

## **Inventories**

Merchandise is stated at the lower of the aggregate of the weighted-average cost or market value, using the retail method, except for the weighted-average method used for the merchandise of Far Eastern Geant Co., Ltd., Yu Ming Advertising Agency Co. and Far Eastern City Super Ltd. Other inventories are stated using the lower of the aggregate of weighted-average cost or market value (replacement cost). In addition to periodic physical counts, an allowance for inventory devaluation is provided on the basis of reviewing attributes as well as turnover of merchandise.

## **Investments Accounted for Using Equity Method**

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

On the date of equity investment acquisition or on initial adoption of the equity method, the difference between the cost of the acquisition and the equity in the investee's net assets is amortized over 5 or 10 years by using the straight-line method. However, based on the newly amended Statement of Financial Standards No. 25 - "Business Combinations - Accounting Treatment for Merger under Purchase Method," from January 1, 2006, the costs of investments are required to be analyzed, and any acquisition cost in excess of the fair value of the identifiable assets and liabilities of the investee on the date of investment is recorded as goodwill and should not be amortized. Goodwill is subject to an impairment test annually or when changes in the environment reveal that goodwill might have been impaired. The accounting treatment for the investment premiums acquired before January 1, 2006 is the same as that for goodwill, which is no longer being amortized.

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

On the balance sheet date, investments are subjected to an impairment test. If there is objective evidence indicating that an impairment is occurred, the impairment loss shall be charged to current income. If the Company has significant influence but control ability over an investee, the impairment test shall be measured on the basis of the carrying value of individual investment.

## **Financial Assets Carried at Cost**

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

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

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

Effective January 1, 2005, the Group adopted the newly released Statement of Financial Accounting Standards No. 35 - "Accounting for Assets Impairment." This accounting change had no material effect on the Group's financial statements as of and for the year ended December 31, 2005.

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

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

### **Leasehold Rights**

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

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

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 assets are reclassified at the lower of carrying value or net realizable value to other assets. The differential between the cost reclassified to other asset and the carrying value after accumulated depreciation is recognized as a loss, depreciating by straight-line method from January 1, 2006.



When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, 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 depreciation, as if no impairment loss had been recognized.

### **Goodwill**

The Group appraises properties and intangible assets by adopting the Statement of Financial Accounting Standards No. 35 - "Accounting for Asset Impairment" in 2005. An impairment loss should be recognized if the carrying value of properties and intangible assets exceeds their recoverable amount, and this impairment loss is deducted from the carrying value of the intangible assets (goodwill). If the carrying value of intangible assets is not enough for deduction purposes, the difference is deducted from the carrying value of other assets proportionately. 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. An impairment loss recognized on goodwill cannot be reversed.

### **Pension Costs**

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

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

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

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

### **Revenue Recognition**

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

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

### **Concessionaires' Sales**

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

### **Treasury Stock**

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

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

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

### **Income Tax**

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

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

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

Income tax of 10% on undistributed earnings is expensed in the year when the stockholders resolve to retain the earnings.

Income tax on subsidiaries overseas is based on local regulations.

### **Foreign-currency Transactions**

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

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

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

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

### **Reclassifications**

Certain 2005 accounts have been reclassified to conform to the 2006 consolidated financial statement presentation.

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

The financial statements are stated in New Taiwan dollars. The translations of the 2006 and 2005 New Taiwan dollar amounts into U.S. dollar amounts are included solely for the convenience of readers, using the rate of NT\$32.60 to US\$1.00 as of December 31, 2006, as published by the Bank of Taiwan. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could be, converted into U.S. dollars at this or any other exchange rate.

### 4. ACCOUNTING CHANGES

On January 1, 2006, the Company and its subsidiaries adopted the newly released Statements of Financial Accounting Standards (“Statements” or SFAS) No. 34 - “Accounting for Financial Instruments” and No. 36 - “Disclosure and Presentation of Financial Instruments” and related revisions of previously released Statements.

The effects of the accounting changes are summarized as follows:

a. Reclassification of financial assets and liabilities

The Company and its subsidiaries had recategorized its financial assets and liabilities upon making the accounting changes. The adjustments made to the carrying amounts of the financial instruments categorized as financial assets or financial liabilities at fair value through profit or loss were included in the cumulative effect of changes in accounting principles; the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to stockholders’ equity.

The adjustments based on the accounting changes are summarized as follows:

	Recognized as Cumulative		Recognized as Adjustment	
	Effect of Changes in Accounting Principles (After Taxes)		to Stockholders’ Equity (After Taxes)	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Financial assets or liabilities at fair value through profit or loss	\$ 5,846	\$ 179	\$ -	\$ -
Available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>523,659</u>	<u>16,063</u>
	<u>\$ 5,846</u>	<u>\$ 179</u>	<u>\$ 523,659</u>	<u>\$ 16,063</u>

The accounting changes also resulted in increases of NT\$60,534 thousand (US\$1,857 thousand) in net income before the cumulative effect of accounting changes and of NT\$66,380 thousand (US\$2,036 thousand) in net income in 2006.

b. Reclassification of financial statement accounts

Upon the adoption of SFAS No. 34, certain accounts in the financial statements as of and for the year ended December 31, 2005 were reclassified to be consistent with the consolidated financial statements as of and for the year ended December 31, 2006. The previously issued consolidated financial statements as of and for the year ended December 31, 2005 need not be restated.

Certain accounting policies applied by the Company and its subsidiaries before the accounting changes are summarized as follows:

1) Short-term investments

The major short-term investments are the securities traded over the counter, close-end and open-end mutual funds. These are recorded at acquisition cost and stated at the lower of aggregate cost or market value on the balance sheet date, with any temporary decline in value charged to current income. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new number of shares. Cash dividends are recognized as cost recovery in the investment year, or as investments income in other year.

An allowance for losses is recognized when the aggregate carrying value of the investments exceeds the total market value and is charged to current income. Any recovery of the market value to the extent of the original carrying value is recognized as income in the recovery period. The basis of fair value of over the counter securities is the average closing price of the last month in the year; for open-end mutual funds is net asset value on balance sheet date. The cost of quoted securities sold is recognized by case; the weight-average method is used to determine the cost of investments sold.

2) Long-term stock investments

Investments in which the Group owns less than 20 percent of investees' issued stocks and 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 are listed or traded over the counter.

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

As already mentioned, certain accounts in the financial statements as of and for the year ended December 31, 2005 have been reclassified to conform to the classifications prescribed by the newly released and revised Statements. The reclassifications of all or a part of the balances of certain accounts are summarized as follows:

	<u>Before Reclassification</u>		<u>After Reclassification</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
<u>Balance sheets</u>				
Short-term investments	\$ 2,893,077	\$ 88,745	\$ -	\$ -
Long-term stock investments accounted for by the cost method	4,191,611	128,578	-	-
Financial assets at fair value through profit or loss	-	-	2,893,077	88,745
Available-for-sale financial assets - current	-	-	464,926	14,262
Available-for-sale financial assets - noncurrent	-	-	2,899,122	88,930
Financial assets carried at cost	-	-	827,563	25,386

(Continued)

	<u>Before Reclassification</u>		<u>After Reclassification</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
<u>Stockholders' equity</u>				
Unrealized valuation losses on long-term equity investments	\$ (349,486)	\$ (10,720)	\$ -	\$ -
Unrealized (losses) gains on financial instruments	-	-	(349,486)	(10,720)
<u>Income statement</u>				
Gain on market price recovery of short-term investments	40,373	1,238	-	-
Valuation gains on financial instruments	-	-	40,373	1,238
Loss on investments in shares of stock	66,618	2,044	-	-
Valuation loss on financial instruments	-	-	8,661	266
Impairment loss on financial assets carried at cost	-	-	57,957	1,778
				(Concluded)

The Company and its subsidiaries also adopted, effective January 1, 2006, the newly revised ROC SFAS No. 1 - "Conceptual Framework of Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investments in Equity Securities," and SFAS No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method." These revisions stated that investment premiums, representing goodwill, be assessed for impairment at least annually instead of being amortized. This accounting change resulted in increases of \$513,645 thousand (US\$15,756 thousand) in net income before income tax expense without any cumulative changes in accounting principles in 2006.

The equity in the net assets of the investee, Pacific Department Store, was determined on the basis of current audited financial statements in compliance with the revised ROC Statement of Financial Accounting Standards No. 5 - "Long-term Investments in Equity Securities" effective January 1, 2005. This accounting change resulted in an increase of NT\$10,601 thousand (US\$325 thousand) in net income in 2005.

## 5. CASH AND CASH EQUIVALENTS

	<u>2006</u>		<u>2005</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
<u>Cash</u>				
Cash on hand and petty cash	\$ 261,903	\$ 8,034	\$ 225,338	\$ 6,912
Checking and savings accounts	4,571,903	140,243	6,117,985	187,668
Time deposits - interest of 1.00% to 5.35% in 2006 and 0.88% to 4.20% in 2005	5,338,806	163,767	578,994	17,761
<u>Cash equivalents</u>				
Commercial paper - interest of 1.58% to 1.65% in 2006 and 1.35% to 1.44% in 2005	249,171	7,643	1,004,865	30,824
Exchequer bill - interest of 1.605% to 1.625%	<u>22,500</u>	<u>690</u>	-	-
	<u>\$ 10,444,283</u>	<u>\$ 320,377</u>	<u>\$ 7,927,182</u>	<u>\$ 243,165</u>

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

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<u>Trading-purpose financial assets</u>				
Mutual funds	\$ 1,550,564	\$ 47,563	\$ 2,855,332	\$ 87,587
Common stock - listed and OTC	137,856	4,229	142,714	4,378
	1,688,420	51,792	2,998,046	91,965
Less: Valuation adjustment	(33,759)	(1,036)	(104,969)	(3,220)
	<u>\$ 1,654,661</u>	<u>\$ 50,756</u>	<u>\$ 2,893,077</u>	<u>\$ 88,745</u>

## 7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2006				2005			
	Current		Noncurrent		Current		Noncurrent	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Listed and OTC stocks	\$ 470,147	\$ 14,422	\$ 2,687,468	\$ 82,438	\$ 470,147	\$ 14,422	\$ 2,896,629	\$ 88,854
Add (less): Valuation adjustment	184,316	5,654	1,936,696	59,408	(5,221)	(160)	2,493	76
	<u>\$ 654,463</u>	<u>\$ 20,076</u>	<u>\$ 4,624,164</u>	<u>\$ 141,846</u>	<u>\$ 464,926</u>	<u>\$ 14,262</u>	<u>\$ 2,899,122</u>	<u>\$ 88,930</u>

The reclassification of the long-term investment of Yu Ming Advertising Agency Co. in Asia Cement into short-term investment in 2005 and the differential between the carrying amount and the cost resulted in a valuation loss of NT\$8,661 thousand (US\$267 thousand), and the reduced carrying amount was replaced by the current market value, shown as available-for-sale financial assets - noncurrent.

## 8. INVENTORIES

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Merchandise	\$ 2,229,745	\$ 68,397	\$ 2,269,831	\$ 69,626
Others	14,598	448	14,871	456
	2,244,343	68,845	2,284,702	70,082
Less: Allowance for purchase discount	55,000	1,687	55,000	1,687
Allowance for slow-moving inventories	55,678	1,708	45,904	1,408
Allowance for losses on physical inventory	14,174	435	9,562	293
	<u>\$ 2,119,491</u>	<u>\$ 65,015</u>	<u>\$ 2,174,236</u>	<u>\$ 66,694</u>

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

	2006			2005		
	New Taiwan Dollars	U.S. Dollars (Note 3)	% of Ownership	New Taiwan Dollars	U.S. Dollars (Note 3)	% of Ownership
Stocks with no quoted market prices:						
Oriental Securities Corporation	\$ 3,756,969	\$ 115,245	34	\$ 3,638,240	\$ 111,603	34
Far Eastern International Leasing Corp.	1,733,510	53,175	36	1,493,900	45,825	36
Pacific Department Store	239,812	7,356	26	200,948	6,164	26
Pacific United Consultant	72,125	2,212	39	61,223	1,878	39
Ding Ding Integrated Marketing Service Co., Ltd.	35,155	1,078	20	36,298	1,113	20
Yu Ming Commerce	37,070	1,137	47	17,656	542	47
Shanghai Pacific Consultant & Management	6,570	202	49	6,304	193	49
Pacific 88	658	20	28	4,366	134	28
Pacific Sogo Investment	-	-	100	-	-	100
Lian Cing Investment	-	-	50	-	-	50
Sogo Department Store	-	-	34	-	-	34
Pacific Venture Investment Ltd.	-	-	48	-	-	48
	<u>\$ 5,881,869</u>	<u>\$ 180,425</u>		<u>\$ 5,458,935</u>	<u>\$ 167,452</u>	

The balance as of January 1, 2006 of the investments premium on Far Eastern International Leasing Corp. by the Company and its subsidiaries was NT\$121,902 thousand (US\$3,739 thousand), classified as goodwill, which ceased to be amortized when the Company and its subsidiaries adopted the newly revised ROC SFAS No. 5 - "Long-term Investments in Equity Securities" and SFAS No. 25 - "Business Combinations - Accounting Treatment for Merger under Purchase Method" on January 1, 2006.

The carrying values of equity-method investments, except for the investments in Pacific Department Store in 2005, was based on audited financial statements. Had the financial statements of the above mentioned investees been audited, the impact on the Group's consolidated financial position and the consolidated results of its operations would not have been significant.

SOGO did not acquire the same-period financial statements of Pacific Department Store in time in 2003. Thus, SOGO changed its recognition of its share in the gain or loss of the investee on the basis of its equity in investments of the prior period. However, the equity in the net assets of the investee, Pacific Department Store, was determined based on the current audited financial statements, in compliance with the revised R.O.C. Statement of Financial Accounting Standards ("SFAS") No. 5 "Long-term Investment In Stocks" since January 1, 2005. The adoption of the revised FAS No. 5 resulted in the increase in net income for the year ended December 31 2005 by NT\$10,601 thousand (US\$325 thousand).

The carrying amounts of the investments in Pacific Sogo Investment Co., Ltd. and Lian Ching Investment Co., Ltd. had been written off to zero, and the Company and its subsidiaries did not commit to assume these investees liabilities. Thus, these investees' accounts were not included in the consolidated financial statements for the years ended December 31, 2006 and 2005.

## 10. FINANCIAL ASSETS CARRIED AT COST

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Unlisted and non-OTC stocks	<u>\$ 846,322</u>	<u>\$ 25,961</u>	<u>\$ 827,563</u>	<u>\$ 25,836</u>

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

The carrying amounts of the investments in stocks of New Century Information Communication Technology (“New Century”) decreased to reflect an other than temporary decline in their value. Thus, the investment losses of NT\$46,886 thousand (US\$1,438 thousand) in 2006 and NT\$57,957 thousand (US\$1,778 thousand) in 2005 in New Century were recognized, respectively.

## 11. INVESTMENTS IN REAL ESTATE

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Cost				
Land	<u>\$ 93,600</u>	<u>\$ 2,871</u>	<u>\$ 93,600</u>	<u>\$ 2,871</u>

## 12. PROPERTIES

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Cost	<u>\$ 34,135,675</u>	<u>\$ 1,047,107</u>	<u>\$ 32,488,967</u>	<u>\$ 996,594</u>
Revaluation increment				
Land	1,183,852	36,314	1,183,852	36,314
Buildings and equipment	<u>10,919</u>	<u>335</u>	<u>10,919</u>	<u>335</u>
	<u>1,194,771</u>	<u>36,649</u>	<u>1,194,771</u>	<u>36,649</u>
Total cost and appreciation	<u>35,330,446</u>	<u>1,083,756</u>	<u>33,683,738</u>	<u>1,033,243</u>
Less: Accumulated depreciation				
On cost				
Buildings and equipment	4,872,968	149,478	4,200,356	128,845
Furniture and equipment	3,373,722	103,488	3,014,537	92,471
Leasehold improvements	<u>1,354,295</u>	<u>41,543</u>	<u>1,326,758</u>	<u>40,698</u>
	9,600,985	294,509	8,541,651	262,014
On appreciation				
Buildings and equipment	<u>8,326</u>	<u>255</u>	<u>8,195</u>	<u>251</u>
Total accumulated depreciation	<u>9,609,311</u>	<u>294,764</u>	<u>8,549,846</u>	<u>262,265</u>
	25,721,135	788,992	25,133,892	770,978
Unfinished construction	5,031,541	154,342	4,733,208	145,190
Leasehold rights (Note 13)	8,654,693	265,481	8,948,059	274,480
Properties leased to others, net (Note14)	<u>1,043,994</u>	<u>32,024</u>	<u>1,059,286</u>	<u>32,494</u>
	<u>\$ 40,451,363</u>	<u>\$ 1,240,839</u>	<u>\$ 39,874,445</u>	<u>\$ 1,223,142</u>

Under government regulations, FEDS revalued its land in 1980, 1981, 1984 and 1995 and other properties in 1975 and 1981. The resulting appreciation (net of reserve for land value increment tax) was credited to other equity adjustment - unrealized assets revaluation increment. 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 NT\$318,820 thousand (US\$9,780 thousand), to be charged to capital surplus - unrealized valuation increments.



Depreciation expenses were \$1,608,173 thousand (US\$49,330 thousand) in 2006 and \$1,696,945 thousand (US\$52,053 thousand) in 2005. Capitalized interests were \$137,622 thousand (US\$4,222 thousand) in 2006 and \$128,840 thousand (US\$3,952 thousand) in 2005. The interest rates used in computing the amounts capitalized ranged from 2.21% to 3.54% in 2006 and 2.31% to 2.58% in 2005.

In February 2005, FEDS entered into a contract with Far Eastern Construction Company (FECC) to build a mall on the land owned by FEDS and FECC for FEDS's customers in the Pan-Chiao City area. Under the contract, the cost of the construction would be paid on the basis of land ownership ratio. The construction cost as of December 31, 2006 consisted mainly of the acquisition cost for land located in Pan-Chiao City and architect's fee of NT\$5,024,187 thousand (US\$154,116 thousand).

In June 2005, FEDS 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 NT\$291,244 thousand (US\$8,934 thousand) (including VAT of NT\$5,778 thousand (US\$177 thousand)). After the deduction of the relevant cost of NT\$286,359 thousand (US\$8,784 thousand) and expense and tax of NT\$6,307 thousand (US\$193 thousand), the loss on this disposal was NT\$7,200 thousand (US\$221 thousand). Proceeds of disposal of the land and building amounting to NT\$169,902 thousand (US\$5,212 thousand) and NT\$121,342 thousand (US\$3,722 thousand) (including VAT of NT\$5,778 thousand (US\$177 thousand)), respectively, had been unpaid as of December 31, 2005 and was thus classified as other receivables, had been collected in August 2006. The transference of the title to the land and the building was registered in July 2005 and September 2005, respectively.

### 13. LEASEHOLD RIGHTS, NET

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
FAPD	\$ 3,443,378	\$ 105,625	\$ 3,527,363	\$ 108,201
FEDS - Xinyi division A13	3,168,337	97,188	3,146,638	96,523
FEDS - Taoyuan	847,827	26,007	922,495	28,297
FEDS - Shiue Chan - Taichung	2,621	80	-	-
FE Geant - Fu Shin - Taichung	698,282	21,420	756,635	23,210
FE Geant - Ping Deng - Kaohsiung	336,700	10,328	385,184	11,815
FE Geant - Taoyuan	145,565	4,465	194,086	5,954
FE Geant - Yuanlin	11,983	368	15,658	480
	<u>\$ 8,654,693</u>	<u>\$ 265,481</u>	<u>\$ 8,948,059</u>	<u>\$ 274,480</u>

Amortization expenses of leasehold rights were NT\$317,685 thousand (US\$9,745 thousand) in 2006 and NT\$320,198 thousand (US\$9,822 thousand) in 2005, shown as operating expenses - rental.

- a. On January 1, 1998, FAPD signed a contract with Asia Cement and other related parties on the construction of the Kaohsiung Asian Business and Finance Building (Feds Asia Pacific Shopping Center) on land provided by Asia Cement. Under this contract, FAPD will own the leasehold rights for 50 years from the date of the contract and should pay Asia Cement NT\$1,073,000 thousand (US\$32,914 thousand) as premium for land use rights (shown as leasehold rights). The land use rights are amortized during the land use period. Annual land rent is payable in November of every year for 50 years at 5% of the government declared value of the land.

The construction was completed in October 2001 and the building was rented out to FEDS and Warner Village Co. The construction cost is amortized over the rental period from October 2001 to December 2047. However, in June 2005, the final construction cost as well as the payable on properties was settled with Far Eastern General Contractor Inc. to decrease by NT\$231,120 thousand (US\$7,090 thousand), with the rest of the construction cost to be amortized over the remaining rental period.

The total amount of the construction, shown as leasehold rights, is summarized as follows:

Company	Services Provided	Construction Cost	
		New Taiwan Dollars	U.S. Dollars (Note 3)
Far Eastern General Contractor Inc.	Undertaking construction jobs under a contract	\$ 1,628,056	\$ 49,940
Yuan Ding Co., Ltd.	Planning, consulting and management	294,600	9,037
Asia Cement Corp.	Providing construction materials	178,000	5,460
Asia Concrete Corporation	Providing prestressed concrete	<u>37,099</u>	<u>1,138</u>
		<u>\$ 2,137,755</u>	<u>\$ 65,575</u>

- b. In September 2003, FEDS acquired the land use rights for No. A13 in the Hsinyi district, which is owned by the Taipei City Government. The total amount of the land use rights was NT\$3,196,888 thousand (US\$98,064 thousand), and FEDS completed the registration of its acquisition of the land use right in October 2003. Under the contract, FEDS has the right to use the land for 50 years from the completion of the right registration. The initial monthly rent is NT\$3,771 thousand (US\$116 thousand), to be adjusted annually according to the land price announced on the contract date. The monthly rent has been adjusted to NT\$4,536 thousand (US\$139 thousand) since January 2004. The monthly rent is NT\$54,429 thousand (US\$1,670 thousand) in 2006 and 2005, shown as rent expense (under operating expense).

In September 2003, FEDS paid NT\$959,066 thousand (US\$29,419 thousand), or 30% of the total land use rights payment. The rest, amounting to NT\$2,237,822 thousand (US\$68,645 thousand), would be paid annually in five consecutive years at no interest. After the deduction of unrealized interest expenses of NT\$78,937 thousand (US\$2,421 thousand), the net value of the rights was NT\$2,158,885 thousand (US\$66,223 thousand), shown as accrued franchised liabilities. In 2006, the franchised liabilities amounted to NT\$601,282 thousand (US\$18,444 thousand), with current portion of NT\$302,694 thousand (US\$9,285 thousand).

- c. Under an agreement made in March 1997, FEDS built a commercial building on land owned by the Tao-Yuan Farmers' Association. FEDS paid a refundable deposit of NT\$150,000 thousand (US\$4,566 thousand) shown as a refundable deposit. The initial monthly rent is NT\$3,000 thousand (US\$91 thousand), to be adjusted according to increases in the consumer price index.

Building and improvements pertaining to a commercial building, including all improvements made thereon, the ownership of which will be transferred to Tao-Yuan Farmer Association in April 2018. The total construction cost of the commercial building is capitalized as leasehold rights, and cost amortization is from November 1999 to April 2018.

- d. On November 28, 2005, the Company won the bid to lease land (No.89 and 91) located in the West Tun district in Taichung city, which was being managed by the Ministry of Education. Under the related contract, the Company has leasing right for 20 years from April 6, 2007, in which one year, to be used for the Company's planning for constructing a building on the land, is rent free. On contract expiry, the Company has the right to extend the contract for another 20 years. The annual rent is NT\$140,288 thousand (US\$4,303 thousand), to be adjusted every three years. The Company used a guarantee amounting to NT\$280,576 thousand (US\$8,607 thousand) and provided by Mega International Commercial Bank (formerly the International Commercial Bank of China) as the contract guarantee deposit for the period ending December 25, 2007. For assurance of the Company's transfer of the ownership of the building to the national government, the building will be entrusted to a certain financial institution in the Republic of China. In addition, the national government required the Company to register with the authorities any building impairment due to force majeure (e.g., earthquakes) or other reasons. As of December 31, 2006, the cost of building development was \$2,621 thousand (US\$80 thousand).
- e. FE Geant entered into agreements with several companies for the joint construction the branches of Fu Shin - Taichung, Ping Deng - Kaohsiung and Taoyuan hypermarkets. Under these agreements, the lessors will provide the land and FE Geant will be responsible for hypermarket construction. By the end of the lease term, the titles to the land and building should be transferred to the lessors.

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

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

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Cost				
Land	\$ 421,051	\$ 12,916	\$ 421,051	\$ 12,916
Buildings and equipment	528,891	16,224	528,282	16,205
Furniture and equipment	<u>9,732</u>	<u>298</u>	<u>9,732</u>	<u>298</u>
	<u>959,674</u>	<u>29,438</u>	<u>959,065</u>	<u>29,419</u>
Appraisal increase				
Land	211,744	6,495	211,744	6,495
Buildings and equipment	<u>3,027</u>	<u>93</u>	<u>3,027</u>	<u>93</u>
	<u>214,771</u>	<u>6,588</u>	<u>214,771</u>	<u>6,588</u>
Accumulated depreciation				
Buildings and equipment	118,732	3,642	102,904	3,156
Furniture and equipment	<u>9,703</u>	<u>298</u>	<u>9,674</u>	<u>297</u>
	<u>128,435</u>	<u>3,940</u>	<u>112,578</u>	<u>3,453</u>
Appraisal increase				
Buildings and equipment	<u>2,016</u>	<u>62</u>	<u>1,972</u>	<u>60</u>
	<u>130,451</u>	<u>4,002</u>	<u>114,550</u>	<u>3,513</u>
	<u>\$ 1,043,994</u>	<u>\$ 32,024</u>	<u>\$ 1,059,286</u>	<u>\$ 32,494</u>

- a. FEDS leases the site located in Kaohsiung City to two related parties, Far Eastern International Bank and Oriental Securities Co., for their office building; the lease terms will end in February 2010 and July 2007, respectively.

- b. FEDES leases sections of sites separately located at the Taiwan branch and the Hsin-Chu branch to Warner Village Movies Co. for its movie theatres in July and November 2002, respectively. Both lease terms are 15 years each, and the monthly rent for Taiwan branch has been adjusted to NT\$3,095 thousand (US\$95 thousand) since 2006 and for the Hsin-Chu branch adjusted to NT\$4,245 thousand (US\$130 thousand) since November 2006. Under the contract, the Company obtained NT\$33,000 thousand (US\$1,012 thousand) and classified as deposits received.
- c. FEDES leases the site located in Ren-ai road Taipei City to Wellcome Department Store Co., for their office building, the lease term will end in August 2008.

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

Year	Rental Income	
	New Taiwan Dollars	U.S. Dollars (Note 3)
2007	\$ 197,406	\$ 6,055
2008	179,831	5,516
2009	179,443	5,504
2010	175,073	5,370
2011	175,410	5,381

## 15. REFUNDABLE DEPOSITS

	2006				2005			
	Current		Noncurrent		Current		Noncurrent	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Deposits on leases	\$ -	\$ -	\$ 1,204,910	\$ 36,961	\$ -	\$ -	\$ 1,105,277	\$ 33,904
Others	293,975	9,018	112,024	3,436	-	-	16,287	500
	<u>\$ 293,975</u>	<u>\$ 9,018</u>	<u>\$ 1,316,934</u>	<u>\$ 40,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,121,564</u>	<u>\$ 34,404</u>

## 16. IDLE PROPERTIES

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Cost				
Land	\$ 153,247	\$ 4,701	\$ 153,247	\$ 4,701
Buildings and equipment	231,624	7,105	231,624	7,105
Furniture and equipment	21,162	649	28,403	871
	<u>406,033</u>	<u>12,455</u>	<u>413,274</u>	<u>12,677</u>
Appraisal increase				
Land	255,291	7,831	255,291	7,831
Buildings and equipment	16,470	505	16,470	505
	<u>271,761</u>	<u>8,336</u>	<u>271,761</u>	<u>8,336</u>
	<u>677,794</u>	<u>20,791</u>	<u>685,035</u>	<u>21,013</u>

(Continued)

	<u>2006</u>		<u>2005</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Accumulated depreciation				
Buildings and equipment	\$ 183,572	\$ 5,631	\$ 173,972	\$ 5,337
Furniture and equipment	20,648	633	33,951	1,041
Appraisal increase				
Buildings and equipment	<u>14,489</u>	<u>445</u>	<u>14,390</u>	<u>441</u>
	<u>218,709</u>	<u>6,709</u>	<u>222,313</u>	<u>6,819</u>
	<u>\$ 459,085</u>	<u>\$ 14,082</u>	<u>\$ 462,722</u>	<u>\$ 14,194</u>
				(Concluded)

Depreciation expenses, classified as nonoperating expenses and losses - others, were NT\$3,522 thousand (US\$108 thousand) in 2006 and NT\$29 thousand (US\$1 thousand) in 2005.

## 17. LONG-TERM PREPAYMENT

	<u>2006</u>		<u>2005</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Long-term rent prepayment				
a. FE Geant - Hsin-Chu	\$ 371,736	\$ 11,403	\$ 394,970	\$ 12,116
b. FE Geant - Dajhih	203,992	6,257	163,992	5,030
c. SOGO - Dunhua	<u>200,000</u>	<u>6,135</u>	<u>250,000</u>	<u>7,669</u>
	775,728	23,795	808,962	24,815
Less: Current portion (included in prepayments)	<u>197,871</u>	<u>6,069</u>	<u>198,234</u>	<u>6,081</u>
	577,857	17,726	610,728	18,734
Other prepayment (d)	<u>2,646,408</u>	<u>81,178</u>	<u>3,203,108</u>	<u>98,255</u>
	<u>\$ 3,224,265</u>	<u>\$ 98,904</u>	<u>\$ 3,813,836</u>	<u>\$ 116,989</u>

The amortization expense, classified as operating expense - rental, were NT\$200,148 thousand (US\$6,140 thousand) in 2006 and NT\$23,756 thousand (US\$729 thousand) in 2005.

- a. Under an agreement, FE Geant will lease a hypermarket from the Hsin-Chu Chemical Industry, Ltd. (HCCI). HCCI will provide the land and build the hypermarket. The related construction expenses, except for the previous development expenses paid by FE Geant, will be paid by HCCI and FE Geant at the ratio of 1:2 ("1" refers to HCCI). The payment by FE Geant will be regarded as prepaid rent and amortized over the rent period upon the completion of the building (19 years and 3 months). The Hsin-Chu branch of FE Geant was opened in October 2003.
- b. FE Geant entered into an operating lease agreement with Liang Ji Company and three other companies to lease a hypermarket under construction for the Dajhih branch in September 2003. Upon the completion of the hypermarket, FE Geant is authorized to use the hypermarket for 20 years. Starting from the opening day of the hypermarket, FE Geant will pay NT\$13,750 thousand (US\$422 thousand) for rental expenses monthly, plus a certain percentage of the sale that exceeds a specific amount yearly. In addition to the payments of NT\$55,000 thousand (US\$1,687 thousand) as deposit upon the signing of the agreement and another NT\$27,500 thousand (US\$844 thousand) upon the use of the hypermarket, FE Geant should pay NT\$165,000 thousand (US\$5,061 thousand) in advance upon receiving the construction license (in 2004) and usage license (in 2005), respectively. Under the contract, FE Geant had to provide a credit letter guaranteed by a bank and its own promissory note. The amount of the

credit letter and the note is calculated at a certain percentage of the total building cost (approximately NT\$837,623 thousand (US\$25,694 thousand)). In January 2006, FE Geant issued another promissory note for NT\$592,647 thousand (US\$18,179 thousand) to replace the bonds of NT\$700,000 thousand (US\$21,472 thousand) issued by a bank and FEDS's own promissory note for NT\$85,147 thousand (US\$2,612 thousand). The Dajhih Branch started operations on December 29, 2005.

- c. For operating purposes, SOGO rents a building located in Taipei City from Min-Yang Development Co. The renewable lease is up to December 31, 2004. In July 2003, SOGO extend the lease contract up to December 23, 2009 and prepaid NT\$300,000 thousand (US\$9,202 thousand) for rent. Prepaid rent will be deducted NT\$50,000 thousand (US\$1,534 thousand) for rent expense between 2005 and 2010. Under the extended contract, SOGO may renew the lease contract under the same terms for one year. The rent was NT\$206,000 thousand (US\$6,319 thousand) in 2006 and 2005. The refundable deposit was NT\$350,000 thousand (US\$10,736 thousand) as of December 31, 2006 and 2005, respectively.
- d. SOGO constructed a building within the Zhongxiao-Fuxing Station (land BR4) of the Taipei Rapid Transit System Muzha line under a lease agreement with the Department of Rapid Transit Systems (DRTS) of the Taipei City Government (TCG), Bureau of Finance - TCG and Hong-Tong Comprehensive Commercial Developing Co., Ltd. The lease term is 20 years from the opening of Sogo's Branch BR4. SOGO pays a monthly fixed rental of NT\$12,701 thousand (US\$390 thousand) to DRTS-TCG and the Bureau of Finance-TCG. In addition, SOGO pays a rental premium at a certain percentage of net sales revenue within a year. In 2006, SOGO recognized a rental expense of NT\$1,253 thousand (US\$38 thousand) based on its operating days.

SOGO paid NT\$3,203,108 thousand (US\$98,255 thousand), shown as other prepayment as of December 31, 2005, to a development rights owner - Hong-Tong Comprehensive Commercial Developing Co., Ltd. ("Hong-Tong") - to obtain the right to lease the building housing SoGO's Branch BR4. On December 8, 2006, SOGO entered into a 15-year lease agreement with Hong-Tong. Under this agreement, when the amount paid by SOGO exceeds the rent payable, the premium will be deemed as prepaid rent to be deducted from future rental expenses. SOGO recognized a rental expense of NT\$1,912 thousand (US\$59 thousand) based on its operating days in 2006. A prepaid amount of NT\$2,898,818 thousand (US\$88,921 thousand) was shown as a prepayment of NT\$252,741 thousand (US\$7,753 thousand) and a long-term prepayment of NT\$2,646,077 thousand (US\$81,168 thousand) as of December 31, 2006.

## 18. CONSOLIDATED DEBIT

The Company's equity in the subsidiaries' net assets on acquisition is amortized by the straight-line method over 20 years. The amortized amount was NT\$467,290 thousand (US\$14,334 thousand) in 2005, included in operating expense. The accounting treatment for investment premiums on acquisitions made before January 1, 2006 is the same as that for goodwill, which is no longer being amortized.

For investment impairment tests, Pacific Sogo Department Stores Co., Ltd. and Pacific China Holdings (HK) Co., Ltd. are regarded as two cash flow units. Operating assets (including goodwill), equity-method investments, and other assets are evaluated according to the assumption that the estimated operating revenue of SOGO and Pacific China Holdings (HK) Co., Ltd. of department is the basis for estimating future cash flows, taking into consideration past business data and growth prospects of the department store industry. Under the going concern assumption, the estimated future cash inflow is discounted by the equity capital cost rate. Impairment tests showed there was no impairment loss on these two investments as of December 31, 2006.

## 19. SHORT-TERM DEBTS

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Unsecured bank loans: Interest - 1.72% to 3.52% in 2006 and 1.4000% to 2.5264% in 2005	\$ 4,273,000	\$ 131,074	\$ 4,957,680	\$ 152,076
Secured bank loans: Interest - 1.72% in 2006 and 1.448% to 1.449% in 2005	<u>350,000</u>	<u>10,736</u>	<u>350,000</u>	<u>10,736</u>
	<u>\$ 4,623,000</u>	<u>\$ 141,810</u>	<u>\$ 5,307,680</u>	<u>\$ 162,812</u>

## 20. SHORT-TERM NOTES AND BILLS PAYABLE

Commercial paper were issued at discounts ranging from 1.40% to 2.71% in 2006 and from 1.15% to 2.17% in 2005.

## 21. BONDS ISSUED

	December 31, 2006					
	Current		Long-term		Total	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<u>FEDS</u>						
Domestic secured bonds issued on:						
August 7 and 8, 2002	\$ 500,000	\$ 15,337	\$ -	\$ -	\$ 500,000	\$ 15,337
November 25, 26, 27, 28 and 29, 2002	1,500,000	46,013	-	-	1,500,000	46,013
August 25, 26, 27 and 28, 2003	-	-	1,200,000	36,810	1,200,000	36,810
August 12, 2005	-	-	<u>500,000</u>	<u>15,337</u>	<u>500,000</u>	<u>15,337</u>
	<u>\$ 2,000,000</u>	<u>\$ 61,350</u>	<u>\$ 1,700,000</u>	<u>\$ 52,147</u>	<u>\$ 3,700,000</u>	<u>\$ 113,497</u>

	December 31, 2005					
	Current		Long-term		Total	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<u>FEDS</u>						
Domestic secured bonds issued on:						
February 7 and 8, 2001	\$ 300,000	\$ 9,203	\$ -	\$ -	\$ 300,000	\$ 9,203
June 20 and 21, 2001	500,000	15,337	-	-	500,000	15,337
December 4, 5, 6 and 7, 2001	1,000,000	30,675	-	-	1,000,000	30,675
August 7 and 8, 2002	-	-	500,000	15,337	500,000	15,337
November 25, 26, 27, 28 and 29, 2002	-	-	1,500,000	46,013	1,500,000	46,013
June 24, 2003	500,000	15,337	-	-	500,000	15,337
August 25, 26, 27 and 28, 2003	-	-	1,200,000	36,810	1,200,000	36,810
August 12, 2005	-	-	<u>500,000</u>	<u>15,337</u>	<u>500,000</u>	<u>15,337</u>

### BDIC

Domestic secured bonds issued on:						
February 7 and 8, 2001	125,000	3,834	-	-	125,000	3,834
June 20 and 21, 2001	<u>250,000</u>	<u>7,669</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>7,669</u>
	<u>\$ 2,675,000</u>	<u>\$ 82,055</u>	<u>\$ 3,700,000</u>	<u>\$ 113,497</u>	<u>\$ 6,375,000</u>	<u>\$ 195,552</u>

- a. The FEDS domestic secured bonds issued on February 7 and 8, 2001 had an aggregate face value of NT\$600,000 thousand (US\$18,405 thousand). These instruments consisted of Types A and B bonds, each with a face value of NT\$300,000 thousand (US\$9,203 thousand) and interest rate of 5.38%, payable annually.

The bonds are repayable as follows: (i) \$300,000 thousand (US\$9,203 thousand) on February 7, 2005 and February 8, 2005, and (ii) \$300,000 thousand (US\$9,203 thousand) on February 7, 2006 and February 8, 2006. The bonds were matured and repaid in February 2006.

- b. The aggregate face value of FEDS domestic secured bonds issued on June 20 and 21, 2001 was NT\$500,000 thousand (US\$15,337 thousand). These instruments consisted of Type A bonds with aggregate face value of NT\$300,000 thousand (US\$9,203 thousand) and Type B bonds with aggregate face value of NT\$200,000 thousand (US\$6,135 thousand). The bonds will mature on June 20 and 21, 2006. For both bonds, the interest rate is 4.25%, payable annually. The bonds were matured and repaid in June 2006.
- c. The aggregate face value of FEDS domestic secured bonds issued on December 4 to 7, 2001 was NT\$1,000,000 thousand (US\$30,675 thousand). These instruments consisted of Types A and B bonds, with a face value of NT\$300,000 thousand (US\$9,203 thousand) each and Types C and D bonds, each with face value of NT\$200,000 thousand (US\$6,135 thousand) each. The bonds will all mature between December 4 and 7, 2006. Interest on all bonds is 2.6%, payable annually. The bonds were matured and repaid in December 2006.
- d. The aggregate face value of FEDS domestic secured bonds issued on August 7 and 8, 2002 was NT\$500,000 thousand (US\$15,337 thousand). These instruments consisted of Type A bonds with face value of NT\$300,000 thousand (US\$9,203 thousand) and Type B bonds with face value of NT\$200,000 thousand (US\$6,135 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 FEDS domestic secured bonds issued on November 25 to 29, 2002 was NT\$1,500,000 thousand (US\$46,013 thousand). These instruments consisted of Types A, B, C, D and E bonds with face value of NT\$300,000 thousand (US\$9,203 thousand) each. The bonds will all mature on November 25 and 29, 2007. Interest on all bonds is 2.588%, payable annually.
- f. The face value of FEDS domestic secured bonds issued on June 24, 2003 was NT\$500,000 thousand (US\$15,337 thousand). The bonds will all mature on June 24, 2006. Interest on all bonds is 1.165%, payable annually. The bonds were matured and repaid in June 2006.
- g. The average face value of FEDS domestic secured bonds issued on August 25 to 28, 2003 was NT\$1,200,000 thousand (US\$36,810 thousand). These instruments consisted of Types A, B, C and D bonds with face value of NT\$300,000 thousand (US\$9,203 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 FEDS domestic secured bonds issued on August 12, 2005 was NT\$500,000 thousand (US\$15,337 thousand). The bond will all mature on August 12, 2010. Interest on all bond is 1.81%, payable annually.
- i. The BDIC domestic secured bonds are five-year bonds issued on February 7 and 8, 2001, consisting of Type A bonds with aggregate face value of NT\$300,000 thousand (US\$9,203 thousand) and Type B bonds with aggregate face value of NT\$200,000 thousand (US\$6,135 thousand), with 5.25% annual interest rates for each bond type. These bonds are repayable in four equal semiannual installments, with the first installment due after three and a half years from issuance. Interests on both types of bonds are payable semiannually. The bonds were matured and repaid in February 2006.



- j. The BDIC domestic secured bonds are five-year bonds consisting of Type A bonds with aggregate face value of NT\$300,000 thousand (US\$9,203 thousand) issued on June 20, 2001 and Type B bonds with aggregate face value of NT\$200,000 thousand (US\$6,135 thousand) issued on June 21, 2001. The annual interest rate for both bond types was 4.35%. These bonds are repayable in two equal installments, with the first payment due on the fourth year after issuance. Interests on both types of bonds are payable annually. The bonds were matured and repaid in June 2006.

## 22. LONG-TERM BORROWINGS

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Syndicate loans - interest of 2.1956% to 3.0624% in 2006 and 1.5690% to 3.5941% in 2005				
a. Taiwan Cooperative Bank, First Bank and Chang Hwa Bank	\$ 4,050,000	\$ 124,233	\$ 4,950,000	\$ 151,840
b. Hua Nan Bank, First Bank and Sunny Bank	2,030,000	62,270	-	-
c. International Commercial Bank of China	-	-	1,500,000	46,012
d. Chinatrust Commercial Bank	-	-	1,050,000	32,209
e. Bank of Taiwan	-	-	440,000	13,497
f. Taiwan Cooperative Bank, First Bank, Chang Hwa Bank and Land Bank	-	-	1,100,000	33,743
	<u>6,080,000</u>	<u>186,503</u>	<u>9,040,000</u>	<u>277,301</u>
Secured loans - interest of 2.10% to 2.90% in 2006 and 1.51% to 3.33% in 2005	555,700	17,046	2,471,400	75,810
Unsecured loans - interest of 1.80% to 3.43% in 2006 and 1.44% to 3.64% in 2005	2,688,333	82,464	1,328,333	40,746
Commercial paper issued- discount rates of 1.470% to 2.262% in 2006 and 1.260% to 1.612% in 2005	<u>5,827,723</u>	<u>178,765</u>	<u>1,842,986</u>	<u>56,533</u>
	15,151,756	464,778	14,682,719	450,390
Less - due in one year	<u>1,805,609</u>	<u>55,387</u>	<u>3,535,700</u>	<u>108,457</u>
	<u>\$ 13,346,147</u>	<u>\$ 409,391</u>	<u>\$ 11,147,019</u>	<u>\$ 341,933</u>

- a. SOGO obtained an NT\$6,000,000 thousand (US\$184,049 thousand) syndicated loan from the Cooperative Bank, First Bank and Chang Hwa Bank, consisting of Types A and B. Type A is an NT\$1,500,000 thousand (US\$46,012 thousand) long-term secured loan obtained in October 2003 and maturing in October 2013. The principal is repayable every six months in 10 installments of NT\$150,000 thousand (US\$4,601 thousand) each from April 2009 to October 2013. The interest is payable monthly. Type B is an NT\$4,500,000 thousand (US\$138,037 thousand) medium-term unsecured loan obtained in October 2003 and maturing in October 2008. The interest is payable monthly. The principal is repayable every six month in 7 installments. Each installment is NT\$450,000 thousand (US\$13,804 thousand), and the last installment is NT\$1,800,000 thousand (US\$55,215 thousand).

On the Type B loan, although NT\$450,000 thousand (US\$13,804 thousand) was scheduled to be repaid in 2005, NT\$600,000 thousand (US\$18,405 thousand), a part of the last installment, was repaid early.

- b. In November 2006, FEDS and five of its subsidiaries - FAPD, Bai-Ding Investment (“Bai-Ding”), Bai-Yang Investment (“Bai-Yang”), Far Eastern Hon Li Do Co., Ltd. and Yu Ming - jointly signed an unsecured syndicated loan contract with Sunny Bank (lead bank), Hua Nan Commercial Bank (HNCB), First Bank and other banks. Under this contract, FEDS and these five subsidiaries obtained a NT\$2,500,000 thousand (US\$76,687 thousand) credit, with floating interest by floating rate, and a term of three years ending November 2009.
- c. In March 2004, FE Geant entered a syndicated loan contract amounting to NT\$1,500,000 thousand (US\$46,012 thousand) with the International Commercial Bank of China and seven other banks. Under this contract, FE Geant should meet the following financial ratios and conditions:
  - 1) Debt ratio (total liabilities/net value) should be equal to or lower than 300%.
  - 2) Net value (total assets - total liabilities) should be at least NT\$2,000,000 thousand (US\$60,350 thousand).

Once FE Great is unable to meet one of the above stated financial ratios, FE Great should take corrective measures such as fundraising through stock issuance by the end of September in the next year. Otherwise, FE Great should pay a penalty, based on 0.05% of the year-end credit limit amount.

FE Geant had unsecured bank loans of NT\$1,500,000 (US\$46,012 thousand), with the principal repayable in equal installments in June 2006, August 2006, and October 2007.

- d. Pacific Liu Tong Investment Co. (“Pacific”) signed a syndicated loan contract with Chinatrust Commercial Bank and eleven other banks. The credit amount is NT\$1,500,000 thousand (US\$46,012 thousand) consisting of Types A and B. Type A is an NT\$1,000,000 thousand (US\$30,675 thousand) secured credit amount and Type B is an NT\$500,000 thousand (US\$15,337 thousand) unsecured credit amount.

As of December 31, 2006, the balance of the Type A loan, which was repayable every six months in three installments from March 1, 2006 to March 1, 2007, was repaid early on August 15, 2006, and Type B loan, which was repayable every six months in four installments from September 1, 2004 to March 1, 2006.

- e. FAPD entered into a syndicated loan contract, with Bank of Taiwan as the lead bank. This loan was used to plan, design and construct a shopping mall in Kaohsiung. The lead bank gave FAPD a NT\$3,000,000 thousand (US\$92,025 thousand) credit line for medium- and long-term loans and a guarantee to issue commercial paper; the shopping mall also provided a guarantee. This loan was repaid on August 30, 2006.
- f. SOGO obtained an NT\$2,300,000 thousand (US\$70,552 thousand) syndicated loan from the Cooperative Bank, First Bank, Land Bank and Chang Hwa Bank, consisting of Types A and B. Type A is an NT\$1,500,000 thousand (US\$46,012 thousand) medium-term unsecured loan repayable every six months in 14 installments from June 2004 to June 2010. Each installment is NT\$100,000 thousand (US\$3,067 thousand), and the last installment is NT\$200,000 thousand (US\$6,135 thousand), was repaid in 2006 before maturity. The interest is payable monthly. Type B is an NT\$800,000 thousand (US\$24,540 thousand) credit line from commercial paper issuance. The term of credit is five years from the first appropriation date (March 12, 2004).

Under the above contract conditions (a) and (f), during the credit term, SOGO should meet the following financial ratios:

- 1) Times interest earned ((income before tax + interest expense + depreciation and amortization)/interest expense) should not be lower than 2.5 times.

- 2) Net tangible value (net value - treasury stock - intangible assets) should not be lower than NT\$2,000,000 thousand (US\$61,350 thousand).

The above financial ratios are based on SOGO's audited consolidated financial statements and calculated once a year. If, under relevant regulations, there is no need for SOGO to prepare consolidated financial statements, the calculation of financial ratios will be based on SOGO's financial statements.

- g. As of December 31, 2006, there was a balance of NT\$150,000 thousand (US\$4,601 thousand) on a loan obtained by FE Geant from Far Eastern Bank, which had a floating interest rate of 2.10% plus 0.80%. This loan was repayable quarterly in 4 installments since the first installment payment due after 24 months from the date the credit was first used. Each installment payments is NT\$37,500 thousand (US\$1,150 thousand). FEDS signed a secured-loan contract with the International Commercial Bank of China, and as of December 31, 2006 and 2005, the secured bank loans amounted to NT\$285,700 thousand (US\$8,764 thousand) and NT\$571,400 thousand (US\$17,610 thousand), respectively, repayable every six months in five installments until October 2007. Under the loan contracts, some of the secured bank loans should be repaid within one year, the Group may extend the repayment deadline for these loans. Thus, these obligations were classified as long-term liabilities.
- h. For the unsecured loans amounting to NT\$1,000,000 thousand (US\$30,675 thousand) and NT\$750,000 thousand (US\$23,006 thousand), the Company negotiated medium-term and long-term loan contracts, and the Group allowed the extension of the repayment deadlines for these loans. Thus, these obligations were classified as long-term liabilities. The unsecured loans with the following banks as of December 31, 2006 were as follows:
  - 1) Chinatrust Bank: Credit loan of NT\$200,000 thousand (US\$6,135 thousand); 2.34% interest rate, and maturity in 2008.
  - 2) Taipei Fubon Bank: Credit loan of NT\$200,000 thousand (US\$6,135 thousand); 2.81% interest rate; repayable every six months in 4 installments after the first installment due after 18 months; each installment is NT\$50,000 thousand (US\$1,533 thousand).
  - 3) Taishin International Bank: Credit loan of NT\$100,000 thousand (US\$3,067 thousand); 2.80% interest rate, and maturity in 2009.
  - 4) Hua Nan Bank: Credit loan of NT\$200,000 thousand (US\$6,135 thousand) floating interest rate, which was 2.18% plus 0.77% as of December 31, 2006; first installment payment due after 24 months; final installment due six months after the first installment, each installment is NT\$100,000 thousand (US\$3,067 thousand).
  - 5) Hua Nan Bank: Credit loan of NT\$98,333 thousand (US\$3,016 thousand); repayable monthly from 2006 as follows: NT\$18,889 thousand (US\$579 thousand) repayable in 34 installments and NT\$19,444 thousand (US\$596 thousand) repayable in 35 installments.
  - 6) Shin Kong Bank credit loan of NT\$70,000 thousand (US\$2,147 thousand); repayable on maturity in December 2009.
  - 7) Fuhwa Bank: Credit loan of NT\$200,000 thousand (US\$6,135 thousand); 3.07% interest rate; repayable quarterly in eight installments, each amounting to NT\$25,000 thousand (US\$767 thousand), with the first installment payment due after 12 months.
  - 8) Panhsin Bank: Credit loan of NT\$300,000 thousand (US\$9,203 thousand); 3.00% interest rate, maturity in 2008.

- 9) Mega International Commercial Bank (originally the Chiao Tung Bank): Credit loan of NT\$600,000 thousand (US\$18,405 thousand) obtained in November 2003; repayable quarterly from May 2005 to November 2008 in 15 installments of NT\$40,000 thousand (US\$1,227 thousand) each; loan balances of NT\$320,000 thousand (US\$9,816 thousand) in 2006 and NT\$480,000 thousand (US\$14,724 thousand) in 2005.
- i. The Company negotiated other medium-term and long-term loan contracts, and the Group allowed the extension of the repayment deadlines for these loans. Thus, these obligations were classified as long-term liabilities.

## 23. 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.

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

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

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

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

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

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

On June 2, 2006 and June 7, 2005, FEDS's stockholders resolved earnings appropriation and distribution of bonus to employees and remuneration to directors and supervisors in 2005 and 2004, that is shown as follows:

	<b>Earnings Appropriation</b>				<b>Dividend Per Shares</b>			
	<b>2005</b>		<b>2004</b>		<b>2005</b>		<b>2004</b>	
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>
Legal reserve	\$ 97,942	\$ 3,004	\$ 147,953	\$ 4,538				
Stock dividend - common stock	414,559	12,716	493,522	15,139	\$ 0.40	\$ 0.01	\$ 0.50	\$ 0.02
Cash dividend - common stock	518,198	15,896	592,227	18,166	0.50	0.02	0.60	0.02
Bonus to employees - cash paid	40,119	1,231	46,699	1,433				
Remuneration to directors and supervisors - cash paid	<u>30,089</u>	<u>923</u>	<u>35,024</u>	<u>1,074</u>				
	<u>\$ 1,100,907</u>	<u>\$ 33,770</u>	<u>\$ 1,315,425</u>	<u>\$ 40,350</u>				

The stock issuance in the year of 2005 and 2004 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 9, 2006 and August 10, 2005, respectively.

Had the above bonus to employees and remuneration to directors and supervisors been paid entirely in cash and charged against earnings for 2005 and 2004, the after-tax basic earnings per share would have decreased from NT\$0.95 (US\$0.03) to NT\$0.88 (US\$0.03) in 2005 and from NT\$1.51 (US\$0.05) to NT\$1.43 (US\$0.05) in 2004.

As of the accompanying auditors' report date (February 26, 2007), the board of directors had not approved the proposal on the distribution of the 2006 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>).

## 24. TREASURY STOCK

<b>Reason for Acquisition</b>	<b>Shares in Thousands (Beginning of Year)</b>	<b>Change</b>		<b>Shares in Thousands (End of Year)</b>
		<b>Increase</b>	<b>Decrease</b>	
<u>Year 2006</u>				
Company's issued stock held by subsidiaries	<u>33,830</u>	<u>1,303</u>	<u>4,719</u>	<u>30,414</u>
<u>Year 2005</u>				
Company's issued stock held by subsidiaries	<u>44,977</u>	<u>1,908</u>	<u>13,055</u>	<u>33,830</u>

The related information about the Company's issued stock held by subsidiaries in the year of 2006 and 2005 were shown as follows:

Subsidiaries Name	Shares in Thousands	Carrying Value		Market Value	
		New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<u>2006</u>					
BDIC	27,663	\$ 165,492	\$ 5,076	\$ 575,344	\$ 17,649
Bai Yang	2,751	<u>16,458</u>	<u>505</u>	<u>57,218</u>	<u>1,755</u>
		<u>\$ 181,950</u>	<u>\$ 5,581</u>	<u>\$ 632,562</u>	<u>\$ 19,404</u>
<u>2005</u>					
BDIC	27,835	\$ 173,175	\$ 5,272	\$ 527,969	\$ 16,072
Bai Yang	5,995	<u>37,204</u>	<u>1,132</u>	<u>113,426</u>	<u>3,453</u>
		<u>\$ 210,379</u>	<u>\$ 6,404</u>	<u>\$ 641,395</u>	<u>\$ 19,525</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 (US\$9,008 thousand), based on the Company's equity in these subsidiaries in 2002. The treasury stocks held by subsidiaries increased by 1,303 thousand shares in 2006 and 1,908 thousand shares in 2005 because of the Company's stock dividend distribution in 2006 and 2005. In the year of 2006 and 2005, subsidiaries disposed of 4,719 thousand treasury shares and 13,055 treasury shares, with proceeds amounting to \$91,727 thousand (US\$2,814 thousand) and \$267,861 thousand (US\$8,217 thousand), respectively. After deducting the treasury stock acquisition cost of \$28,529 thousand (US\$875 thousand) and \$83,352 thousand (US\$2,557 thousand) from the foregoing proceeds, the Company debited \$63,197 thousand (US\$1,939 thousand) and \$184,378 thousand (US\$5,656 thousand) to capital surplus - treasury stock transactions based on the Company's equity in these subsidiaries.

Under the Securities and Exchange Law, the Company may not pledge or hypothecate treasury stock. In addition, the Company may not exercise any stockholders' rights on the treasury stock. The Company's stocks held by its subsidiaries are treated as treasury stock and the holders are entitled to the rights of stockholders, except that starting from June 22, 2005, pursuant to the revised Company Law, the holders are no longer entitled to the right to vote.

## 25. INCOME TAX

The Basic Income Tax Act (the "Act") in ROC took effect on January 1, 2006. Based on this Act, income tax payable should be the higher of the tax payable under the Income Tax Law (the "Law") or the tax payable under the Act, which is 10% (as prescribed by the Executive Yuan) of the taxable income under the Law plus tax-exempt income under other laws and regulations. The Group had taken into consideration the effect of this new Act in calculating its tax liabilities.

- 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:

	<u>2006</u>		<u>2005</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Income tax expense at statutory income tax rate (25%)	\$ 924,000	\$ 28,344	\$ 879,644	\$ 26,983
Income tax expenses - deferred	(88,465)	(2,714)	40,348	1,238
Income tax expense on short-term negotiable instruments taxed at 20%	66	2	474	14
Prior year’s adjustment	11,971	367	27,522	844
Investment tax credit	-	-	(3,263)	(100)
Income tax expenses	<u>\$ 847,572</u>	<u>\$ 25,999</u>	<u>\$ 944,725</u>	<u>\$ 28,979</u>

- b. Deferred income tax consisted of the following:

	<u>2006</u>		<u>2005</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
<b>Current</b>				
Deferred income tax assets				
Loss carryforward	\$ 197,356	\$ 6,054	\$ 215,011	\$ 6,595
Allowance for losses on lawsuit	68,676	2,107	-	-
Allowance for doubtful accounts	63,472	1,947	67,007	2,055
Allowance for doubtful prepayments	56,250	1,725	-	-
Allowance for losses on obsolescent inventory	30,952	949	25,512	783
Investment tax credits	1,200	37	20,336	624
Others	814	25	1,219	37
	<u>418,720</u>	<u>12,844</u>	<u>329,085</u>	<u>10,094</u>
Less: Valuation allowance	<u>(210,786)</u>	<u>(6,466)</u>	<u>(206,990)</u>	<u>(6,349)</u>
Deferred income tax liability	<u>207,934</u>	<u>6,378</u>	<u>122,095</u>	<u>3,745</u>
Deferred income tax liability				
Others	<u>(1,979)</u>	<u>(60)</u>	<u>(36)</u>	<u>(1)</u>
	<u>\$ 205,955</u>	<u>\$ 6,318</u>	<u>\$ 122,059</u>	<u>\$ 3,744</u>
<b>Noncurrent</b>				
Deferred income tax assets				
Loss carryforward	\$ 1,174,884	\$ 36,039	\$ 962,434	\$ 29,523
Cumulative equity in net loss of investees	803,017	24,633	728,240	22,339
Unrealized loss on investment in shares of stock	36,425	1,117	24,500	752
Difference of pension cost between financial reporting and tax reporting	41,379	1,269	43,858	1,345
Investment tax credits	2,627	81	2,979	91
Others	386	12	22,446	688
	<u>2,058,718</u>	<u>63,151</u>	<u>1,784,457</u>	<u>54,738</u>
Less: Valuation allowance	<u>(1,510,613)</u>	<u>(46,338)</u>	<u>(1,218,809)</u>	<u>(37,387)</u>
	<u>548,105</u>	<u>16,813</u>	<u>565,648</u>	<u>17,351</u>

(Continued)

	<u>2006</u>		<u>2005</u>	
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>
Deferred income tax liabilities				
Difference of depreciation expense between financial reporting and tax reporting	\$ (195,409)	\$ (5,994)	\$ (186,358)	\$ (5,716)
Cumulative equity in net income of foreign-domiciled investees	<u>(22,958)</u>	<u>(704)</u>	<u>(54,121)</u>	<u>(1,660)</u>
	<u>(218,367)</u>	<u>(6,698)</u>	<u>(240,479)</u>	<u>(7,376)</u>
Net deferred income tax assets	<u>\$ 329,738</u>	<u>\$ 10,115</u>	<u>\$ 325,169</u>	<u>\$ 9,975</u>

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

	<u>2006</u>		<u>2005</u>	
	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>
Balance of imputation credit account - FEDS	<u>\$ 36,066</u>	<u>\$ 1,106</u>	<u>\$ 75,919</u>	<u>\$ 2,329</u>

The actual creditable tax ratio for earnings of the Company in 2005 was 12.17%. The projected creditable tax ratio for earnings of the Company as of December 31, 2006 was 12.40%. The imputation credit allocated to stockholders is based on the ICA balance as of the date of dividend distribution. Thus, the projected creditable ratio may adjust depending on the ICA balance on the date of dividend distribution.

The Company's unappropriated earnings before 1999 were used to offset deficit in 2002.

Unused investment tax credits as of December 31, 2006 were as follows:

<b>Items</b>	<b>New Taiwan Dollars</b>	<b>U.S. Dollars (Note 3)</b>	<b>Year of Expiry</b>	<b>Examination Status</b>
<u>FE Geant</u>				
Investment tax credits and training expense tax credit	\$ 387	\$ 12	2011	Unexamined
	461	14	2010	Unexamined
	438	13	2009	Examined
	1,341	41	2008	Examined
	1,200	37	2007	Examined



The loss carryforwards as of December 31, 2006 were as follows:

Company Name	Year of Loss	New Taiwan Dollars	U.S. Dollars (Note 3)	Year of Expiry
FE Geant	2006 (Unexamined)	\$ 267,821	\$ 8,215	2011
	2005 (Unexamined)	239,962	7,361	2010
	2004 (Examined)	161,503	4,954	2009
	2003 (Examined)	224,917	6,899	2008
	2002 (Examined)	183,762	5,637	2007
YTDS	2006 (Unexamined)	19,718	605	2011
	2005 (Unexamined)	19,487	598	2010
	2004 (Examined)	13,000	399	2009
	2003 (Examined)	5,379	165	2008
	2002 (Examined)	6,455	198	2007
FNCD	2003 (Examined)	76	2	2008
	2002 (Examined)	160	5	2007
FEHLD	2004 (Examined)	42,662	1,309	2009
FECS	2006 (Unexamined)	34,666	1,063	2011
	2005 (Unexamined)	35,700	1,095	2010
	2004 (Unexamined)	5,124	157	2009
Yu Ming	2006 (Unexamined)	1,260	39	2011
	2005 (Unexamined)	9,418	289	2010
Pacific Liu Tong Investment	2002 (Examined)	13,358	410	2007
Sidan of Beijing Pacific Department Store Co.	2005 (Examined)	1,896	58	2010
	2004 (Examined)	29,657	910	2009
	2003 (Examined)	35,102	1,077	2008
	2002 (Examined)	21,157	649	2007

Except the income tax returns of FECS in 2005 and 2004, The income tax returns through 2004 of FECS and its subsidiaries, except for the 2005 and 2004 returns of FECS, had been examined and cleared by the tax authorities. Besides, SOGO did not accept the determination of tax payable by tax authorities and had filed an administrative appeal.

After examining SOGO's 2003 and 2002 income tax returns in November 2005 and December 2005, respectively, the tax authorities decided to subtract NT\$16,407 thousand (US\$503 thousand) from the income tax refund receivable on the 2003 return and to add NT\$10,904 thousand (US\$334 thousand) to the 2002 income tax payable. However, after paying NT\$998 thousand (US\$31 thousand), SOGO declined to pay the balance of the surtax and instead after paid NT\$998 thousand filed an administrative appeal. Nevertheless, it recognized income tax expenses of NT\$28,309 thousand (US\$868 thousand) in 2006.

In May 2006, the tax authorities reexamined SOGO's 2001 income tax return and assessed a surtax of NT\$6,233 thousand (US\$191 thousand).

In November 2006, the tax authorities decided not to recognize a portion of the withheld tax on the accrued interest on a long-term account receivable and interest and thus added NT\$12,847 thousand (US\$394 thousand) to the 2004 income tax payable.

## 26. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	2006							
	Included in Operating Cost		Included in Operating Expense		Included in Nonoperating Expense		Total	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Personnel expenses								
Salary	\$ 7,576	\$ 233	\$ 3,199,756	\$ 98,152	\$ -	\$ -	\$ 3,207,332	\$ 98,384
Insurance	596	18	271,535	8,329	-	-	272,131	8,348
Pension	558	17	206,477	6,334	-	-	207,035	6,351
Other	-	-	156,010	4,786	-	-	156,010	4,786
	8,730	268	3,833,778	117,601	-	-	3,842,508	117,869
Depreciation expenses	17,110	525	1,576,037	48,344	18,548	569	1,611,695	49,438
Amortization expenses	-	-	337,335	10,348	12,197	374	349,532	10,722
	<u>\$ 25,840</u>	<u>\$ 793</u>	<u>\$ 5,747,150</u>	<u>\$ 176,293</u>	<u>\$ 30,745</u>	<u>\$ 943</u>	<u>\$ 5,803,735</u>	<u>\$ 178,029</u>

	2005							
	Included in Operating Cost		Included in Operating Expense		Included in Nonoperating Expense		Total	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Personnel expenses								
Salary	\$ 15,150	\$ 465	\$ 3,089,801	\$ 94,779	\$ -	\$ -	\$ 3,104,951	\$ 95,244
Insurance	1,180	36	355,817	10,915	-	-	356,997	10,951
Pension	1,013	31	190,242	5,836	-	-	191,255	5,867
Other	-	-	170,633	5,234	-	-	170,633	5,234
	17,343	532	3,806,493	116,764	-	-	3,823,836	117,296
Depreciation expenses	17,174	527	1,682,595	51,613	29	1	1,699,798	52,141
Amortization expenses	-	-	823,230	25,252	15,197	466	838,427	25,718
	<u>\$ 34,517</u>	<u>\$ 1,059</u>	<u>\$ 6,312,318</u>	<u>\$ 193,629</u>	<u>\$ 15,226</u>	<u>\$ 467</u>	<u>\$ 6,362,061</u>	<u>\$ 195,155</u>

## 27. HELD-FOR-SALE PROPERTIES

FEDS owned a land and a building (the property) located in the new Ban Qiao station area, designated as a special economic zone by the Taipei County Government (TPG). After the consolidation, the cost of land \$7,646 thousand (US\$235 thousand) and the revaluation increment on property of \$152,986 thousand (US\$4,693 thousand) had been sold to the Bank of PanHsin on January 12, 2005 and the title of the land was transferred to Bank of PanHsin on February 15, 2005. Proceeds from disposal of the land were \$496,720 thousand (US\$15,237 thousand).

After the deduction from the proceeds of the relevant cost and revaluation increment of \$160,632 thousand (US\$4,927 thousand), relevant expenses and tax of \$15,914 thousand (US\$488 thousand), capital surplus of \$49,756 thousand (US\$1,526 thousand) reserved for asset revaluation increment in prior years and reserve of \$93,428 thousand (US\$2,866 thousand) for land revaluation increment tax, the gain on disposal of properties was \$463,358 thousand (US\$14,213 thousand). In addition, FEDS made an agreement with the Bank of PanHsin that after the construction was completed, the Bank of PanHsin will lease to FEDS the first three floors, approximately 64,800 sq ft., for FEDS's management of the operating site.

However, FEDS believes that the size of the replacement land is improper, so FEDS raised an appeal to the Ministry of the Interior (MOTI). The appeal was dismissed by the Taipei High Administrative Court on September 29, 2006, but, after legal consultation, FEDS deemed that the court decision was invalid because the land replacement rule was applied inappropriately. So FEDS raised an appeal to The Supreme Administrative Court on November 1, 2006, and this case was still pending as of December 31, 2006.

## 28. CONSOLIDATED EARNINGS PER SHARE

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

	Amount (Numerator)				Shares (Denominator) (Thousands)	Earnings Per Share			
	Before Tax		After Tax			Before Tax		After Tax	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)		New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<u>2006</u>									
Consolidated net income	\$ 632,335	\$ 19,397							
Add: Minority interest and subsidiary employee benefits and directors' and supervisors' remuneration effect	(26,488)	(813)							
Income before cumulative effect of changes in accounting principle	605,847	18,584	\$ 580,306	\$ 17,801		\$ 0.58	\$ 0.02	\$ 0.55	\$ 0.02
Cumulative effect of changes in accounting principle	5,846	180	5,846	179		0.01	-	0.01	-
	<u>\$ 611,693</u>	<u>\$ 18,764</u>	<u>\$ 586,152</u>	<u>\$ 17,980</u>	<u>1,044,166</u>	<u>\$ 0.59</u>	<u>\$ 0.02</u>	<u>\$ 0.56</u>	<u>\$ 0.02</u>
<u>2005</u>									
Consolidated net income	\$ 1,054,627	\$ 32,351							
Add: Minority interest and subsidiary employee benefits and directors' and supervisors' remuneration effect	(24,797)	(761)							
Income before cumulative effect of changes in accounting principle	1,029,830	31,590	\$ 968,825	\$ 29,719		\$ 1.00	\$ 0.03	\$ 0.94	\$ 0.03
Cumulative effect of changes in accounting principle	10,601	325	10,601	325		0.01	-	0.01	-
	<u>\$ 1,040,431</u>	<u>\$ 31,915</u>	<u>\$ 979,426</u>	<u>\$ 30,044</u>	<u>1,035,223</u>	<u>\$ 1.01</u>	<u>\$ 0.03</u>	<u>\$ 0.95</u>	<u>\$ 0.03</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 2006 (see Note 23). This adjustment caused the basic EPS in 2005 before and after tax to decrease from NT\$1.05 (US\$0.03 thousand) to NT\$1.01 (US\$0.03 thousand) and from NT\$0.98 (US\$0.03 thousand) to NT\$0.95 (US\$0.03 thousand), respectively.

## 29. PENSION PLAN

The Labor Pension Act (the "Act"), which took effect from July 1, 2005 and the pension mechanism under the Act is deemed a defined contribution plan in ROC of FEDS and its subsidiaries. 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 the 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 rate of monthly contributions to employees' individual pension accounts is at 6% of monthly salaries and wages starting on July 1, 2005. Thus, the Group monthly contributions to employees' pension accounts, which were recognized as pension costs, amounted to NT\$107,093 thousand (US\$3,285 thousand) and NT\$51,133 thousand (US\$1,557 thousand) in 2006 and 2005.

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

FEHLD closed its wholesale business in July 1, 2000 and transferred its employees to FE Great. The pension liabilities were accrued on the basis of length of service in FEHLD and FE Great. As of December 31 2006 and 2005, the balance of the accrued pension liabilities of FEHLD were NT\$6,837 thousand (US\$210 thousand) and NT\$7,707 thousand (US\$235 thousand).

For the overseas subsidiaries, pension costs under defined contribution plans were NT\$37,355 thousand (US\$1,146 thousand) in 2006 and NT\$54,614 thousand (US\$1,675 thousand) in 2005.

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

a. Net periodic pension cost

	2006									
	FEDS		FE Geant		YTDS		Yu Ming		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Service cost	\$ 13,794	\$ 423	\$ 10,844	\$ 333	\$ 116	\$ 3	\$ 165	\$ 5	\$ 16,533	\$ 507
Interest cost	12,968	398	4,638	142	379	12	-	-	12,516	384
Projected return on plan assets	(16,198)	(497)	(2,196)	(67)	(104)	(3)	-	-	(3,232)	(99)
Amortization	(10,212)	(313)	1,708	52	43	1	-	-	11,982	367
	<u>\$ 352</u>	<u>\$ 11</u>	<u>\$ 14,994</u>	<u>\$ 460</u>	<u>\$ 434</u>	<u>\$ 13</u>	<u>\$ 165</u>	<u>\$ 5</u>	<u>\$ 37,799</u>	<u>\$ 1,159</u>

	2005							
	FEDS		FE Geant		YTDS		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Service cost	\$ 20,626	\$ 633	\$ 12,888	\$ 395	\$ 510	\$ 16	\$ 25,007	\$ 767
Interest cost	17,087	524	4,186	129	344	10	12,908	396
Projected return on plan assets	(15,007)	(460)	(2,110)	(65)	(36)	(1)	(2,940)	(90)
Amortization	(1,067)	(33)	1,100	34	30	1	11,982	367
	<u>\$ 21,639</u>	<u>\$ 664</u>	<u>\$ 16,064</u>	<u>\$ 493</u>	<u>\$ 848</u>	<u>\$ 26</u>	<u>\$ 46,957</u>	<u>\$ 1,440</u>

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

	2006									
	FEDS		FE Geant		YTDS		Yu Ming		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Present value of benefit obligation:										
Vested	\$ (107,975)	\$ (3,312)	\$ (72,240)	\$ (2,216)	\$ (4,083)	\$ (125)	\$ -	\$ -	\$ (21,922)	\$ (672)
Non-vested	(220,903)	(6,776)	(85,510)	(2,623)	(5,202)	(160)	(731)	(23)	(257,280)	(7,892)
Accumulated	(328,878)	(10,088)	(157,750)	(4,839)	(9,285)	(285)	(731)	(23)	(279,202)	(8,564)
Additional benefits based on future salaries:										
Projected	(65,235)	(2,001)	(14,112)	(433)	(2,133)	(65)	(168)	(5)	(150,414)	(4,614)
Fair value of plan assets	(394,113)	(12,089)	(171,862)	(5,272)	(11,418)	(350)	(899)	(28)	(429,616)	(13,178)
Funded status	525,580	16,122	82,264	2,524	4,660	143	96	3	107,609	3,301
Unrecognized net transition obligation (assets)	131,467	4,033	(89,598)	(2,748)	(6,758)	(207)	(803)	(25)	(322,007)	(9,877)
Unrecognized prior service cost	(153,772)	(4,717)	(1,306)	(40)	55	1	(473)	(14)	179,731	5,513
Unrecognized net actuarial loss	(16,410)	(503)	-	-	39	1	-	-	-	-
Additional pension cost	149,813	4,595	40,189	1,233	1,298	40	-	-	13,089	401
Prepaid pension cost (accrued pension liabilities)	-	-	(24,771)	(760)	-	-	-	-	(42,607)	(1,301)
	<u>\$ 111,098</u>	<u>\$ 3,408</u>	<u>\$ (75,486)</u>	<u>\$ (2,315)</u>	<u>\$ (5,366)</u>	<u>\$ (165)</u>	<u>\$ (1,276)</u>	<u>\$ (39)</u>	<u>\$ (171,594)</u>	<u>\$ (5,264)</u>

	2005									
	FEDS		FE Geant		YTDS		SOGO			
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)		
Present value of benefit obligation:										
Vested	\$ (110,116)	\$ (3,378)	\$ (67,364)	\$ (2,066)	\$ (3,587)	\$ (110)	\$ -	\$ -	\$ (13,436)	\$ (412)
Non-vested	(228,153)	(6,998)	(76,418)	(2,344)	(5,202)	(160)	-	-	(248,730)	(7,630)
Accumulated	(338,269)	(10,376)	(143,782)	(4,410)	(8,789)	(270)	-	-	(262,166)	(8,042)
Additional benefits based on future salaries:										
Projected	(67,075)	(2,058)	(13,301)	(408)	(2,134)	(65)	-	-	(126,103)	(3,868)
Fair value of plan assets	(405,344)	(12,434)	(157,083)	(4,818)	(10,923)	(335)	-	-	(388,269)	(11,910)
Funded status	489,502	15,016	74,115	2,273	3,976	122	-	-	94,700	2,905
Unrecognized net transition obligation (assets)	84,158	2,582	(82,968)	(2,545)	(6,947)	(213)	-	-	(293,569)	(9,005)

(Continued)

	FEDS		FE Geant		YTDS		Yu Ming		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Unrecognized net transition obligation (assets)	\$ (172,993)	\$ (5,307)	\$ (1,633)	\$ (50)	\$ 59	\$ 2	\$ -	\$ -	\$ 191,713	\$ 5,881
Unrecognized prior service cost	(17,778)	(545)	-	-	66	2	-	-	-	-
Unrecognized net actuarial loss	194,210	5,957	36,049	1,106	1,310	40	-	-	(3,949)	(121)
Additional pension cost	-	-	(21,115)	(648)	-	-	-	-	(61,661)	(1,892)
Prepaid pension cost (accrued pension liabilities)	\$ 87,597	\$ 2,687	\$ (69,667)	\$ (2,137)	\$ (5,512)	\$ (169)	\$ -	\$ -	\$ (167,466)	\$ (5,137)

(Concluded)

c. Vested benefits - undiscounted

	FEDS		FE Geant		YTDS		Yu Ming		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
2006	\$ 132,796	\$ 4,073	\$ 72,240	\$ 2,216	\$ 4,476	\$ 137	\$ -	\$ -	\$ 25,239	\$ 774
2005	\$ 133,416	\$ 4,093	\$ 67,364	\$ 2,066	\$ 4,476	\$ 137	\$ -	\$ -	\$ 15,869	\$ 487

d. Actuarial assumptions

	FEDS	FE Geant	YTDS	Yu Ming	SOGO
<u>2006</u>					
Discount rate used in determining present value	2.75%	3.00%	3.50%	2.75%	2.75%
Future salary increase rate	2.00%	1.50%	2.00%	2.00%	3.50%
Expected rate of return on plan assets	2.75%	3.00%	2.50%	2.75%	2.75%
<u>2005</u>					
Discount rate used in determining present value	3.25%	3.00%	3.50%	-	3.25%
Future salary increase rate	2.00%	1.50%	2.00%	-	3.00%
Expected rate of return on plan assets	3.25%	3.00%	2.50%	-	3.25%

e. Contributions to and payments from the fund

	FEDS		FE Geant		YTDS		Yu Ming		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<u>2006</u>										
Contributions	\$ 23,852	\$ 732	\$ 12,831	\$ 394	\$ 580	\$ 18	\$ 96	\$ 3	\$ 37,799	\$ 1,159
Payments	\$ 53,679	\$ 1,647	\$ 15,550	\$ 477	\$ -	\$ -	\$ -	\$ -	\$ 14,418	\$ 442
<u>2005</u>										
Contributions	\$ -	\$ -	\$ 16,336	\$ 501	\$ 573	\$ 18	\$ -	\$ -	\$ 15,331	\$ 470
Payments	\$ 47,581	\$ 1,460	\$ 12,549	\$ 385	\$ -	\$ -	\$ -	\$ -	\$ 6,146	\$ 189

### 30. RELATED-PARTY TRANSACTIONS

Significant related-party transactions, in addition to those shown in Notes 12, 13 to 14, 17, 27 and 32, are summarized in the accompanying Tables 2 and 3.

The Group's related parties were as follows:

<b>Related Party</b>	<b>Relationship with the Group</b>
Far Eastern Textile Co., Ltd. (FET)	Equity-method investor of FEDS
DFI Casino B.V.	Equity-method investor of FE Geant
City Super (Labuan) Ltd.	Equity-method investee of Far Eastern CitySuper Ltd.
Oriental Securities Corporation	Equity-method investee
Ding Ding Integrated Marketing Service	Equity-method investee
Far Eastern International Leasing Corp.	Equity-method investee
Pacific Department Store Co., Ltd.	Equity-method investee
Sogo Department Store Co., Ltd.	Equity-method investee
Pacific 88 Co., Ltd.	Equity-method investee
Pacific Sogo Investment Co., Ltd.	Equity-method investee
Pacific United Consultant Co., Ltd. (PUC)	Equity-method investee
Lian Ching Investment Co., Ltd.	Equity-method investee
Asia Cement Corp. (ACC)	ACC and FEDS have the same chairman
Yuan Ding Co., Ltd. (YDCL)	YDCL and FEDS have the same chairman
Far Eastern International Bank (FEIB)	FEIB and FEDS have the same chairman
Far Eastone Telecom Co., Ltd. (FETCL)	FETCL and FEDS have the same chairman
Far Eastern Resource Development Ltd., Corp. (FERDL)	FERDL and FEDS have the same chairman
New Century Information Communication Technology Co., Ltd. (NCICT)	NCICT and FEDS have the same chairman
Far Eastern Construction Company (FECC)	A director of FECC was FEDS's chairman
Hong-Tong Comprehensive Commercial Developing Co., Ltd. (HTCCD)	A director of HTCCD was FEDS's chairman
Asia Concrete Corporation (ACC)	A director of ACC was FEDS's chairman
Far Eastern Apparel Co., Ltd.	Indirect subsidiary of FET
Far Eastern General Contractor Inc. (FEGC)	A director of FEGC was FEDS's chairman
Yuan Ding Investment Co., Ltd.	Indirect subsidiary of FET
Far Eastern Industry	Indirect subsidiary of FET
Yuan Bo Asset Management Company	Indirect subsidiary of Far Eastern International Leasing Corp.
Pacific Security Co., Ltd. (PSC)	Equity-method investee of PUC
Pacific Department Management & Maintenance Co., Ltd.	Equity-method investee of PSC
Pacific Security Co., Ltd. (PSC)	Equity-method investee of PUC
Pacific Department Management & Maintenance Co., Ltd.	Equity-method investee of PSC
Shanghai Xuijiahui Centre Holdings Co., Ltd.	Joint venture partner of SOGO
Chengdu People's Department Store (Group) Co., Ltd.	Joint venture partner of SOGO
Quanxing Wine Factory	Joint venture partner of SOGO
Hutchison Enterprises (Chongqing) Co., Ltd.	Joint venture partner of SOGO
Chongqing Far East Department Store	Authorizing to manage
Chengdu Pacific Department Store	Authorizing to manage
Others	Others (no transactions; Table 11)

(Concluded)

In June 2005, BDIC 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 NT\$659,923 thousand (US\$20,243 thousand). After the deduction of the relevant cost of NT\$538,354 thousand (US\$16,514 thousand) and expense and tax of NT\$32,845 thousand (US\$1,008 thousand), the gain on this disposal was NT\$88,724 thousand (US\$2,722 thousand). However, Yuan Bo Asset Management Company is a subsidiary of Far Eastern International Leasing Corp., which is an equity-method investee of FEDS. Thus, the deferred gain on this disposal proportionate to the equity of FEDS and BIDD was NT\$32,045 thousand (US\$983 thousand), classified as other liabilities - other, and the gain on sale of investments in real estate was NT\$56,679 thousand (US\$1,738 thousand). The transfer of the title to the

land and the building was registered in September 2005. The depreciation expenses on disposal the building was NT\$2,824 thousand (US\$87 thousand) in 2005.

### 31. ASSETS PLEDGED OR MORTGAGED

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

	2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Pledged time deposits	\$ 10,932	\$ 335	\$ 15,098	\$ 463
Investments accounted for by the equity method	1,746,025	53,559	1,687,251	51,756
Available-for-sale financial assets - noncurrent	3,445,700	105,696	1,107,102	33,960
Financial assets carried at cost	414,029	12,700	535,961	16,441
Properties, net	13,553,061	415,738	13,100,738	401,863
Idle properties, net	277,243	8,505	278,445	8,541
Pledged assets, net	<u>210,498</u>	<u>6,457</u>	<u>391,561</u>	<u>12,011</u>
	<u>\$ 19,657,488</u>	<u>\$ 602,990</u>	<u>\$ 17,116,156</u>	<u>\$ 525,035</u>

### 32. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES AS OF DECEMBER 31, 2006

Significant commitments and contingent liabilities as of December 31, 2006, in addition those mentioned in Note 22, are summarized as follows:

- a. Unused letters of credit aggregated NT\$24,933 thousand (US\$765 thousand).
- b. Outstanding construction contracts aggregated NT\$764,153 thousand (US\$23,440 thousand).
- c. Guarantees on the loans of related parties and others were as follows:

	New Taiwan Dollars	U.S. Dollars (Note 3)
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	\$ 4,000,000	\$ 122,699
Taiwan Chong-Guang Ltd.	<u>234,297</u>	<u>7,187</u>
	<u>\$ 4,234,297</u>	<u>\$ 129,886</u>

- d. In addition to the lease contracts mentioned in Notes 12, 13, 14 and 17, other major operating lease contracts are listed below:
  - 1) FEDS leases from Asia Cement Corporation (a related party) the site of its store in Taipei. The lease agreement will expire on December 31, 2012, but the lessor allowed FEDS to renew the lease upon its expiry. The monthly rent is NT\$6,562 thousand (US\$201 thousand).

- 2) YTDS leases from Far Eastern Construction Company (a related party) the site located in Tuihua S. Rd, Taipei City. The lease agreement will expire on April 30, 2008, but the lessor allowed FEDS to renew the lease upon its expiry. The monthly rent is NT\$111 thousand (US\$3 thousand). YTDS leases from Yuan Ding (a related party) a building located in Taipei Metro. The lease agreement will expire on December 31, 2009, but the lessor allowed FEDS to renew the lease upon its expiry. The monthly rent is NT\$13,388 thousand (US\$411 thousand). YTDS negotiated with Yuan Ding to adjust the monthly rent to NT\$12,855 thousand (US\$394 thousand), and the rent premium paid before amounting to NT\$6,396 thousand (US\$196 thousand) is shown as other receivable.
- 3) Under a contract, Taipei Liu-Gong Soil and Water Resources Institute agreed to transfer land use rights on a property located in Taipei City from Pacific Construction Co. to SOGO. The annual rent is 10% of the government-declared land value. The rent paid was NT\$78,365 thousand (US\$2,404 thousand) in 2006 and 2005. The refundable guarantee note was NT\$200,000 thousand (US\$6,135 thousand) as of December 31, 2006 and 2005.
- 4) SOGO leases from Taiwan Cooperative Bank (original lessor) a lot and building at Zhong Yang Xi S. 1Rd, Zhong Li City, Taoyuan for the Zhong Li branch. In July 2006, Taiwan Cooperative Bank subjected this land and building to public building, which Far Eastern International Leasing Corp. won. The lease agreement will expire in June 2011, but the new lessor allowed SOGO to receive precedence over others and renew the lease agreement upon expiry. The monthly rent is NT\$5,000 thousand (US\$154 thousand), and the refundable guarantee note amounted to NT\$100,000 thousand (US\$3,067 thousand). The rents paid were NT\$64,835 thousand (US\$1,989 thousand) in 2006 and NT\$66,352 thousand (US\$2,035 thousand) in 2005.
- 5) For operating purposes, SOGO rents a building located in Chongli City from Liuhe Fextile Factory Co. and Haihua Construction Co. The renewable lease is up to December 2016, and SOGO receives preference over others in leasing the building. Monthly rent for the first three years is NT\$22,750 thousand (US\$698 thousand), and would be the higher of the basic rent or 6% of the sales revenue every year from 2002. The rent was NT\$377,119 thousand (US\$11,568 thousand) in 2006 and NT\$359,242 thousand (US\$11,020 thousand) in 2005. The refundable deposit was NT\$65,001 thousand (US\$1,993 thousand) in 2006 and 2005, and the refundable guarantee notes were NT\$253,041 thousand (US\$7,762) as of December 31, 2006 and 2005.

In 2004, Liuhe Textile Factory Co. (“Liuhe”) and Haihua Construction Co. (“Haihua”) could not agree with SOGO on a rent decrease. With the approval of the court, Liuhe and Haihua carried out a provisional seizure from SOGO of rent of NT\$6,735 thousand (US\$207 thousand) on January 15, 2004 and of court fees of NT\$55 thousand (US\$2 thousand) on February 11, 2004. To resolve the seizure, SOGO placed with the court two pledged amounts of NT\$6,735 thousand (US\$206 thousand) each on January 20, 2004 and February 19, 2004, for a total of NT\$13,470 thousand (US\$413 thousand), shown as refundable deposits. As of December 31, 2006, this case was pending before the court. However, the issue entered the second trial judicial process. In the first trial, SOGO lost the lawsuit. Thus, SOGO filed an appeal with the court. As of December 31, 2006, a projection of the final outcome of this case could not be made. But if SOGO loses, it has to pay a certain amount of the monthly rent plus 5% annual interest (from December 12, 2003) to Liuhe and Haihua.

In addition, under the first-trial court decision, Liuhe has the right to require the court to distraint SOGO’s pledged assets by offering a guarantee deposit. However, SOGO was able to have the Taipei District Court nullify this distraining order by providing this court with a transferable time deposit of NT\$179,500 thousand (US\$5,506 thousand), placed in the Cooperative Bank, as pledged asset.



- 6) SOGO rents a building located in Hsinchu City from Hsinchu Bus Co. for operating purposes. The renewable lease is up to September 2019, and SOGO receives preference over others in renting the building. Quarterly rent is the higher of the basic rent or 6% of the sales revenue. The rent was NT\$221,322 thousand (US\$6,789 thousand) in 2006 and NT\$223,780 thousand (US\$6,864 thousand) in 2005. The refundable deposit was NT\$96,040 thousand (US\$2,946 thousand) in 2006 and 2005, and the refundable guarantee note was NT\$336,876 thousand (US\$10,334 thousand) as of December 31, 2006 and 2005, respectively.
- 7) For operating purposes, SOGO rents a building located in Taipei City from Pacific Department Stores Co., Ltd. The renewable lease is up to December 31, 2004. The contract, renewed in July 2003, will expire on December 23, 2009. The monthly rent is NT\$8,500 thousand (US\$261 thousand). After the expiry date, SOGO may extend the contract for one year under the same terms. The rent was NT\$102,000 thousand (US\$3,129 thousand) in 2006 and 2005.
- 8) In November 2005, Tianjin FEDS Limits, Co. signed a house leasing contract with Tianjin Long Qiao Real Estate Development Co., Ltd. The lease term is from April 2006 to March 2026, with a total rent of NT\$3,281,919 thousand (US\$100,672 thousand) till the end of the lease. FEDS provided a guarantee amount of NT\$488,095 thousand (US\$14,972 thousand) for this lease.

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

Year	Rental Expense	
	New Taiwan Dollars	U.S. Dollars (Note 3)
2007	\$ 1,675,811	\$ 51,405
2008	1,720,377	52,772
2009	1,735,850	53,247
2010	1,556,235	47,737
2011	1,574,885	48,309

- e. In 1997, FEDS and Taiwan Development and Trust Corporation (TDTC) entered into an agreement for FEDS to buy land and building located in Hsin-Chu. The cost of this property was NT\$4,046,030 thousand (US\$124,111 thousand) after deducting the public funds and discounts of NT\$68,426 thousand (US\$2,099 thousand) from NT\$4,114,456 thousand (US\$126,210 thousand) (total cost of property - pretax). The building construction was completed on November 2002. FEDS transferred the net amount of NT\$4,046,030 thousand (US\$124,111 thousand) from unfinished construction to the cost of property. However, as of December 31, 2002, FEDS had not paid the construction final payment of NT\$457,819 thousand (US\$14,044 thousand), shown as part of payable on properties.

On January 23, 2003, TDTC sued FEDS for not making the final payment of NT\$1,020,367 thousand (US\$31,300 thousand) (the final payment for the sales contract and additional payment for the change of design) and demanded that FEDS make this payment plus interest. On February 14, 2006, the Taipei District Court ruled that FEDS should pay TDTC NT\$724,111 thousand (US\$22,212 thousand) plus an (a) interest, from June 5, 2002 to the full-repayment date, of NT\$692,801 thousand (US\$21,252 thousand) based on the 0.03% daily interest rate for and (b) interests, from January 31, 2003 to the full-repayment date, of NT\$28,365 thousand (US\$870 thousand) based on the 0.03% daily interest rate and of NT\$2,945 thousand (US\$90 thousand) based on the 5% annual interest rate. However, FEDS had raised an appeal with the Taiwan High Court against TDTC for serious breaches of the related contract and claim compensation from TDTC on March 10, which can be offset against the payments to TDTC. On May 25, 2006, FEDS pledged a time deposit of NT\$725,000 thousand (US\$22,239 thousand) to the Taiwan High Court for exemption from the execution of assets. On November 27, 2006, FEDS replaced the time deposit with 37,000 thousand shares of Asia Cement Corporation held by FEDS and 35,500 thousand shares stock of Asia Cement Corporation held by Bai Ding Investment

Company (total 72,500 thousand shares of Asia Cement Corporation). Taking into account possible result of the lawsuit, FEDS recorded a payment of NT\$266,292 thousand (US\$8,168 thousand), classified as payable - property and recognized a relevant depreciation expense of NT\$19,899 thousand (US\$610 thousand). As of December 31, 2006, FEDS had recorded a deferral interest payable of NT\$71,455 thousand (US\$2,192 thousand).

- f. In December 2003 and January 2004, Pacific Liu Tong Investment Company (PLTIC) paid Cathay Leasing Ltd. (“Cathay”) NT\$138,545 thousand (US\$4,250 thousand) and NT\$5,000 thousand (US\$153 thousand), respectively, the balance of a secured loan due on October 1, 2006. However, Cathay, believing that PLTIC had broken the terms of the loan contract, cashed in 2006 PLTIC’s guarantee check for NT\$20,000 thousand (US\$613 thousand), shown as other receivable. As of December 31, 2006, PLTIC was still negotiating this matter with Cathay. Nevertheless, PLTIC recognized a bad-debt expense for the cashed check for of NT\$20,000 thousand (US\$613 thousand). Management believes the likelihood of significant loss on this case is remote.
- g. Pacific Liu Tong Investment Company (PLTIC), a major stockholder of Pacific Sogo Department Store (SOGO), was sued by Zhang Ming Qiang (“Zhang”) for capital subscription, approved illegally under resolutions passed by PLTIC’S stockholders in their meetings on May 29, 2002 and September 21, 2002. He included in his lawsuit the Company and Far Eastern Textile Company because they jointly had a significant investment in PLTIC. Zhang further demanded that PLTIC pay him NT\$5,000 thousand (US\$153 thousand) plus interest as board member remuneration. PLTIC countered that Zhang had no right to file this lawsuit because, under the Company Law, he was not considered a stockholder of PLTIC nor was he qualified to participate in PLTIC’s capital increase. PLTIC added that its stockholders’ meetings were held in compliance with the law and that the capital subscription by the Company and Far Eastern Textile Company was duly registered with the Ministry of Economic Affairs.

As of December 31, 2006, the lawsuit was pending before the Taiwan Taipei District Civil Court. After examining the possible outcome of this lawsuit, the Company considered that loss on this case was unlikely.

- h. On March 19, 2004, Cathay United Bank (CUB) sued SOGO for a dispute on SOGO’s compliance with a credit card contract with CUB and asked the court to (a) issue a restraining order to prevent SOGO from accessing its deposit in CUB of about NT\$1,650,000 thousand (US\$50,613 thousand) and (b) require SOGO to pay NT\$13,200 thousand (US\$405 thousand), the court fee paid by CUB for this case. On April 20, 2004, the Taipei District Court permitted SOGO to provide the court with certain stock securities in line with its plea to revoke the restraining order. Thus, SOGO provided 165,000 thousand common shares of common stocks (with an aggregate par value of NT\$1,650,000 thousand, or US\$50,228 thousand) of Far Eastern Textile Ltd., which was owned by Yuan Ding (a related party), to the court to revoke the restraining order. SOGO also provided Yuan Ding Investment Co. a bank note of NT\$1,665,000 thousand (US\$51,074 thousand) endorsed individually by Pacific Liu Tong Investment and other stockholders of SOGO on the basis of their percentages of ownership of SOGO.

On December 31, 2004, SOGO made a negotiation with CUB on an amendment of a strategic alliance. However, on June 23, 2005, CUB filed a suit against SOGO for the violation of the unfinished negotiation and requested the court to issue a restraining order to prevent SOGO from accessing the NT\$900,000 thousand (US\$27,607 thousand) deposited by SOGO for this case. However, under a decision reached by the court on August 19, 2005, SOGO’s holdings of 90,000 thousand common shares of Far Eastone Telecom Co., Ltd. were distrained instead. SOGO would take other legal procedures to protect its own interests even though the appeals filed against the distraint had been rejected twice.

CUB asked the Taipei District Court to issue a temporary restraining order (TRO) to prohibit SOGO from issuing SOGO Point Cards and from granting benefits based on points earned by customers on the cards. The Taipei District Court rejected CUB’s request, and CUB then filed an appeal with the Taiwan High Court. On May 27, 2004, the Taiwan High Court approved the TRO issuance. SOGO disagreed with this decision and filed an appeal. According to the latest decision of the Taiwan High

Court in 2005, CUB obtained the restraining order and requested the Taipei civil court to execute it. However, SOGO had filed an appeal again to revoke the restraining order. The lawsuit is in the processing of trial in the Supreme Court of the Republic of China.

CUB sued SOGO for allegedly serious breaches of related contracts and claimed a compensation of NT\$900,000 thousand (US\$27,607 thousand) plus interest. On September 14, 2006, the Taipei District Court ruled in favor of CUB. Dissatisfied with the court decision in terms of the debtor and creditor's rights, SOGO filed an appeal. SOGO's appeal was pending before the Taiwan High Court as of December 31, 2006. Nevertheless, SOGO recognized a loss on this case of NT\$200,000 thousand (US\$6,135 thousand) under other expense and other payable.

- i. SOGO had a refundable guarantee deposit of NT\$192,000 thousand (US\$5,890 thousand) payable to Pacific Department Store (PDS). However, SOGO and PDS disagreed on the debtor and creditor's rights. On May 10, 2004, Pacific Department Store got court approval to seize SOGO's property amounting to the refundable deposit of NT\$192,000 thousand (US\$5,890 thousand), interest expenses and the execution fee of NT\$1,536 thousand (US\$47 thousand).

The interest expense calculation is for the period from July 31, 2003 to the payoff date at 6% interest rate. The total amount seized was NT\$202,500 thousand (US\$6,212 thousand), shown as restricted assets. On May 26, 2004, SOGO provided 19,200 thousand common shares (aggregate par value of NT\$192,000 thousand or US\$5,890 thousand) of Far Eastern Textile Ltd. owned by Bai Ding Investment Co. as collaterals pledge to the court for SOGO's appeal to stop the seizure of NT\$202,500 thousand (US\$6,212 thousand). SOGO recognized probable losses of NT\$128,000 thousand (US\$3,926 thousand) in 2005 and NT\$64,000 thousand (US\$1,963 thousand) in the first half of 2006, shown as nonoperating expenses and losses - other expenses as well as other payable. In addition, because SOGO accepted its loss on this lawsuit in terms of the debtor and creditor's rights, it did not file an appeal. On the other hand, when PDS asked SOGO, through the Taipei District Court, to pay capital, interest and executive expenses of NT\$231,347 thousand (US\$7,097 thousand), the Taipei District Court ruled in favor of SOGO and ordered PDS to return to SOGO the pledged 19,200 thousand common shares in 2006. (SOGO received these 19,200 thousand common shares on February 13, 2007.)

- j. SOGO's refundable guarantee note payable to Ming-Yang Developing Co. was NT\$98,000 thousand (US\$3,006 thousand). SOGO and Ming-Yang Developing Co. disagreed on the debt and creditor's rights. On April 8, 2004, Ming-Yang Developing Ltd. got court approval to seize SOGO's property amounting to the refundable guarantee note of NT\$98,000 thousand (US\$3,006 thousand) interest expense and the execution fee of NT\$784 thousand (US\$24 thousand). The related interest expense calculation covers the period from July 31, 2003 to the payoff date at 6% interest. The total amount of the seized property was NT\$71,338 thousand (US\$2,188 thousand) as of December 31, 2005, shown as restricted assets. On April 15, 2004, SOGO placed with the court NT\$98,000 thousand (US\$3,006 thousand) in cash in escrow, which was deposited in the national treasury, shown as restricted assets on December 31, 2005, to stop the property seizure. Because SOGO lost the lawsuit, SOGO made a compromise with Ming-Yang Developing Co. on March 15, 2006 and agreed to pay NT\$113,000 thousand (US\$3,466 thousand) including capital, interest, executive expense, judicial expense and so on as compensation for the building repair cost after the lease agreement expiry. The payment was recognized as nonoperating expenses and losses - other expenses as well as other payable in 2005 and the pledged savings and refundable deposit had been returned to SOGO in 2006.
- k. As of December 31, 2006, SOGO had provided a guarantee to issue commercial paper amounting to NT\$234,297 thousand (US\$7,187 thousand) for Taiwan Chong-Guang Ltd. to pay Pacific Sogo Department Stores (Japan) Co., Ltd.

1. On December 31, 2006, FEDS had provided a guarantee for the repayment of bills amounting to NT\$311,170 thousand (US\$9,545 thousand), which had been issued by Hong-Tong Comprehensive Commercial Developing Co., Ltd. (“Hong-Tong”).

### 33. SUBSEQUENT EVENTS

- a. On September 13, 2006, FEDS entered into an agreement with Casino Guichard-Perrachon SA to acquire equity in Far Eastern Geant Company. On January 1, 2007, FEDS paid NT\$737,584 thousand (US\$22,625 thousand) to Casino Guichard-Perrachon SA for 163,580 thousand shares of Far Eastern Geant Company. After this acquisition, FEDS’s equity in Far Eastern Geant Company increased to 100%.
- b. On January 10, 2007, SOGO sold off all of its holdings in Pacific United Consultant, one of its equity-method investees. The proceeds of this sale were NT\$170,262 thousand (US\$5,223 thousand), and the gain on this sale was NT\$98,099 thousand (US\$3,009 thousand).

### 34. FINANCIAL INSTRUMENTS

Fair value of financial instruments: The Group had no derivative transactions in 2006 and 2005.

	December 31							
	2006				2005			
	Carrying Value		Fair Value		Carrying Value		Fair Value	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<b>Nonderivative Financial Instruments</b>								
<b>Assets</b>								
Cash and cash equivalents	\$ 10,444,283	\$ 320,377	\$ 10,444,283	\$ 320,377	\$ 7,927,182	\$ 243,165	\$ 7,927,182	\$ 243,165
Financial assets at fair value through profit or loss	1,654,661	50,756	1,654,661	50,756	2,893,077	88,745	2,899,268	88,935
Notes and accounts receivable, net	1,451,578	44,527	1,451,578	44,527	1,201,451	36,854	1,201,451	36,854
Other receivables	573,708	17,598	573,708	17,598	900,594	27,626	900,594	27,626
Pledged time deposits	10,932	335	10,932	335	15,098	463	15,098	463
Available-for-sale financial assets	5,278,627	161,922	5,278,627	161,922	3,364,048	103,192	3,796,584	116,460
Financial assets carried at cost	846,322	25,961	846,322	25,961	827,563	25,835	827,563	25,385
Refundable deposits	1,610,909	49,415	1,610,909	49,415	1,121,564	34,404	1,121,564	34,404
Restricted assets	210,498	6,457	210,498	6,457	391,561	12,011	391,561	12,011
<b>Liabilities</b>								
Short-term debts	4,623,000	141,810	4,623,000	141,810	5,307,680	162,812	5,307,680	162,812
Short-term notes and bills payable	4,737,582	145,325	4,737,582	145,325	3,552,232	108,964	3,552,232	108,964
Notes and accounts payable	17,174,141	526,814	17,174,141	526,814	14,750,187	452,460	14,750,187	452,460
Accrued expenses	1,791,815	54,964	1,791,815	54,964	1,598,830	49,044	1,598,830	49,044
Other payables	463,267	14,210	463,267	14,210	758,497	23,267	758,497	23,267
Balance payables - properties	1,001,610	30,724	1,001,610	30,724	781,774	23,981	781,774	23,981
Bonds issued	3,700,000	113,497	3,691,287	113,230	6,375,000	195,552	6,401,527	196,366
Long-term borrowings	15,151,756	464,778	15,151,756	464,778	14,682,719	450,390	14,682,719	450,390
Franchise liability	601,282	18,445	601,282	18,445	1,061,567	32,564	1,061,567	32,564
Deposits received	177,713	5,451	177,713	5,451	141,173	4,330	141,173	4,330

Effective January 1, 2006, the Company and its subsidiaries adopted the Statements of Financial Accounting Standards No. 34 “Accounting for Financial Instruments”. The cumulative effect of changes in accounting principles and the adjustments to stockholders’ equity arising from the adoption of new SFAS was described in Note 3.

- b. Methods and assumptions used in the determination of fair values of financial instruments
  - 1) The carrying values of financial instruments approximate fair values because of the short maturity of these instruments. This assumption was applied to cash and cash equivalents, notes receivable, accounts receivable, other receivable, short-term debts, short-term notes and bills payable, accounts payables, accrued expenses and balance payables - property.
  - 2) The fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on quoted market prices.

- 3) The fair values of the financial assets carried at cost and long-term investments in non-publicly listed companies accounted for by the equity method cannot be estimated because they have no quoted market prices in an active market and determining their fair values entails an unreasonably high cost.
  - 4) The fair values of pledged time deposits, refundable deposits, and deposits received are based on book values because there is no big difference between the book values and the amounts of future cash flows.
  - 5) The fair value of the bonds issued are based on their market values on the balance sheet date.
  - 6) The fair value of long-term borrowings and the accrued franchise liability are based on the present values of expected cash outflows discounted at the rate of bank loans with similar maturities.
- c. As of December 31, 2006 and 2005, financial assets exposed to fair value interest rate risk amounted to NT\$5,529,306 thousand (US\$169,611 thousand) and NT\$277,899 thousand (US\$8,525 thousand), respectively, financial liabilities exposed to fair value interest rate risk amounted to NT\$12,601,083 thousand (US\$386,536 thousand) and NT\$10,021,848 thousand (US\$307,419 thousand), respectively, and financial liabilities exposed to cash flow interest rate risk amounted to NT\$16,212,538 thousand (US\$307,419 thousand) and NT\$20,957,350 thousand (US\$642,863 thousand), respectively.
- d. Information about financial risks

1) Market risk

The Group's financial assets at fair value through profit or loss and available-for-sale assets were mostly mutual funds and publicly traded securities, with fair values that are affected by changes in market prices. Since the Company carefully chooses its investments, there is no significant market risk.

2) Credit risk

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

3) Liquidity risk

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

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

4) Cash flow interest rate risk

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

### 35. ADDITIONAL DISCLOSURES

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

- a. Financing provided: Table 4 (attached)
- b. Endorsement/guarantee provided: Table 5 (attached)
- c. Marketable securities held: Table 6 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 7 (attached)
- e. Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: Table 8 (attached)
- f. Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: None
- g. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 9 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 10 (attached)
- i. Names, locations, and related information of investees on which FEDS exercises significant influence: Table 11 (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 12 (attached)
  - 2) Significant direct or indirect transactions with the investee company, prices, payment terms and unrealized gain or loss:
    - a) Amount and percentage of sales; the balance and percentage of related accounts payables: None
    - b) Amount and percentage of purchase; the balance and percentage of related accounts receivables: None
    - c) Gain (loss) on and amounts of asset: None
    - d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: Table 5 (attached)
    - e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: None

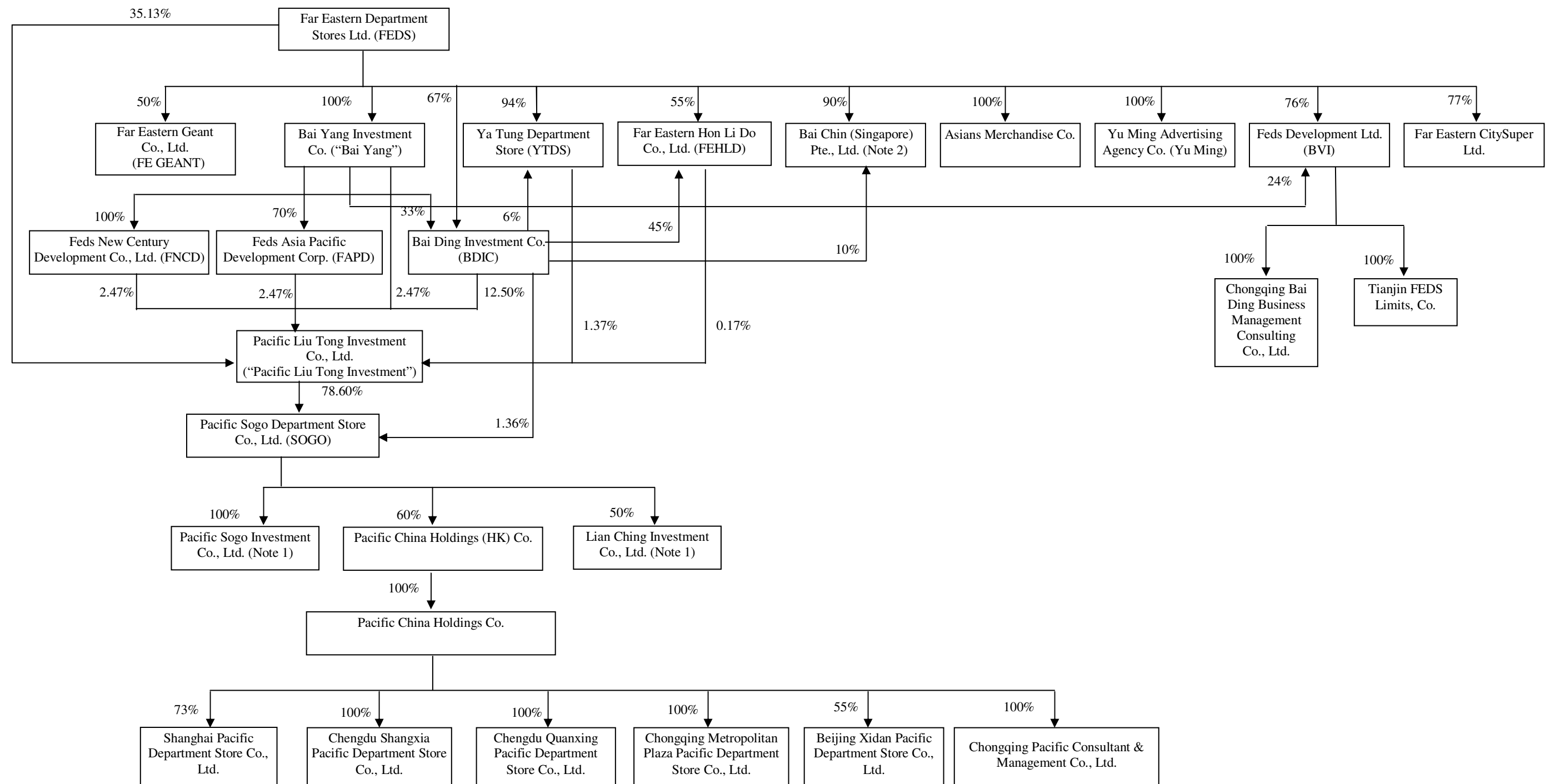
- f) Other transactions which have significant influence over current year's gain or loss or financial status: None
- l. Significant transactions between FEDS and its subsidiaries and among subsidiaries: Table 13 (attached)

### **36. SEGMENT INFORMATION**

- a. Industry information: The industry segment information is summarized in Table 14 (attached).
- b. Geographic information: The geographic information is summarized in Table 15 (attached).
- c. Export sales: There were no export sales in 2006 and 2005.
- d. Sales to major customers: In 2006 and 2005, no revenue from a single customer was at least 10% of the Group's total operating revenues.

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

DIAGRAM OF INTERCOMPANY RELATIONSHIPS  
YEAR ENDED DECEMBER 31, 2006



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

Note 2: Bai Chin (Singapore) Pte., Ltd. went into liquidation and transferred its investment in December 2006. The liquidation of Bai Chin (Singapore) Pte., Ltd. hadn't completed on December 31, 2006.



## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

SUMMARY OF BALANCES OF RELATED-PARTY RECEIVABLES AND PAYABLES  
DECEMBER 31, 2006 AND 2005  
(In Thousands of New Taiwan Dollars)

Related Party	Notes and Accounts Receivable, Net		Other Receivables		Prepayments		Constructions in Progress		Leasehold Rights		Refundable Deposits		Notes and Accounts Payable		Accrued Expenses		Payable on Properties		Other Liabilities - Other	
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total
As of December 31, 2006																				
Oriental Securities Corporation	\$ 1,292	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 1,366	-	\$ -	-	\$ -	-
Ding Ding Integrated Marketing Service	16,479	1	8,884	2	-	-	-	-	8,597	1	-	-	-	-	30,656	2	-	-	-	-
Pacific Department Store Co., Ltd.	-	-	-	-	75,000	8	-	-	-	-	-	-	120	-	-	-	-	-	-	-
					(Note 2)															
Sogo Department Store Co., Ltd.	53,526	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(Note 1)																			
Pacific 88 Co., Ltd.	-	-	1,599	-	-	-	-	-	-	-	-	-	14,254	-	-	-	-	-	-	-
Yuan Bo Asset Management Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,045	98
Far East Industry	-	-	-	-	-	-	-	-	106,072	7	-	-	-	-	-	-	-	-	-	-
Chongqing Far East Department Store	-	-	-	-	-	-	-	-	187,903	12	-	-	-	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,186	1	-	-	-	-
Far Eastern International Leasing Corp.	-	-	-	-	-	-	-	-	100,000	6	-	-	-	-	-	-	-	-	-	-
City Super Labuan Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,042	-	-	-	-	-
Far Eastern Textile Co., Ltd.	2,017	-	-	-	-	-	-	-	-	-	-	-	-	-	11,214	1	-	-	-	-
Asia Cement Corp.	59	-	-	-	-	-	-	-	-	-	-	-	-	-	5,742	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	3,017	-	20	-	-	-	-	-	-	-	-	-	99,744	1	4,234	-	-	-	-	-
Yuan Ding Co., Ltd.	-	-	6,396	-	-	-	-	-	40,165	2	-	-	-	-	24,083	1	-	-	-	-
Far Eastern International Bank	12	-	260	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Far EasTone Telecom Co., Ltd.	666	-	118	-	-	-	-	-	-	-	-	-	-	-	29	-	-	-	-	-
DFI Casino B.V.	-	-	56	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern General Contractor Inc.	-	-	-	-	-	-	117,939	2	-	-	-	-	-	-	-	-	11,065	1	-	-
Pacific United Consultant Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	16,082	-	-	-	-	-	-	-
Pacific Securities Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	10,939	-	-	-	-	-	-	-
Chengdu Pacific Department Store	-	-	-	-	-	-	-	-	83,513	5	-	-	-	-	-	-	-	-	-	-
Chengdu People's Department Store (Group) Co., Ltd.	-	-	4,623	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quanxing Wine Factory	-	-	5,089	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	9,026	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	-	-	21,184	4	252,741	26	-	-	-	-	2,646,077	82	-	-	-	-	-	-	-	-
Others	41	-	259	-	-	-	-	-	220	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 77,109</u>	<u>5</u>	<u>\$ 57,514</u>	<u>10</u>	<u>\$ 327,741</u>	<u>34</u>	<u>\$ 117,939</u>	<u>2</u>	<u>\$ 526,470</u>	<u>33</u>	<u>\$ 2,646,077</u>	<u>82</u>	<u>\$ 141,139</u>	<u>1</u>	<u>\$ 88,552</u>	<u>5</u>	<u>\$ 11,065</u>	<u>1</u>	<u>\$ 32,045</u>	<u>98</u>

(Continued)

Related Party	Notes and Accounts Receivable, Net		Other Receivables		Prepayments		Constructions in Progress		Leasehold Rights		Refundable Deposits		Notes and Accounts Payable		Accrued Expenses		Payable on Properties		Other Liabilities - Other		
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	
<u>As of December 31, 2005</u>																					
Oriental Securities Corporation	\$ 282	-	\$ -	-	\$ -	-	\$ 472	-	\$ -	-	\$ -	-	\$ -	-	\$ 1,479	-	\$ -	-	\$ -	-	
Ding Ding Integrated Marketing Service	3,714	-	-	-	-	-	-	-	-	-	-	-	-	-	34,047	2	-	-	-	-	
Pacific Department Store Co., Ltd.	-	-	-	-	300,000	38	-	-	-	-	-	-	2,342	-	-	-	-	-	-	-	
					(Note 2)																
Sogo Department Store Co., Ltd.	65,833	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	(Note 1)																				
Pacific 88 Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	15,303	-	-	-	-	-	-	-	
Yuan Bo Asset Management Company	-	-	121,342	14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,671	-	-	-	-	-	
Pacific Department Management & Maintenance Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	4	-	-	-	-	-	-	-	
Far Eastern Textile Co., Ltd.	770	-	-	-	-	-	-	-	-	-	-	-	-	-	17,153	1	-	-	-	-	
Asia Cement Corp.	60	-	-	-	-	-	-	-	-	-	-	-	-	-	5,742	-	-	-	-	-	
Far Eastern Apparel Co., Ltd.	1,612	-	-	-	-	-	-	-	-	-	-	-	68,008	1	26,301	2	-	-	-	-	
Yuan Ding Co., Ltd.	-	-	-	-	-	-	-	-	40,165	3	-	-	-	-	26,188	2	-	-	-	-	
Far Eastern International Bank	5,114	-	69	-	-	-	1,556	1	-	-	-	-	-	-	42	-	-	-	-	-	
Far Eastone Telecom Co., Ltd.	130	-	65	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
DFI Casino B.V.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,334	1	-	-	-	-	
Far Eastern General Contractor Inc.	-	-	-	-	-	-	-	-	220	-	-	-	-	-	-	-	30,476	4	-	-	
Pacific United Consultant Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	13,587	-	-	-	-	-	-	-	
Pacific Securities Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	8,753	-	-	-	-	-	-	-	
Chengdu People's Department Store (Group) Co., Ltd.	-	-	4,507	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Quanxing Wine Factory	-	-	8,141	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	8,880	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	3,203,108	84	-	-	-	-	-	-	-	
Others	300	-	6	-	-	-	-	-	-	-	-	-	-	-	352	-	-	-	-	-	
	<u>\$ 77,815</u>	<u>6</u>	<u>\$ 143,010</u>	<u>16</u>	<u>\$ 300,000</u>	<u>38</u>	<u>\$ 2,028</u>	<u>1</u>	<u>\$ 40,385</u>	<u>3</u>	<u>\$ 3,203,108</u>	<u>84</u>	<u>\$ 107,997</u>	<u>1</u>	<u>\$ 130,309</u>	<u>8</u>	<u>\$ 30,476</u>	<u>4</u>	<u>\$ -</u>	<u>-</u>	

Note 1: Sogo's receivables from Sogo Department Store Co., Ltd. were NT\$274,064 thousand and NT\$286,371 thousand as of December 31, 2006 and 2005, respectively. The allowance for bad debts was NT\$220,538 thousand as of December 31, 2006 and 2005.

Note 2: As of December 31, 2006 and 2005, Sogo's receivables from Pacific Sogo Investment Co., Ltd. were NT\$534,137 thousand and the allowances for bad debts were NT\$534,137 thousand.

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

(Concluded)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

SUMMARY OF BALANCES OF RELATED-PARTY RECEIVABLES AND PAYABLES  
DECEMBER 31, 2006 AND 2005  
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

Related Party	Notes and Accounts Receivable, Net		Other Receivables		Prepayments		Constructions in Progress		Leasehold Rights		Refundable Deposits		Notes and Accounts Payable		Accrued Expenses		Payable on Properties		Other Liabilities - Other		
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	
As of December 31, 2006																					
Oriental Securities Corporation	\$ 40	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 42	-	\$ -	-	\$ -	-	
Ding Ding Integrated Marketing Service	505	1	272	2	-	-	-	-	264	1	-	-	-	-	940	2	-	-	-	-	
Pacific Department Store Co., Ltd.	-	-	-	-	2,300	8	-	-	-	-	-	-	4	-	-	-	-	-	-	-	
					(Note 2)																
Sogo Department Store Co., Ltd.	1,642	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	(Note 1)																				
Pacific 88 Co., Ltd.	-	-	49	-	-	-	-	-	-	-	-	-	437	-	-	-	-	-	-	-	
Yuan Bo Asset Management Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	93	98	
Far East Industry	-	-	-	-	-	-	-	-	3,254	7	-	-	-	-	-	-	-	-	-	-	
Chongqing Far East Department Store	-	-	-	-	-	-	-	-	5,764	12	-	-	-	-	-	-	-	-	-	-	
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	251	1	-	-	-	-	
Far Eastern International Leasing Corp.	-	-	-	-	-	-	-	-	3,067	6	-	-	-	-	-	-	-	-	-	-	
City Super Labuan Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	93	-	-	-	-	-	
Far Eastern Textile Co., Ltd.	62	-	-	-	-	-	-	-	-	-	-	-	-	-	344	1	-	-	-	-	
Asia Cement Corp.	2	-	-	-	-	-	-	-	-	-	-	-	-	-	176	-	-	-	-	-	
Far Eastern Apparel Co., Ltd.	93	-	1	-	-	-	-	-	-	-	-	-	3,060	1	130	-	-	-	-	-	
Yuan Ding Co., Ltd.	-	-	196	-	-	-	-	-	1,232	2	-	-	-	-	739	1	-	-	-	-	
Far Eastern International Bank	-	-	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Far EastTone Telecom Co., Ltd.	20	-	3	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	
DFI Casino B.V.	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Far Eastern General Contractor Inc.	-	-	-	-	-	-	3,618	2	-	-	-	-	-	-	-	-	339	1	-	-	
Pacific United Consultant Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	493	-	-	-	-	-	-	-	
Pacific Securities Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	335	-	-	-	-	-	-	-	
Chengdu Pacific Department Store	-	-	-	-	-	-	-	-	2,562	5	-	-	-	-	-	-	-	-	-	-	
Chengdu People's Department Store (Group) Co., Ltd.	-	-	142	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Quanxing Wine Factory	-	-	156	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	277	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	-	-	650	4	7,753	26	-	-	-	-	81,168	82	-	-	-	-	-	-	-	-	
Others	1	-	8	-	-	-	-	-	7	-	-	-	-	-	-	-	-	-	-	-	
	\$ 2,365	5	\$ 1,764	10	\$ 10,053	34	\$ 3,618	2	\$ 16,150	33	\$ 81,168	82	\$ 4,329	1	\$ 2,716	5	\$ 339	1	\$ 93	98	

(Continued)

Related Party	Notes and Accounts Receivable, Net		Other Receivables		Prepayments		Constructions in Progress		Leasehold Rights		Refundable Deposits		Notes and Accounts Payable		Accrued Expenses		Payable on Properties		Other Liabilities - Other		
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	
<u>As of December 31, 2005</u>																					
Oriental Securities Corporation	\$ 9	-	\$ -	-	\$ -	-	\$ 14	-	\$ -	-	\$ -	-	\$ -	-	\$ 45	-	\$ -	-	\$ -	-	
Ding Ding Integrated Marketing Service	114	-	-	-	-	-	-	-	-	-	-	-	-	1,045	2	-	-	-	-		
Pacific Department Store Co., Ltd.	-	-	-	-	9,203	38	-	-	-	-	-	-	72	-	-	-	-	-	-		
					(Note 2)																
Sogo Department Store Co., Ltd.	2,019	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
	(Note 1)																				
Pacific 88 Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	469	-	-	-	-	-	-		
Yuan Bo Asset Management Company	-	-	3,722	14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	-	-	-	-	-	-	-	266	-	-	-	-	-		
Pacific Department Management & Maintenance Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Far Eastern Textile Co., Ltd.	24	-	-	-	-	-	-	-	-	-	-	-	-	526	1	-	-	-	-		
Asia Cement Corp.	2	-	-	-	-	-	-	-	-	-	-	-	-	176	-	-	-	-	-		
Far Eastern Apparel Co., Ltd.	49	-	-	-	-	-	-	-	-	-	-	-	2,086	1	807	2	-	-	-		
Yuan Ding Co., Ltd.	-	-	-	-	-	-	-	-	1,232	3	-	-	-	-	803	2	-	-	-		
Far Eastern International Bank	157	-	2	-	-	-	48	1	-	-	-	-	-	-	1	-	-	-	-		
Far Eastone Telecom Co., Ltd.	4	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
DFI Casino B.V.	-	-	-	-	-	-	-	-	-	-	-	-	-	317	1	-	-	-	-		
Far Eastern General Contractor Inc.	-	-	-	-	-	-	-	-	7	-	-	-	-	-	-	-	935	4	-		
Pacific United Consultant Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	417	-	-	-	-	-	-		
Pacific Securities Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	269	-	-	-	-	-	-		
Chengdu People's Department Store (Group) Co., Ltd.	-	-	138	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Quanxing Wine Factory	-	-	250	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	273	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	98,255	84	-	-	-	-	-	-		
Others	9	-	-	-	-	-	-	-	-	-	-	-	-	11	-	-	-	-	-		
	<u>\$ 2,387</u>	<u>6</u>	<u>\$ 4,387</u>	<u>16</u>	<u>\$ 9,203</u>	<u>38</u>	<u>\$ 62</u>	<u>1</u>	<u>\$ 1,239</u>	<u>3</u>	<u>\$ 98,255</u>	<u>84</u>	<u>\$ 3,313</u>	<u>1</u>	<u>\$ 3,997</u>	<u>8</u>	<u>\$ 935</u>	<u>4</u>	<u>\$ -</u>	<u>-</u>	

Note 1: Sogo's receivables from Sogo Department Store Co., Ltd. were US\$8,407 thousand and US\$8,784 thousand as of December 31, 2006 and 2005, respectively. The allowance for bad debts was US\$6,765 thousand as of December 31, 2006 and 2005.

Note 2: As of December 31, 2006 and 2005, Sogo's receivables from Pacific Sogo Investment Co., Ltd. were US\$16,385 thousand and the allowances for bad debts were US\$16,385 thousand.

Note 3: Sogo prepaid the trademark right expenditure to Pacific Department Store Co., Ltd. amounting to US\$9,202 thousand. Because the process of using the trademark right was not completed, Sogo recognized the allowance for bad debts was US\$6,902 thousand, shown as other expense.

(Concluded)

TABLE 3 (A)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

SUMMARY OF RELATED-PARTY TRANSACTIONS  
YEARS ENDED DECEMBER 31, 2006 AND 2005  
(In Thousands of New Taiwan Dollars)

Related Party	Sales (Note 1)		Other Operating Revenue		Purchases (Note 2)		Operating Expenses (Note 3)		Nonoperating Income and Gains - Other Income		Payable to Affiliates					
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Highest Balance During the Year	Date of Highest Balance	Year-end Amount	Rate (%)	Interest Expense	
															Amount	% to Total
<u>2006</u>																
Oriental Securities Corporation	\$ 2,467	-	\$ 3,031	-	\$ -	-	\$ -	-	\$ 14,436	5	\$ -	-	\$ -	-	\$ -	-
Ding Ding Integrated Marketing Service	27	-	-	-	-	-	250,883	1	14,720	5	-	-	-	-	-	-
Far Eastern International Leasing Corp.	-	-	-	-	-	-	31,533	-	158	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	98,147	1	17	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	4,915	-	4,205	-	264,989	1	98,732	1	-	-	-	-	-	-	-	-
New Century Infocom Tech., Co., Ltd.	56	-	190	-	-	-	6,905	-	38	-	-	-	-	-	-	-
Yuan Bo Asset Management Company	-	-	-	-	-	-	2,160	-	-	-	-	-	-	-	-	-
Pacific Department Store Co., Ltd.	-	-	-	-	-	-	102,000	1	-	-	-	-	-	-	-	-
Sogo Department Store Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific 88 Co., Ltd.	-	-	7,691	1	153,535	-	-	-	-	-	-	-	-	-	-	-
Pacific United Consultant Co., Ltd.	-	-	-	-	-	-	148,866	1	-	-	-	-	-	-	-	-
Yuan Ding Co., Ltd.	171	-	-	-	-	-	155,033	1	-	-	-	-	-	-	-	-
Changdu People's Department Store (Group) Co., Ltd.	-	-	-	-	-	-	98,274	1	-	-	-	-	-	-	-	-
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	-	-	-	-	119,758	1	-	-	-	-	-	-	-	-
Quanxing Wine Factory	-	-	-	-	-	-	68,715	-	-	-	-	-	-	-	-	-
Far Eastern Textile Co., Ltd.	6,540	-	-	-	-	-	39,610	-	12,500	5	-	-	-	-	-	-
Asia Cement Corp.	-	-	-	-	-	-	106,788	1	12,000	5	-	-	-	-	-	-
Far Eastern International Bank	3,942	-	9,019	1	-	-	749	-	2,495	1	700,000	2006.9.12-2006.9.22	-	1.54-3.09	4,189	1
Far EasTone Telecom Co., Ltd.	4,454	-	3,387	-	-	-	884	-	1,820	1	-	-	-	-	-	-
Pacific Securities Co., Ltd.	-	-	-	-	-	-	107,691	1	-	-	-	-	-	-	-	-
Far Eastern General Contractor Inc.	-	-	-	-	-	-	1,333	-	-	-	-	-	-	-	-	-
Yuan Ding Investment Co., Ltd.	-	-	-	-	-	-	8,325	-	-	-	-	-	-	-	-	-
Others	154	-	569	-	-	-	9,690	-	-	-	-	-	-	-	-	-
	<u>\$ 22,726</u>	<u>-</u>	<u>\$ 28,092</u>	<u>2</u>	<u>\$ 418,524</u>	<u>1</u>	<u>\$ 1,456,076</u>	<u>10</u>	<u>\$ 58,184</u>	<u>22</u>			<u>\$ -</u>		<u>\$ 4,189</u>	<u>1</u>

(Continued)

Related Party	Sales (Note 1)		Other Operating Revenue		Purchases (Note 2)		Operating Expenses (Note 3)		Nonoperating Income and Gains - Other Income		Payable to Affiliates					
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Highest Balance During the Year	Date of Highest Balance	Year-end Amount	Rate (%)	Interest Expense	
															Amount	% to Total
<u>2005</u>																
Oriental Securities Corporation	\$ 955	-	\$ 3,033	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Ding Ding Integrated Marketing Service	26,506	-	-	-	-	-	98,089	1	-	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	6	-	-	-	-	-	101,173	1	-	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	2,532	-	15,387	1	325,957	1	90,516	1	-	-	-	-	-	-	-	-
New Century Infocom Tech., Co., Ltd.	-	-	-	-	-	-	2,718	-	-	-	-	-	-	-	-	-
Pacific Department Store Co., Ltd.	-	-	-	-	-	-	102,000	1	-	-	-	-	-	-	-	-
Pacific 88 Co., Ltd.	-	-	13,532	1	176,656	-	-	-	-	-	-	-	-	-	-	-
Pacific United Consultant Co., Ltd.	-	-	-	-	-	-	72,765	-	-	-	-	-	-	-	-	-
Pacific Department Management & Maintenance Co., Ltd.	-	-	-	-	-	-	69,696	-	-	-	-	-	-	-	-	-
Yuan Ding Co., Ltd.	-	-	-	-	-	-	161,251	1	-	-	-	-	-	-	-	-
Chengdu People's Department Store (Group) Co., Ltd.	-	-	-	-	-	-	97,693	1	-	-	-	-	-	-	-	-
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	-	-	-	-	117,835	1	-	-	-	-	-	-	-	-
Quanxing Wine Factory	-	-	-	-	-	-	65,129	-	-	-	-	-	-	-	-	-
Far Eastern Textile Co., Ltd.	4,418	-	-	-	-	-	32,569	-	6,000	3	-	-	-	-	-	-
Asia Cement Corp.	-	-	-	-	-	-	86,078	-	-	-	-	-	-	-	-	-
Far Eastern International Bank	6,589	-	5,793	-	-	-	-	-	6,689	4	500,000	2005.12.31	500,000	1.35-2.98	5,641	1
Far Eastone Telecom Co., Ltd.	9,234	-	2,009	-	-	-	848	-	1,502	1	-	-	-	-	-	-
Pacific Securities Co., Ltd.	-	-	-	-	-	-	95,107	1	-	-	-	-	-	-	-	-
Far Eastern General Contractor Inc.	-	-	-	-	-	-	1,331	-	-	-	-	-	-	-	-	-
Yuan Bo Asset Management Company	-	-	-	-	-	-	1,190	-	-	-	-	-	-	-	-	-
Yuan Ding Investment Co., Ltd.	-	-	-	-	-	-	8,325	-	-	-	-	-	-	-	-	-
Others	-	-	479	-	-	-	7,497	-	310	-	-	-	-	-	-	-
	<u>\$ 50,240</u>	<u>-</u>	<u>\$ 40,233</u>	<u>2</u>	<u>\$ 502,613</u>	<u>1</u>	<u>\$ 1,211,810</u>	<u>8</u>	<u>\$ 14,501</u>	<u>8</u>			<u>\$ 500,000</u>		<u>\$ 5,641</u>	<u>1</u>

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

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

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

(Concluded)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

SUMMARY OF RELATED-PARTY TRANSACTIONS  
YEARS ENDED DECEMBER 31, 2006 AND 2005  
(In Thousands of U.S. Dollars)

Related Party	Sales (Note 1)		Other Operating Revenue		Purchases (Note 2)		Operating Expenses (Note 3)		Nonoperating Income and Gains - Other Income		Payable to Affiliates					
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Highest Balance During the Year	Date of Highest Balance	Year-end Amount	Rate (%)	Interest Expense Amount	% to Total
<u>2006</u>																
Oriental Securities Corporation	\$ 76	-	\$ 93	-	\$ -	-	\$ -	-	\$ 443	5	\$ -	-	\$ -	-	\$ -	-
Ding Ding Integrated Marketing Service	1	-	-	-	-	-	7,696	1	451	5	-	-	-	-	-	-
Far Eastern International Leasing Corp.	-	-	-	-	-	-	967	-	5	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	3,010	1	-	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	151	-	129	-	8,128	1	3,028	1	-	-	-	-	-	-	-	-
New Century Infocom Tech., Co., Ltd.	2	-	6	-	-	-	212	-	1	-	-	-	-	-	-	-
Yuan Bo Asset Management Company	-	-	-	-	-	-	66	-	-	-	-	-	-	-	-	-
Pacific Department Store Co., Ltd.	-	-	-	-	-	-	3,129	1	-	-	-	-	-	-	-	-
Sogo Department Store Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific 88 Co., Ltd.	-	-	236	1	4,710	-	-	-	-	-	-	-	-	-	-	-
Pacific United Consultant Co., Ltd.	-	-	-	-	-	-	4,567	1	-	-	-	-	-	-	-	-
Yuan Ding Co., Ltd.	5	-	-	-	-	-	4,756	1	-	-	-	-	-	-	-	-
Changdu People's Department Store (Group) Co., Ltd.	-	-	-	-	-	-	3,015	1	-	-	-	-	-	-	-	-
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	-	-	-	-	3,674	1	-	-	-	-	-	-	-	-
Quanxing Wine Factory	-	-	-	-	-	-	2,108	-	-	-	-	-	-	-	-	-
Far Eastern Textile Co., Ltd.	200	-	-	-	-	-	1,215	-	384	5	-	-	-	-	-	-
Asia Cement Corp.	-	-	-	-	-	-	3,276	1	368	5	-	-	-	-	-	-
Far Eastern International Bank	121	-	277	1	-	-	23	-	77	1	21,472	2006.9.12-2006.9.22	-	1.54-3.09	128	1
Far EastTone Telecom Co., Ltd.	136	-	104	-	-	-	27	-	56	1	-	-	-	-	-	-
Pacific Securities Co., Ltd.	-	-	-	-	-	-	3,303	1	-	-	-	-	-	-	-	-
Far Eastern General Contractor Inc.	-	-	-	-	-	-	41	-	-	-	-	-	-	-	-	-
Yuan Ding Investment Co., Ltd.	-	-	-	-	-	-	255	-	-	-	-	-	-	-	-	-
Others	5	-	17	-	-	-	297	-	-	-	-	-	-	-	-	-
	<u>\$ 697</u>	<u>-</u>	<u>\$ 862</u>	<u>2</u>	<u>\$ 12,838</u>	<u>1</u>	<u>\$ 44,665</u>	<u>10</u>	<u>\$ 1,785</u>	<u>22</u>			<u>\$ -</u>		<u>\$ 128</u>	<u>1</u>

(Continued)

Related Party	Sales (Note 1)		Other Operating Revenue		Purchases (Note 2)		Operating Expenses (Note 3)		Nonoperating Income and Gains - Other Income		Payable to Affiliates						
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Highest Balance During the Year	Date of Highest Balance	Year-end Amount	Rate (%)	Interest Expense		
															Amount	% to Total	
<u>2005</u>																	
Oriental Securities Corporation	\$ 29	-	\$ 93	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	
Ding Ding Integrated Marketing Service	813	-	-	-	-	-	-	3,009	1	-	-	-	-	-	-	-	
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	-	3,103	1	-	-	-	-	-	-	-	
Far Eastern Apparel Co., Ltd.	78	-	472	1	9,999	1	2,777	1	-	-	-	-	-	-	-	-	
New Century Infocom Tech., Co., Ltd.	-	-	-	-	-	-	-	83	-	-	-	-	-	-	-	-	
Pacific Department Store Co., Ltd.	-	-	-	-	-	-	-	3,129	1	-	-	-	-	-	-	-	
Pacific 88 Co., Ltd.	-	-	415	1	5,419	-	-	-	-	-	-	-	-	-	-	-	
Pacific United Consultant Co., Ltd.	-	-	-	-	-	-	-	2,232	-	-	-	-	-	-	-	-	
Pacific Department Management & Maintenance Co., Ltd.	-	-	-	-	-	-	-	2,138	-	-	-	-	-	-	-	-	
Yuan Ding Co., Ltd.	-	-	-	-	-	-	-	4,946	1	-	-	-	-	-	-	-	
Chengdu People's Department Store (Group) Co., Ltd.	-	-	-	-	-	-	-	2,997	1	-	-	-	-	-	-	-	
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	-	-	-	-	-	3,615	1	-	-	-	-	-	-	-	
Quanxing Wine Factory	-	-	-	-	-	-	-	1,998	-	-	-	-	-	-	-	-	
Far Eastern Textile Co., Ltd.	136	-	-	-	-	-	-	999	-	184	3	-	-	-	-	-	
Asia Cement Corp.	-	-	-	-	-	-	-	2,640	-	-	-	-	-	-	-	-	
Far Eastern International Bank	202	-	178	-	-	-	-	-	-	205	4	15,337	2005.12.31	15,337	1.35-2.98	173	
Far Eastone Telecom Co., Ltd.	283	-	61	-	-	-	-	26	-	46	1	-	-	-	-	-	
Pacific Securities Co., Ltd.	-	-	-	-	-	-	-	2,917	1	-	-	-	-	-	-	-	
Far Eastern General Contractor Inc.	-	-	-	-	-	-	-	41	-	-	-	-	-	-	-	-	
Yuan Bo Asset Management Company	-	-	-	-	-	-	-	37	-	-	-	-	-	-	-	-	
Yuan Ding Investment Co., Ltd.	-	-	-	-	-	-	-	255	-	-	-	-	-	-	-	-	
Others	-	-	15	-	-	-	-	230	-	10	-	-	-	-	-	-	
	<u>\$ 1,541</u>	<u>-</u>	<u>\$ 1,234</u>	<u>2</u>	<u>\$ 15,418</u>	<u>1</u>	<u>\$ 37,172</u>	<u>8</u>	<u>\$ 445</u>	<u>8</u>				<u>\$ 15,337</u>		<u>\$ 173</u>	<u>1</u>

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

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

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

(Concluded)



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

**FINANCING PROVIDED**

**YEAR ENDED DECEMBER 31, 2006**

**(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	Pacific Sogo Department Store Co.	Pacific Liu Tong Investment Co.	Stockholders current account	\$ 381,000	-	3.04-3.17%	(Note A)	-	To repay debt	-	-	\$ -	\$ 2,462,250 (Note B)	\$ 2,462,250 (Note B)

Note A: Short-term financing.

Note B: The upper limit is 40% of the financier's net value as of December 31, 2006.

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 FEDS's total assets or total revenues. Thus, their information was not disclosed.

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

**FINANCING PROVIDED**

**YEAR ENDED DECEMBER 31, 2006**

**(In Thousands of U.S. 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	Pacific Sogo Department Store Co.	Pacific Liu Tong Investment Co.	Stockholders current account	\$ 11,687	-	3.04-3.17%	(Note A)	-	To repay debt	-	-	-	\$ 75,529 (Note B)	\$ 75,529 (Note B)

Note A: Short-term financing.

Note B: The upper limit is 40% of the financier's net value as of December 31, 2006.

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 FEDS'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, 2006

(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 FEDS (Note A)							
0	Far Eastern Department Store Ltd.	Pacific Sogo Department Store Co.	d.	\$ 20,862,270 (Note B)	\$ 5,270,056	\$ 5,205,747	\$ -	25	\$ 41,724,540 (Note C)	
		Bai Ding Investment Co.	a.	20,862,270 (Note B)	3,900,000	3,900,000	-	19	41,724,540 (Note C)	
		Far Eastern Geant Co., Ltd.	a.	20,862,270 (Note B)	2,225,000	2,225,000	-	11	41,724,540 (Note C)	
		FEDS Asia Pacific Development Ltd.	a.	20,862,270 (Note B)	2,110,000	2,110,000	-	10	41,724,540 (Note C)	
		Tianjin FEDS Limits, Co.	d.	20,862,270 (Note B)	488,095	488,095	-	2	41,724,540 (Note C)	
						(RMB117,000,000)	(RMB117,000,000)			
		Far Eastern CitySuper Ltd.	a.	20,862,270 (Note B)	350,000	350,000	-	2	41,724,540 (Note C)	
		Yu Ming Advertising Agency Co.	a.	20,862,270 (Note B)	300,000	300,000	-	1	41,724,540 (Note C)	
		Far Eastern Hon Li Do Co., Ltd.	a.	20,862,270 (Note B)	230,000	230,000	-	1	41,724,540 (Note C)	
		Bai Yang Investment Co.	a.	20,862,270 (Note B)	710,000	130,000	-	1	41,724,540 (Note C)	
1	Yu Ming Advertising Agency Co.	Pacific Sogo Department Store Co.	c.	58,015 (Note B)	666	333	-	1	116,030 (Note C)	
2	Bai Ding Investment Co.	Far Eastern Department Stores, Ltd.	g.	3,287,326 (Note B)	355,000 (Note H)	355,000 (Note H)	352,000	11	6,574,652 (Note C)	
		Pacific Sogo Department Store Co.	c.	3,287,326 (Note B)	400,458 (Note I)	400,458 (Note I)	192,000	12	6,574,652 (Note C)	
3	Bai Yang Investment Co.	Pacific Sogo Department Store Co.	c.	7,626,129 (Note B)	65,934	41,292	-	1	15,252,258 (Note C)	
4	Feds Asia Pacific Development Ltd.	Pacific Sogo Department Store Co.	c.	2,180,402 (Note B)	65,934	41,292	-	2	4,360,804 (Note C)	
5	Feds New Century Development Co., Ltd.	Pacific Sogo Department Store Co.	c.	208,215 (Note B)	65,934	41,292	-	20	416,430 (Note C)	
6	Far Eastern Hon Li Do Co., Ltd.	Pacific Sogo Department Store Co.	c.	54,554 (Note B)	4,662	2,997	-	5	109,108 (Note C)	
7	Ya Tung Department Store Ltd.	Pacific Sogo Department Store Co.	c.	85,968 (Note B)	36,630	22,977	-	27	171,936 (Note C)	
8	Feds Development Ltd. (BVI)	Tianjin FEDS Limits, Co.	a.	221,345 (Note B)	125,153 (RMB30,000,000)	125,153 (RMB30,000,000)	-	57	442,690 (Note C)	
9	Pacific Liu Tong Investment Co.	Pacific Sogo Department Store Co.	a.	29,743,980 (Note D)	11,655,000	11,655,000	-	196	59,487,960 (Note E)	
10	Pacific Sogo Department Store Co.	Pacific Liu Tong Investment Co.	a.	12,311,248 (Note C)	1,585,000	700,000	-	11	24,622,496 (Note F)	
		Taiwan Chong-Guang Ltd.	-	12,311,248 (Note C)	304,297	234,297	-	4	24,622,496 (Note F)	
		Hong-Tong Comprehensive Commercial Developing Co., Ltd.	-	12,311,248 (Note C)	4,000,000	4,000,000	-	65	24,622,496 (Note F)	

- Note A: a. FEDS's subsidiary.  
b. Investee of FEDS's subsidiary.  
c. Subsidiary of FEDS and its subsidiaries.  
d. Investee of subsidiary of FEDS's subsidiary.  
e. Business transactions.  
f. Investee of FEDS.  
g. Parent company

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. and Pacific Sogo Investment Co. individually reached at least 10% of FEDS's total assets or total revenues. Thus, their information was not disclosed.

Note H: The amount represents 35,500 thousand shares of Asia Cement Corp.

Note I: Including 19,200 thousand shares of Far Eastern Textile Co., Ltd. and an endorsement of NT\$208,458 thousand.

Note J: The endorsement guarantee contracts or notes provided by the Bank.

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED  
YEAR ENDED DECEMBER 31, 2006

(In Thousands of U.S. 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 FEDS (Note A)							
0	Far Eastern Department Store Ltd.	Pacific Sogo Department Store Co.	d.	\$ 639,947 (Note B)	\$ 161,658	\$ 159,685	\$ -	25	\$ 1,279,894 (Note C)	
		Bai Ding Investment Co.	a.	639,947 (Note B)	119,632	119,632	-	19	1,279,894 (Note C)	
		Far Eastern Geant Co., Ltd.	a.	639,947 (Note B)	68,252	68,252	-	11	1,279,894 (Note C)	
		FEDS Asia Pacific Development Ltd.	a.	639,947 (Note B)	64,724	64,724	-	10	1,279,894 (Note C)	
		Tianjin FEDS Limits, Co.	d.	639,947 (Note B)	14,972	14,972	-	2	1,279,894 (Note C)	
						(RMB117,000,000)	(RMB117,000,000)			
		Far Eastern CitySuper Ltd.	a.	639,947 (Note B)	10,736	10,736	-	1	1,279,894 (Note C)	
		Yu Ming Advertising Agency Co.	a.	639,947 (Note B)	9,203	9,203	-	2	1,279,894 (Note C)	
		Far Eastern Hon Li Do Co., Ltd.	a.	639,947 (Note B)	7,055	7,055	-	1	1,279,894 (Note C)	
		Bai Yang Investment Co.	a.	639,947 (Note B)	21,779	3,988	-	1	1,279,894 (Note C)	
1	Yu Ming Advertising Agency Co.	Pacific Sogo Department Store Co.	c.	1,780 (Note B)	20	10	-	1	3,559 (Note C)	
2	Bai Ding Investment Co.	Far Eastern Department Stores, Ltd.	g.	100,838 (Note B)	10,890 (Note H)	10,890 (Note H)	10,890	11	201,676 (Note C)	
		Pacific Sogo Department Store Co.	c.	100,838 (Note B)	12,284 (Note I)	12,284 (Note I)	5,890	12	201,676 (Note C)	
3	Bai Yang Investment Co.	Pacific Sogo Department Store Co.	c.	233,930 (Note B)	2,023	1,267	-	1	467,861 (Note C)	
4	Feds Asia Pacific Development Ltd.	Pacific Sogo Department Store Co.	c.	66,883 (Note B)	2,023	1,267	-	2	133,767 (Note C)	
5	Feds New Century Development Co., Ltd.	Pacific Sogo Department Store Co.	c.	6,387 (Note B)	2,023	1,267	-	20	12,774 (Note C)	
6	Far Eastern Hon Li Do Co., Ltd.	Pacific Sogo Department Store Co.	c.	1,673 (Note B)	143	92	-	5	3,347 (Note C)	
7	Ya Tung Department Store Ltd.	Pacific Sogo Department Store Co.	c.	2,637 (Note B)	1,124	705	-	27	5,274 (Note C)	
8	Feds Development Ltd. (BVI)	Tianjin FEDS Limits, Co.	a.	6,790 (Note B)	3,839 (RMB30,000,000)	3,839 (RMB30,000,000)	-	57	13,579 (Note C)	
9	Pacific Liu Tong Investment Co.	Pacific Sogo Department Store Co.	a.	912,392 (Note D)	357,515	357,515	-	196	1,824,784 (Note E)	
10	Pacific Sogo Department Store Co.	Pacific Liu Tong Investment Co.	a.	377,646 (Note C)	48,620	21,472	-	11	755,291 (Note F)	
		Taiwan Chong-Guang Ltd.	-	377,646 (Note C)	9,334	7,187	-	4	755,291 (Note F)	
		Hong-Tong Comprehensive Commercial Developing Co., Ltd.	-	377,646 (Note C)	122,699	122,699	-	65	755,291 (Note F)	

- Note A: a. FEDS's subsidiary.  
b. Investee of FEDS's subsidiary.  
c. Subsidiary of FEDS and its subsidiaries.  
d. Investee of subsidiary of FEDS's subsidiary.  
e. Business transactions.  
f. Investee of FEDS.  
g. Parent company.

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. and Pacific Sogo Investment Co. individually reached at least 10% of FEDS's total assets or total revenues. Thus, their information was not disclosed.

Note H: The amount represents 35,500 thousand shares of Asia Cement Corp.

Note I: Including 19,200 thousand shares of Far Eastern Textile Co., Ltd. and an endorsement of US\$6,394 thousand.

Note J: The endorsement guarantee contracts or notes provided by the Bank.

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2006

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

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2006				Note	
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)		
Far Eastern Department Stores, Ltd.	<u>Stock</u> Bai Yang Investment Co.	b.	Investments accounted for by the equity method	587,000	\$ 7,554,095 (Note H)	100	\$ 7,625,130 (Note D)	83,200 thousand shares of Oriental Securities Corporation pledged for loans of the investor company	
	Oriental Securities Corporation	a.	Investments accounted for by the equity method	140,297	2,224,536	20	2,229,319 (Note D)		
	Pacific Liu Tong Investment Co., Ltd.	b.	Investments accounted for by the equity method	140,867	2,107,295 (Note H)	35	2,089,058 (Note D)		
	Bai Ding Investment Co.	b.	Investments accounted for by the equity method	96,735	1,902,267 (Note H)	67	2,191,048 (Note D)		
	Far Eastern Geant Co., Ltd.	b.	Investments accounted for by the equity method	163,579	279,994 (Note H)	50	287,899 (Note D)		
	Feds Development Ltd. (BVI)	b.	Investments accounted for by the equity method	100	168,683 (Note H)	76	168,683 (Note D)		
	Ya Tung Department Stores	b.	Investments accounted for by the equity method	12,253	81,026 (Note H)	94	81,026 (Note D)		
	Far Eastern CitySuper Ltd.	b.	Investments accounted for by the equity method	30,600	73,898 (Note H)	77	73,898 (Note D)		
	Yu Ming Advertising Agency Co.	b.	Investments accounted for by the equity method	6,500	58,015 (Note H)	100	58,015 (Note D)		
	Far Eastern Hon Li Do Co., Ltd.	b.	Investments accounted for by the equity method	3,300	30,005 (Note H)	55	30,005 (Note D)		
	Ding Ding Integrated Marketing Service	a.	Investments accounted for by the equity method	3,000	17,577	10	17,577 (Note D)		
	Asian Merchandise Company	b.	Investments accounted for by the equity method	950	4,812 (Note H)	100	4,812 (Note D)		
	Bai Chin (Singapore) Pte., Ltd.	b.	Investments accounted for by the equity method	90	- (Note H)	90	-		
	Asia Cement Corp.	c.	Available-for-sale financial assets - noncurrent	51,068	1,068,261 (Note F)	2	1,583,111 (Note B)		47,000 thousand shares of Asia Cement Corp. pledged for loans of the investor company and a guarantee for court.
	Far Eastern Textile Co., Ltd.	f.	Available-for-sale financial assets - noncurrent	16,223	123,679 (Note F)	-	462,368 (Note B)		
	Far Eastern International Bank	c.	Available-for-sale financial assets - current	23,099	179,771 (Note F)	1	360,339 (Note B)		
	Kaohsiung M.R.T.	-	Financial assets carried at cost	10,000	100,000	1	96,973 (Note D)		
	Far Eastern Finance & Leasing Corp.	-	Financial assets carried at cost	6,440	62,560	9	76,626 (Note D)		
	Yuan Ding Co., Ltd.	c.	Financial assets carried at cost	2	10	-	38 (Note D)		
	Hwa An International Trade	-	Financial assets carried at cost	-	-	-	-		
Bai Ding Investment Co.	<u>Stock</u> Oriental Securities Corporation	a.	Investments accounted for by the equity method	97,116	1,539,862	14	1,543,173 (Note D)	22,030 thousand shares of Oriental Securities Corporation pledged for loans by investor company	
	Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	50,125	763,581 (Note H)	13	743,354 (Note D)		

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2006				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
	Far Eastern International Leasing Corp.	a.	Investments accounted for by the equity method	7,475	\$ 151,948	2	\$ 107,877 (Note D)	
	Pacific Sogo Department Stores Co., Ltd.	a.	Investments accounted for by the equity method	4,914	84,202 (Note H)	1	83,673 (Note D)	
	Yu Ming Advertising Agency Co.	a.	Investments accounted for by the equity method	1,002	37,070	47	37,070 (Note D)	
	Far Eastern Hon Li Do Co., Ltd.	a.	Investments accounted for by the equity method	2,670	24,276 (Note H)	45	24,276 (Note D)	
	Ya Tung Department Stores	a.	Investments accounted for by the equity method	747	4,941 (Note H)	6	4,941 (Note D)	
	Feds Asia Pacific Development Co., Ltd.	a.	Investments accounted for by the equity method	500	4,225 (Note H)	-	5,451 (Note D)	
	Feds New Century Development Co., Ltd.	a.	Investments accounted for by the equity method	3	8 (Note H)	-	45 (Note D)	
	Far Eastern Geant Co., Ltd.	a.	Investments accounted for by the equity method	-	2 (Note H)	-	- (Note D)	
	Bai Chin (Singapore) Pte., Ltd.	a.	Investments accounted for by the equity method	10	- (Note H)	10	-	
	Far Eastern Department Stores, Ltd.	e.	Available-for-sale financial assets - current	27,663	438,326 (Notes F and H)	3	575,401 (Note B)	
	Asia Cement Corp.	c.	Available-for-sale financial assets - noncurrent	49,351	981,019 (Note F)	2	1,529,867 (Note B)	46,500 thousand shares of Asia Cement Corp. pledged for commercial paper issued by investor company and a guarantee for court
	Far Eastern Textile Co., Ltd.	c.	Available-for-sale financial assets - noncurrent	30,612	409,029 (Note F)	1	872,434 (Note B)	19,200 thousand shares of Pacific Sogo Department Stores Co., Ltd. for deposit by court
	New Century Infocomm Tech., Co., Ltd.	c.	Financial assets carried at cost	44,560	342,221	1	391,429 (Note D)	33,350 thousand shares of New Century Infocomm Tech., Co., Ltd. pledged or mortgaged as collaterals for loans by investor company
	Chung-Nan Textile Co., Ltd.	-	Financial assets carried at cost	2,984	81,390	5	109,214 (Note E)	
	Ding Ding Management Consultants Co., Ltd.	-	Financial assets carried at cost	180	11,817	5	6,714 (Note D)	
	Yue Ding Industry Co., Ltd.	-	Financial assets carried at cost	1,000	10,000	2	10,352 (Note D)	
	Ya Tung Securities Investment Advisory Co., Ltd.	-	Financial assets carried at cost	1	10	-	11 (Note D)	
Feds Asia Pacific Development Co., Ltd.	<u>Stock</u> Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	9,900	167,892 (Note H)	2	146,817 (Note D)	
	Far Eastern Hon Li Do Co., Ltd.	a.	Investments accounted for by the equity method	6	60 (Note H)	-	55 (Note D)	
Feds New Century Development Co., Ltd.	<u>Stock</u> Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	9,900	167,892 (Note H)	2	146,817 (Note D)	
	<u>Beneficiary certificate</u> Far Eastern Alliance Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	3,069	32,955 (Note F)	-	33,134 (Note C)	
	Upamc James Bond Fund	-	Financial assets at fair value through profit or loss - current	525	8,000 (Note F)	-	8,102 (Note C)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2006				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
Feds Development Ltd. (BVI)	<u>Stock</u> Tianjin FEDS Limits., Co.	a.	Other liabilities	-	\$ (34,229 ) (Note H)	100	\$ (34,229 ) (Note D)	
	Chongqing Bai Ding Business Management Consulting Co., Ltd.	a.	Investments accounted for by the equity method	-	1,340 (Note H)	100	1,340 (Note E)	
	Kowloon Cement Corp., Ltd.	-	Financial assets carried at cost	46	9,585	2	13,784 (Note E)	
	Millennium Microtech Holding Corporation	-	Financial assets carried at cost	43	521	-	- (Note E)	
Bai Yang Investment Co.	<u>Stock</u> Far Eastern International Leasing Corp.	a.	Investments accounted for by the equity method	104,196	1,504,139	34	1,503,730 (Note D)	
	Feds Asia Pacific Development Co., Ltd.	a.	Investments accounted for by the equity method	139,500	1,522,441 (Note H)	70	1,520,830 (Note D)	
	Bai Ding Investment Co.	a.	Investments accounted for by the equity method	48,385	1,050,373 (Note H)	33	1,095,920 (Note D)	
	Feds New Century Development Co., Ltd.	a.	Investments accounted for by the equity method	13,792	207,807 (Note H)	100	208,094 (Note D)	
	Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	9,900	167,892 (Note H)	2	146,817 (Note D)	
	Feds Development Ltd. (BVI)	a.	Investments accounted for by the equity method	31	52,663 (Note H)	24	52,663 (Note D)	
	Far Eastern Hon Li Do Co., Ltd.	a.	Investments accounted for by the equity method	12	77 (Note H)	-	109 (Note D)	
	Ya Tung Department Stores	a.	Investments accounted for by the equity method	-	7 (Note H)	-	- (Note D)	
	Far Eastern Geant Co., Ltd.	a.	Investments accounted for by the equity method	-	6 (Note H)	-	- (Note D)	
	Far Eastern Department Stores, Ltd.	e.	Available-for-sale financial assets - current	2,751	43,587 (Notes F and H)	-	57,218 (Note B)	
	Far Eastern International Bank	c.	Available-for-sale financial assets - current	18,854	290,376 (Note F)	1	294,124 (Note B)	
	Asia Cement Corp.	c.	Available-for-sale financial assets - noncurrent	2,900	57,644 (Note F)	-	89,892 (Note B)	
	Far Eastern Textile Co., Ltd.	c.	Available-for-sale financial assets - noncurrent	1,801	27,659 (Note F)	-	51,334 (Note B)	
	New Century Infocom Tech., Co., Ltd.	c.	Financial assets carried at cost	20,560	157,900	-	180,606 (Note D)	Stocks thousand shares of New Century Infocomm Tech., Co., Ltd. pledged for loans by investor company
	Ya Tung Securities Investment Advisory Co., Ltd.	-	Financial assets carried at cost	1	10	-	11 (Note D)	
	<u>Beneficiary certificate</u> Far Eastern Alliance Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	21,094	227,000 (Note F)	-	227,766 (Note C)	
	Primasia Money Market Fund	-	Financial assets at fair value through profit or loss - current	10,982	133,000 (Note F)	-	133,424 (Note C)	
	Fubon Ju-I Fund	-	Financial assets at fair value through profit or loss - current	7,010	85,000 (Note F)	-	85,747 (Note C)	
	HUWHWA Bond Fund	-	Financial assets at fair value through profit or loss - current	4,222	53,444 (Note F)	-	53,986 (Note C)	
	Ta Chong Bond Fund	-	Financial assets at fair value through profit or loss - current	7,141	93,000 (Note F)	-	93,003 (Note C)	
NITC Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	3,586	50,000 (Note F)	-	50,529 (Note C)		

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2006				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
Ya Tung Department Stores	Upamc James Bond Fund	-	Financial assets at fair value through profit or loss - current	5,097	\$ 78,000 (Note F)	-	\$ 78,638 (Note C)	
	Prudential Financial Fund	-	Financial assets at fair value through profit or loss - current	1,762	25,482 (Note F)	-	25,752 (Note C)	
	JF (Taiwan) Bond Fund	-	Financial assets at fair value through profit or loss - current	1,688	25,482 (Note F)	-	25,752 (Note C)	
	Polaris Di-Po Fund	-	Financial assets at fair value through profit or loss - current	1,841	20,188 (Note F)	-	20,398 (Note C)	
	<u>Stock</u>							
	Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	5,500	93,271 (Note H)	1	81,565 (Note D)	
	Far Eastern Hon Li Do Co., Ltd.	a.	Investments accounted for by the equity method	6	60 (Note H)	-	55 (Note D)	
	Bai Ding Investment Co.	a.	Investments accounted for by the equity method	3	33 (Note H)	-	68 (Note D)	
Yu Ming Advertising Agency Co.	Feds New Century Development Co., Ltd.	a.	Investments accounted for by the equity method	3	8 (Note H)	-	45 (Note D)	
	Far Eastern Geant Co., Ltd.	a.	Investments accounted for by the equity method	-	2 (Note H)	-	- (Note D)	
	<u>Stock</u>							
	Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	100	850 (Note H)	-	1,483 (Note D)	
	Far Eastern Hon Li Do Co., Ltd.	a.	Investments accounted for by the equity method	6	56 (Note H)	-	55 (Note D)	
	Bai Ding Investment Co.	a.	Investments accounted for by the equity method	3	33 (Note H)	-	68 (Note D)	
	Feds New Century Development Co., Ltd.	a.	Investments accounted for by the equity method	3	18 (Note H)	-	45 (Note D)	
	Ya Tung Department Stores	a.	Investments accounted for by the equity method	-	7 (Note H)	-	- (Note D)	
Far Eastern Hon Li Do Co., Ltd.	Far Eastern Geant Co., Ltd.	a.	Investments accounted for by the equity method	-	1 (Note H)	-	- (Note D)	
	Asia Cement Corp.	c.	Available-for-sale financial assets - noncurrent	1,134	20,176 (Note F)	-	35,158 (Note B)	
	<u>Stock</u>							
	Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	700	10,366 (Note H)	-	10,381 (Note D)	
Pacific Liu Tong Investment Co.	<u>Stock</u>							
Pacific Sogo Department Stores Co., Ltd.	a.	Investments accounted for by the equity method	284,153	6,458,375 (Note H)	79	4,838,320 (Note D)	75,288 thousand shares of Pacific Sogo Department Store Co. pledged for commercial paper issued by investor company	
Pacific Sogo Department Stores Co., Ltd.	<u>Stock</u>							
	ASUSTek Computer Inc.	-	Financial assets at fair value through profit or loss - current	327	49,612 (Note F)	-	29,217 (Note B)	
	CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss - current	510	29,401 (Note F)	-	5,840 (Note B)	
	China Development Financial Holding Co.	-	Financial assets at fair value through profit or loss - current	537	23,133 (Note F)	-	8,061 (Note B)	
Quanta computer Inc.	-	Financial assets at fair value through profit or loss - current	186	14,921 (Note F)	-	11,013 (Note B)		

(Continued)



Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2006				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
	Pacific Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	6,849	\$ 14,315 (Note F)	1	\$ 52,053 (Note B)	7,950 thousand shares of Pacific Department Store Co., Ltd. pledged for loans by investor company
	DBTEL Inc.	-	Financial assets at fair value through profit or loss - current	268	6,474 (Note F)	-	409 (Note B)	
	Pacific China Holdings (HK) Co., Ltd.	b.	Investments accounted for by the equity method	11,400	4,182,469 (Note H)	60	4,182,469 (Note D)	
	Pacific Department Store Co., Ltd.	a.	Investments accounted for by the equity method	29,672	239,812	26	307,989 (Note D)	
	Lian Ching Investment Co., Ltd.	b.	Investments accounted for by the equity method	26,764	-	50	- (Note D)	
	Pacific 88 Co., Ltd.	a.	Investments accounted for by the equity method	2,838	658	28	658 (Note D)	
	Pacific United Consultant Co., Ltd.	a.	Investments accounted for by the equity method	4,071	72,125	39	72,125 (Note D)	
	Ding Ding Integrated Marketing Service	a.	Investments accounted for by the equity method	3,000	17,578	10	17,578 (Note D)	
	Pacific Venture Investment Ltd.	a.	Investments accounted for by the equity method	100,000	-	48	- (Note D)	
	Sogo Department Store Co., Ltd.	a.	Investments accounted for by the equity method	7,120	-	34	- (Note D)	
	Pacific Sogo Investment Co., Ltd.	b.	Investments accounted for by the equity method	99,990	-	100	- (Note D)	
	Pacific Liu Tong Investment Co., Ltd.	e.	Financial assets carried at cost	400	4,019 (Note H)	-	5,934 (Note D)	
	Pacific Securities Co., Ltd.	-	Financial assets carried at cost	20,279	81,116	5	165,178 (Note E)	
	E-Shou Hi-tech Co., Ltd.	-	Financial assets carried at cost	18,300	-	15	- (Note E)	
	Tain Yuan Investment Co., Ltd.	-	Financial assets carried at cost	98,000	-	20	- (Note E)	
	Invenpec Besta Co., Ltd.	-	Financial assets carried at cost	3	99	-	- (Note E)	
	PURETEK Corp.	-	Financial assets carried at cost	119	-	-	-	
	<u>Beneficiary certificate</u>							
	The First Global Investment Trust OTC Equity Fund	-	Financial assets at fair value through profit or loss - current	1,500	15,000 (Note F)	-	12,495 (Note C)	
	First Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	500	11,008 (Note F)	-	5,835 (Note C)	
	HSBC Taiwan MID & Small Cap Fund	-	Financial assets at fair value through profit or loss - current	726	7,277 (Note F)	-	5,688 (Note C)	
	Fubon Elite Fund	-	Financial assets at fair value through profit or loss - current	2,000	20,060 (Note F)	-	15,340 (Note C)	
	HSBC Taiwan Growth Fund	-	Financial assets at fair value through profit or loss - current	511	10,029 (Note F)	-	10,695 (Note C)	
	Mega Selection Fund	-	Financial assets at fair value through profit or loss - current	1,500	15,000 (Note F)	-	15,872 (Note C)	
	Sunrise Vision Fund	-	Financial assets at fair value through profit or loss - current	1,000	10,000 (Note F)	-	12,540 (Note C)	
	Far Eastern Alliance Taiwan Flagship Security Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	150	1,507 (Note F)	-	2,680 (Note C)	
	HSBC Trinity Balanced Fund	-	Financial assets at fair value through profit or loss - current	900	9,027 (Note F)	-	9,717 (Note C)	
	HSBC New Japan Fund of Funds	-	Financial assets at fair value through profit or loss - current	994	9,966 (Note F)	-	9,748 (Note C)	
	HSBC Global Emerging Markets Equity Fund	-	Financial assets at fair value through profit or loss - current	1,010	10,138 (Note F)	-	10,512 (Note C)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2006				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
	Far Eastern Alliance Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	18,583	\$ 200,000 (Note F)	-	\$ 200,650 (Note C)	
	Polaris Di-Po Fund	-	Financial assets at fair value through profit or loss - current	13,539	150,000 (Note F)	-	150,018 (Note C)	
	JIH Sun Bond Fund	-	Financial assets at fair value through profit or loss - current	7,330	100,000 (Note F)	-	100,011 (Note C)	
	Fubon Chi-Hsiang Fund	-	Financial assets at fair value through profit or loss - current	10,309	150,000 (Note F)	-	150,036 (Note C)	
Pacific China Holdings (HK) Co., Ltd.	<u>Stock</u> Pacific China Holdings Co.	b.	Investments accounted for by the equity method	-	6,970,781 (Note H)	100	1,224,072 (Note D)	
Pacific China Holdings Co.	<u>Stock</u> Shanghai Pacific Department Store Co., Ltd.	b.	Investments accounted for by the equity method	-	853,267 (Note H)	73	853,267 (Note D)	
	Chengdu Shangxia Pacific Department Store Co., Ltd.	b.	Investments accounted for by the equity method	-	300,440 (Note H)	100	300,440 (Note D)	
	Chengdu Quaxing Mansion Pacific Department Store Co., Ltd.	b.	Other liabilities	-	(7,826) (Note H)	100	(7,826) (Note D)	
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	b.	Investments accounted for by the equity method	-	262,477 (Note H)	100	262,477 (Note D)	
	Beijing Xidan Pacific Department Store Co., Ltd.	b.	Investments accounted for by the equity method	-	129,921 (Note H)	55	129,921 (Note D)	
	Chongqing Bai Ding Business Management Consulting Co., Ltd.	b.	Investments accounted for by the equity method	-	35,025 (Note H)	100	35,025 (Note D)	
	Shanghai Pacific Business Management Consulting Co., Ltd.	a.	Investments accounted for by the equity method	-	6,570	49	6,570 (Note D)	

Note A:

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

Note B: The market values of the investment were determined at the closing price in December 31, 2006.

Note C: The market values of the investment were determined at the net asset value of the mutual funds on the last trading day in December 2006.

Note D: The market values of the investment were based on audited financial statements for the year ended December 31, 2006.

Note E: The market values of the investments were based on unaudited financial statements for the year ended December 31, 2006.

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

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

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

(Concluded)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2006

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

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2006				Note	
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)		
Far Eastern Department Stores, Ltd.	<u>Stock</u> Bai Yang Investment Co.	b.	Investments accounted for by the equity method	587,000	\$ 231,721 (Note H)	100	\$ 233,900 (Note D)	83,200 thousand shares of Oriental Securities Corporation pledged for loans of the investor company	
	Oriental Securities Corporation	a.	Investments accounted for by the equity method	140,297	68,237	20	68,384 (Note D)		
	Pacific Liu Tong Investment Co., Ltd.	b.	Investments accounted for by the equity method	140,867	64,641 (Note H)	35	64,082 (Note D)		
	Bai Ding Investment Co.	b.	Investments accounted for by the equity method	96,735	58,352 (Note H)	67	67,210 (Note D)		
	Far Eastern Geant Co., Ltd.	b.	Investments accounted for by the equity method	163,579	8,589 (Note H)	50	8,831 (Note D)		
	Feds Development Ltd. (BVI)	b.	Investments accounted for by the equity method	100	5,174 (Note H)	76	5,174 (Note D)		
	Ya Tung Department Stores	b.	Investments accounted for by the equity method	12,253	2,485 (Note H)	94	2,485 (Note D)		
	Far Eastern CitySuper Ltd.	b.	Investments accounted for by the equity method	30,600	2,267 (Note H)	77	2,267 (Note D)		
	Yu Ming Advertising Agency Co.	b.	Investments accounted for by the equity method	6,500	1,780 (Note H)	100	1,780 (Note D)		
	Far Eastern Hon Li Do Co., Ltd.	b.	Investments accounted for by the equity method	3,300	920 (Note H)	55	920 (Note D)		
	Ding Ding Integrated Marketing Service	a.	Investments accounted for by the equity method	3,000	539	10	539 (Note D)		
	Asian Merchandise Company	b.	Investments accounted for by the equity method	950	148 (Note H)	100	148 (Note D)		
	Bai Chin (Singapore) Pte., Ltd.	b.	Investments accounted for by the equity method	90	- (Note H)	90	-		
	Asia Cement Corp.	c.	Available-for-sale financial assets - noncurrent	51,068	32,769 (Note F)	2	48,562 (Note B)		47,000 thousand shares of Asia Cement Corp. pledged for loans of the investor company and a guarantee for court.
	Far Eastern Textile Co., Ltd.	f.	Available-for-sale financial assets - noncurrent	16,223	3,794 (Note F)	-	14,183 (Note B)		
	Far Eastern International Bank	c.	Available-for-sale financial assets - current	23,099	5,514 (Note F)	1	11,053 (Note B)		
	Kaohsiung M.R.T.	-	Financial assets carried at cost	10,000	3,067	1	2,975 (Note D)		
	Far Eastern Finance & Leasing Corp.	-	Financial assets carried at cost	6,440	1,919	9	2,350 (Note D)		
	Yuan Ding Co., Ltd.	c.	Financial assets carried at cost	2	-	-	1 (Note D)		
	Hwa An International Trade	-	Financial assets carried at cost	-	-	-	-		
Bai Ding Investment Co.	<u>Stock</u> Oriental Securities Corporation	a.	Investments accounted for by the equity method	97,116	47,235	14	47,337 (Note D)	22,030 thousand shares of Oriental Securities Corporation pledged for loans by investor company	
	Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	50,125	23,423 (Note H)	13	22,802 (Note D)		

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2006				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
	Far Eastern International Leasing Corp.	a.	Investments accounted for by the equity method	7,475	\$ 4,661	2	\$ 3,309 (Note D)	
	Pacific Sogo Department Stores Co., Ltd.	a.	Investments accounted for by the equity method	4,914	2,583 (Note H)	1	2,567 (Note D)	
	Yu Ming Advertising Agency Co.	a.	Investments accounted for by the equity method	1,002	1,137	47	1,137 (Note D)	
	Far Eastern Hon Li Do Co., Ltd.	a.	Investments accounted for by the equity method	2,670	745 (Note H)	45	745 (Note D)	
	Ya Tung Department Stores	a.	Investments accounted for by the equity method	747	152 (Note H)	6	152 (Note D)	
	Feds Asia Pacific Development Co., Ltd.	a.	Investments accounted for by the equity method	500	130 (Note H)	-	167 (Note D)	
	Feds New Century Development Co., Ltd.	a.	Investments accounted for by the equity method	3	- (Note H)	-	1 (Note D)	
	Far Eastern Geant Co., Ltd.	a.	Investments accounted for by the equity method	-	- (Note H)	-	- (Note D)	
	Bai Chin (Singapore) Pte., Ltd.	a.	Investments accounted for by the equity method	10	- (Note H)	10	-	
	Far Eastern Department Stores, Ltd.	e.	Available-for-sale financial assets - current	27,663	13,446 (Notes F and H)	3	17,650 (Note B)	
	Asia Cement Corp.	c.	Available-for-sale financial assets - noncurrent	49,351	30,093 (Note F)	2	46,928 (Note B)	46,500 thousand shares of Asia Cement Corp. pledged for commercial paper issued by investor company and a guarantee for court
	Far Eastern Textile Co., Ltd.	c.	Available-for-sale financial assets - noncurrent	30,612	12,547 (Note F)	1	26,762 (Note B)	19,200 thousand shares of Pacific Sogo Department Stores Co., Ltd. for deposit by court
	New Century Infocomm Tech., Co., Ltd.	c.	Financial assets carried at cost	44,560	10,498	1	12,007 (Note D)	33,350 thousand shares of New Century Infocomm Tech., Co., Ltd. pledged or mortgaged as collaterals for loans by investor company
	Chung-Nan Textile Co., Ltd.	-	Financial assets carried at cost	2,984	2,497	5	3,350 (Note E)	
	Ding Ding Management Consultants Co., Ltd.	-	Financial assets carried at cost	180	362	5	206 (Note D)	
	Yue Ding Industry Co., Ltd.	-	Financial assets carried at cost	1,000	307	2	318 (Note D)	
	Ya Tung Securities Investment Advisory Co., Ltd.	-	Financial assets carried at cost	1	-	-	- (Note D)	
Feds Asia Pacific Development Co., Ltd.	<u>Stock</u> Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	9,900	5,150 (Note H)	2	4,504 (Note D)	
	Far Eastern Hon Li Do Co., Ltd.	a.	Investments accounted for by the equity method	6	2 (Note H)	-	2 (Note D)	
Feds New Century Development Co., Ltd.	<u>Stock</u> Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	9,900	5,150 (Note H)	2	4,504 (Note D)	
	<u>Beneficiary certificate</u> Far Eastern Alliance Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	3,069	1,011 (Note F)	-	1,016 (Note C)	
	Upamc James Bond Fund	-	Financial assets at fair value through profit or loss - current	525	245 (Note F)	-	249 (Note C)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2006				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
Feds Development Ltd. (BVI)	<u>Stock</u> Tianjin FEDS Limits., Co.	a.	Other liabilities	-	\$ (1,050 ) (Note H)	100	\$ (1,050 ) (Note D)	
	Chongqing Bai Ding Business Management Consulting Co., Ltd.	a.	Investments accounted for by the equity method	-	41 (Note G)	100	41 (Note E)	
	Kowloon Cement Corp., Ltd.	-	Financial assets carried at cost	46	294	2	423 (Note E)	
	Millennium Microtech Holding Corporation	-	Financial assets carried at cost	43	16	-	- (Note E)	
Bai Yang Investment Co.	<u>Stock</u> Far Eastern International Leasing Corp.	a.	Investments accounted for by the equity method	104,196	46,139	34	46,127 (Note D)	
	Feds Asia Pacific Development Co., Ltd.	a.	Investments accounted for by the equity method	139,500	46,701 (Note H)	70	46,651 (Note D)	
	Bai Ding Investment Co.	a.	Investments accounted for by the equity method	48,385	32,220 (Note H)	33	33,617 (Note D)	
	Feds New Century Development Co., Ltd.	a.	Investments accounted for by the equity method	13,792	6,374 (Note H)	100	6,383 (Note D)	
	Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	9,900	5,150 (Note H)	2	4,504 (Note D)	
	Feds Development Ltd. (BVI)	a.	Investments accounted for by the equity method	31	1,615 (Note H)	24	1,615 (Note D)	
	Far Eastern Hon Li Do Co., Ltd.	a.	Investments accounted for by the equity method	12	2 (Note H)	-	3 (Note D)	
	Ya Tung Department Stores	a.	Investments accounted for by the equity method	-	- (Note H)	-	- (Note D)	
	Far Eastern Geant Co., Ltd.	a.	Investments accounted for by the equity method	-	- (Note H)	-	- (Note D)	
	Far Eastern Department Stores, Ltd.	e.	Available-for-sale financial assets - current	2,751	1,337 (Notes F and H)	-	1,755 (Note B)	
	Far Eastern International Bank	c.	Available-for-sale financial assets - current	18,854	8,907 (Note F)	1	9,022 (Note B)	
	Asia Cement Corp.	c.	Available-for-sale financial assets - noncurrent	2,900	1,768 (Note F)	-	2,757 (Note B)	
	Far Eastern Textile Co., Ltd.	c.	Available-for-sale financial assets - noncurrent	1,801	848 (Note F)	-	1,575 (Note B)	
	New Century Infocom Tech., Co., Ltd.	c.	Financial assets carried at cost	20,560	4,844	-	5,540 (Note D)	Stocks thousand shares of New Century Infocomm Tech., Co., Ltd. pledged for loans by investor company
	Ya Tung Securities Investment Advisory Co., Ltd.	-	Financial assets carried at cost	1	-	-	- (Note D)	
	<u>Beneficiary certificate</u> Far Eastern Alliance Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	21,094	6,963 (Note F)	-	6,987 (Note C)	
	Primasia Money Market Fund	-	Financial assets at fair value through profit or loss - current	10,982	4,080 (Note F)	-	4,093 (Note C)	
	Fubon Ju-I Fund	-	Financial assets at fair value through profit or loss - current	7,010	2,607 (Note F)	-	2,630 (Note C)	
	HUWHWA Bond Fund	-	Financial assets at fair value through profit or loss - current	4,222	1,639 (Note F)	-	1,656 (Note C)	
	Ta Chong Bond Fund	-	Financial assets at fair value through profit or loss - current	7,141	2,853 (Note F)	-	2,853 (Note C)	
NITC Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	3,586	1,534 (Note F)	-	1,550 (Note C)		

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2006				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
Ya Tung Department Stores	Upamc James Bond Fund	-	Financial assets at fair value through profit or loss - current	5,097	\$ 2,395 (Note F)	-	\$ 2,412 (Note C)	
	Prudential Financial Fund	-	Financial assets at fair value through profit or loss - current	1,762	782 (Note F)	-	790 (Note C)	
	JF (Taiwan) Bond Fund	-	Financial assets at fair value through profit or loss - current	1,688	782 (Note F)	-	790 (Note C)	
	Polaris Di-Po Fund	-	Financial assets at fair value through profit or loss - current	1,841	619 (Note F)	-	626 (Note C)	
	<u>Stock</u>							
	Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	5,500	2,861 (Note H)	1	2,502 (Note D)	
	Far Eastern Hon Li Do Co., Ltd.	a.	Investments accounted for by the equity method	6	2 (Note H)	-	2 (Note D)	
	Bai Ding Investment Co.	a.	Investments accounted for by the equity method	3	1 (Note H)	-	2 (Note D)	
	Feds New Century Development Co., Ltd.	a.	Investments accounted for by the equity method	3	- (Note H)	-	1 (Note D)	
	Far Eastern Geant Co., Ltd.	a.	Investments accounted for by the equity method	-	- (Note H)	-	- (Note D)	
Yu Ming Advertising Agency Co.	<u>Stock</u>							
	Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	100	26 (Note H)	-	45 (Note D)	
	Far Eastern Hon Li Do Co., Ltd.	a.	Investments accounted for by the equity method	6	2 (Note H)	-	2 (Note D)	
	Bai Ding Investment Co.	a.	Investments accounted for by the equity method	3	1 (Note H)	-	2 (Note D)	
	Feds New Century Development Co., Ltd.	a.	Investments accounted for by the equity method	3	1 (Note H)	-	1 (Note D)	
	Ya Tung Department Stores	a.	Investments accounted for by the equity method	-	- (Note H)	-	- (Note D)	
	Far Eastern Geant Co., Ltd.	a.	Investments accounted for by the equity method	-	- (Note H)	-	- (Note D)	
	Asia Cement Corp.	c.	Available-for-sale financial assets - noncurrent	1,134	619 (Note F)	-	1,078 (Note B)	
Far Eastern Hon Li Do Co., Ltd.	<u>Stock</u>							
	Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	700	318 (Note H)	-	318 (Note D)	
Pacific Liu Tong Investment Co.	<u>Stock</u>							
	Pacific Sogo Department Stores Co., Ltd.	a.	Investments accounted for by the equity method	284,153	198,110 (Note H)	79	148,415 (Note D)	75,288 thousand shares of Pacific Sogo Department Store Co. pledged for commercial paper issued by investor company
Pacific Sogo Department Stores Co., Ltd.	<u>Stock</u>							
	ASUSTek Computer Inc.	-	Financial assets at fair value through profit or loss - current	327	1,522 (Note F)	-	896 (Note B)	
	CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss - current	510	902 (Note F)	-	179 (Note B)	
	China Development Financial Holding Co.	-	Financial assets at fair value through profit or loss - current	537	710 (Note F)	-	247 (Note B)	
	Quanta computer Inc.	-	Financial assets at fair value through profit or loss - current	186	458 (Note F)	-	338 (Note B)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2006				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
	Pacific Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	6,849	\$ 439 (Note F)	1	\$ 1,597 (Note B)	7,950 thousand shares of Pacific Department Store Co., Ltd. pledged for loans by investor company
	DBTEL Inc.	-	Financial assets at fair value through profit or loss - current	268	199 (Note F)	-	13 (Note B)	
	Pacific China Holdings (HK) Co., Ltd.	b.	Investments accounted for by the equity method	11,400	128,297 (Note H)	60	128,297 (Note D)	
	Pacific Department Store Co., Ltd.	a.	Investments accounted for by the equity method	29,672	7,356	26	9,448 (Note D)	
	Lian Ching Investment Co., Ltd.	b.	Investments accounted for by the equity method	26,764	-	50	- (Note D)	
	Pacific 88 Co., Ltd.	a.	Investments accounted for by the equity method	2,838	20	28	20 (Note D)	
	Pacific United Consultant Co., Ltd.	a.	Investments accounted for by the equity method	4,071	2,212	39	2,212 (Note D)	
	Ding Ding Integrated Marketing Service	a.	Investments accounted for by the equity method	3,000	539	10	539 (Note D)	
	Pacific Venture Investment Ltd.	a.	Investments accounted for by the equity method	100,000	-	48	- (Note D)	
	Sogo Department Store Co., Ltd.	a.	Investments accounted for by the equity method	7,120	-	34	- (Note D)	
	Pacific Sogo Investment Co., Ltd.	b.	Investments accounted for by the equity method	99,990	-	100	- (Note D)	
	Pacific Liu Tong Investment Co., Ltd.	e.	Financial assets carried at cost	400	123 (Note H)	-	182 (Note D)	
	Pacific Securities Co., Ltd.	-	Financial assets carried at cost	20,279	2,488	5	5,067 (Note E)	
	E-Shou Hi-tech Co., Ltd.	-	Financial assets carried at cost	18,300	-	15	- (Note E)	
	Tain Yuan Investment Co., Ltd.	-	Financial assets carried at cost	98,000	-	20	- (Note E)	
	Invenpec Besta Co., Ltd.	-	Financial assets carried at cost	3	3	-	- (Note E)	
	PURETEK Corp.	-	Financial assets carried at cost	119	-	-	-	
	<u>Beneficiary certificate</u>							
	The First Global Investment Trust OTC Equity Fund	-	Financial assets at fair value through profit or loss - current	1,500	460 (Note F)	-	383 (Note C)	
	First Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	500	338 (Note F)	-	179 (Note C)	
	HSBC Taiwan MID & Small Cap Fund	-	Financial assets at fair value through profit or loss - current	726	223 (Note F)	-	174 (Note C)	
	Fubon Elite Fund	-	Financial assets at fair value through profit or loss - current	2,000	615 (Note F)	-	471 (Note C)	
	HSBC Taiwan Growth Fund	-	Financial assets at fair value through profit or loss - current	511	308 (Note F)	-	328 (Note C)	
	Mega Selection Fund	-	Financial assets at fair value through profit or loss - current	1,500	460 (Note F)	-	487 (Note C)	
	Sunrise Vision Fund	-	Financial assets at fair value through profit or loss - current	1,000	307 (Note F)	-	385 (Note C)	
	Far Eastern Alliance Taiwan Flagship Security Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	150	46 (Note F)	-	82 (Note C)	
	HSBC Trinity Balanced Fund	-	Financial assets at fair value through profit or loss - current	900	277 (Note F)	-	298 (Note C)	
	HSBC New Japan Fund of Funds	-	Financial assets at fair value through profit or loss - current	994	306 (Note F)	-	299 (Note C)	
	HSBC Global Emerging Markets Equity Fund	-	Financial assets at fair value through profit or loss - current	1,010	311 (Note F)	-	322 (Note C)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2006				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
	Far Eastern Alliance Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	18,583	\$ 6,135 (Note F)	-	\$ 6,155 (Note C)	
	Polaris Di-Po Fund	-	Financial assets at fair value through profit or loss - current	13,539	4,601 (Note F)	-	4,602 (Note C)	
	JIH Sun Bond Fund	-	Financial assets at fair value through profit or loss - current	7,330	3,067 (Note F)	-	3,068 (Note C)	
	Fubon Chi-Hsiang Fund	-	Financial assets at fair value through profit or loss - current	10,309	4,601 (Note F)	-	4,602 (Note C)	
Pacific China Holdings (HK) Co., Ltd.	<u>Stock</u> Pacific China Holdings Co.	b.	Investments accounted for by the equity method	-	213,828 (Note H)	100	37,548 (Note D)	
Pacific China Holdings Co.	<u>Stock</u> Shanghai Pacific Department Store Co., Ltd.	b.	Investments accounted for by the equity method	-	26,174 (Note H)	73	26,174 (Note D)	
	Chengdu Shangxia Pacific Department Store Co., Ltd.	b.	Investments accounted for by the equity method	-	9,216 (Note H)	100	9,216 (Note D)	
	Chengdu Quaxing Mansion Pacific Department Store Co., Ltd.	b.	Other liabilities	-	(240) (Note H)	100	(240) (Note D)	
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	b.	Investments accounted for by the equity method	-	8,051 (Note H)	100	8,051 (Note D)	
	Beijing Xidan Pacific Department Store Co., Ltd.	b.	Investments accounted for by the equity method	-	3,985 (Note H)	55	3,985 (Note D)	
	Chongqing Bai Ding Business Management Consulting Co., Ltd.	b.	Investments accounted for by the equity method	-	1,074 (Note H)	100	1,074 (Note D)	
	Shanghai Pacific Business Management Consulting Co., Ltd.	a.	Investments accounted for by the equity method	-	202	49	202 (Note D)	

Note A:

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

Note B: The market values of the investment were determined at the closing price in December 31, 2006.

Note C: The market values of the investment were determined at the net asset value of the mutual funds on the last trading day in December 2006.

Note D: The market values of the investment were based on audited financial statements for the year ended December 31, 2006.

Note E: The market values of the investments were based on unaudited financial statements for the year ended December 31, 2006.

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

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

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

(Concluded)



## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 YEAR ENDED DECEMBER 31, 2006  
 (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> Feds Asia Pacific Development Co., Ltd.	Investments accounted for by the equity method	Bai Yang Investment Co.	Subsidiary	138,900	\$ 1,508,186	-	\$ -	138,900	\$ 1,508,186	\$ 1,508,186	\$ -	-	\$ -	
	Far Eastern International Leasing Corp.	Investments accounted for by the equity method	Bai Yang Investment Co.	Subsidiary	104,196	1,357,991	-	-	104,196	1,357,991	1,357,991	-	-	-	
	Feds New Century Development Co., Ltd.	Investments accounted for by the equity method	Bai Yang Investment Co.	Subsidiary	11,990	184,803	-	-	11,990	184,803	184,803	-	-	-	
	Bai Ding Investment Co.	Investments accounted for by the equity method	Bai Yang Investment Co.	Subsidiary	145,111	1,415,511	-	958,650 (Note A)	48,376	471,894	471,894	-	96,735	1,902,267 (Note P)	
	Bai Yang Investment Co.	Investments accounted for by the equity method	-	Subsidiary	131,652	1,434,560	455,348 (Note B)	6,119,535 (Note C)	-	-	-	-	587,000	7,554,095 (Note P)	
	Far Eastern CitySuper Ltd.	Investments accounted for by the equity method	-	Subsidiary	13,000	(12,973)	17,600	86,871 (Note D)	-	-	-	-	30,600	73,898 (Note P)	
	Ya Tung Department Stores	Investments accounted for by the equity method	-	Subsidiary	9,762	36,244	10,000	100,000	7,509 (Note E)	-	55,218 (Note F)	-	12,253	81,026 (Note P)	
	Pacific Liu Tong Investment Co., Ltd.	Investments accounted for by the equity method	-	Subsidiary	91,600	1,370,023	49,267	737,272 (Note L)	-	-	-	-	140,867	2,107,295 (Note P)	
		<u>Beneficiary certificate</u> HUWHWA Bond Fund	Financial assets at fair value through profit or loss - current	-	-	19,810	250,000	-	-	19,810	250,109	250,000	109	-	-
		JiH Sun Bond Fund	Financial assets at fair value through profit or loss - current	-	-	7,425	100,000	-	-	7,425	100,027	100,000	27	-	-
	Fubon Chi-Hsiang III Fund	Financial assets at fair value through profit or loss - current	-	-	12,429	130,000	-	-	12,429	130,066	130,000	66	-	-	
	NITC Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	7,195	100,000	-	-	7,195	100,056	100,000	56	-	-	
	NITC Bond Fund	Financial assets at fair value through profit or loss - current	-	-	19,556	250,000	-	-	19,556	250,125	250,000	125	-	-	
Bai Ding Investment Co.	<u>Stock</u> Pacific Liu Tong Investment Co., Ltd.	Investments accounted for by the equity method	-	Equity method investee	9,900	167,061	40,225	596,520 (Note M)	-	-	-	-	50,125	763,581 (Note P)	
	Far Eastern Textile Co., Ltd.	Available-for-sale financial assets - noncurrent	-	-	37,440	530,287	2,247 (Note N)	-	9,075	238,112	121,258	116,854	30,612	409,029	
Bai Yang Investment Co.	<u>Stock</u> Feds Asia Pacific Development Co., Ltd.	Investments accounted for by the equity method	Far Eastern Department Stores, Ltd.	Parent company	600	5,449	138,900	1,516,992 (Note G)	-	-	-	-	139,500	1,522,441 (Note P)	
	Far Eastern International Leasing Corp.	Investments accounted for by the equity method	Far Eastern Department Stores, Ltd.	Parent company	-	-	104,196	1,504,139 (Note H)	-	-	-	-	104,196	1,504,139	
	Feds New Century Development Co., Ltd.	Investments accounted for by the equity method	Far Eastern Department Stores, Ltd.	Parent company	2	14	13,790 (Note O)	207,793 (Note I)	-	-	-	-	13,792	207,807 (Note P)	
	Bai Ding Investment Co.	Investments accounted for by the equity method	Far Eastern Department Stores, Ltd.	Parent company	9	89	48,376	1,050,284 (Note J)	-	-	-	-	48,385	1,050,373 (Note P)	

(Continued)

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
Pacific Sogo Department Stores Co., Ltd.	<u>Beneficiary certificate</u> Prudential Financial Fund	Financial assets at fair value through profit or loss - current	-	-	2,644	\$ 38,000	6,914	\$ 100,000	7,796	\$ 113,287	\$ 112,518	\$ 769	1,762	\$ 25,482
	Far Eastern Alliance Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	26,996	283,924	21,094	227,000	26,996	288,757	283,924	4,833	21,094	227,000
	Polaris Di-Po Fund	Financial assets at fair value through profit or loss - current	-	-	9,355	100,971	4,560	50,000	12,074	132,666	130,783	1,883	1,841	20,188
	Primasia Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	23,454	283,000	12,472	150,172	150,000	172	10,982	133,000
	HUWHWA Bond Fund	Financial assets at fair value through profit or loss - current	-	-	8,512	107,000	11,851	150,000	16,141	205,180	203,556	1,624	4,222	53,444
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	6,624	100,000	4,936	75,017	74,518	499	1,688	25,482
	<u>Beneficiary certificate</u> Far Eastern Alliance Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	28,174	300,000	18,583	200,000	28,174	300,504	300,000	504	18,583	200,000
	Polaris Di-Po Fund	Financial assets at fair value through profit or loss - current	-	-	27,458	300,000	13,539	150,000	27,458	300,382	300,000	382	13,539	150,000
	JIH Sun Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	28,860	390,000	21,530	290,101	290,000	101	7,330	100,000
	Fubon Chi-Hsiang II Fund	Financial assets at fair value through profit or loss - current	-	-	13,926	200,000	-	-	13,926	200,246	200,000	246	-	-
	Truswell Premier Fund	Financial assets at fair value through profit or loss - current	-	-	18,225	200,000	-	-	18,225	200,341	200,000	341	-	-
	HSBC NTD Money Management Fund 2	Financial assets at fair value through profit or loss - current	-	-	20,927	290,000	-	-	20,927	290,442	290,000	442	-	-
	Fubon Chi-Hsiang Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	10,309	150,000	-	-	-	-	10,309	150,000
	Truswell Hua-win Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	23,733	250,000	23,733	250,078	250,000	78	-	-
	TIIM Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	17,730	250,000	17,730	250,066	250,000	66	-	-
	ABN AMRO Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	13,283	200,000	13,283	200,102	200,000	102	-	-
	Upame James Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	16,219	250,000	16,219	250,182	250,000	182	-	-
	Pca Well Pool Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	19,988	250,000	19,988	250,161	250,000	161	-	-

Note A: The amount included (a) equity in earnings of NT\$233,957 thousand; (b) a decrease of NT\$5,769 thousand in capital surplus; (c) cumulative translation adjustment of NT\$2,472 thousand ;(d) unrealized gains on financial instrument of NT\$712,545 thousand. A capital surplus of NT\$15,445 thousand increased by selling Company shares owned by Bai Ding Investment Company.

Note B: The acquisition consisted of 348 thousand shares and subscription for 455,000 thousand additional shares.

Note C: The amount included (a) the payment of NT\$3,956 thousand for acquisition; (b) subscription for additional shares by exchanging long-term investments and cash both amounting to NT\$5,137,616 thousand; (c) equity of NT\$251,165 thousand in earnings; (d) a decrease of NT\$968 thousand in cumulative translation adjustment; (e) capital surplus of NT\$3,009 thousand; (f) unrealized valuation gains on financial instrument of NT\$709,290 thousand; (g) a decrease of NT\$32,285 thousand in cash dividend. A capital surplus of NT\$47,752 thousand increased when Bai Yang Investment Company sold its holding of Company shares.

Note D: The amount included (a) a subscription for additional shares amounting to NT\$176,000 thousand; (b) equity of NT\$112,880 thousand in losses; and (c) adjustment of NT\$23,751 thousand to capital surplus because of the nonproportional subscription for an investee's newly issued shares.

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

Note F: The amount included (a) equity of NT\$53,100 thousand in losses; (b) a decrease of NT\$133 thousand in cumulative translation adjustments; and (c) capital surplus of NT\$1,365 thousand; and (d) a decrease of NT\$3,350 thousand in capital surplus because of the nonproportional subscription for an investee's newly issued shares.

Note G: The amount included (a) the Company's subscription for additional shares of Bai Yang Investment Company at NT\$1,511,232 thousand; (b) equity of NT\$80,682 thousand in earnings; (c) a decrease of NT\$418 thousand in cumulative translation adjustments; (d) capital surplus of NT\$1,524 thousand; and (e) a decrease of NT\$76,028 thousand in cash dividends.

(Continued)

Note H: The amount included (a) the Company's subscription for additional shares of Bai Yang Investment Company amounting to NT\$1,280,569 thousand; (b) equity of NT\$10,847 thousand in losses; (c) unrealized valuation gain on financial instruments of NT\$262,595 thousand; (d) a decrease of NT\$28,133 thousand in cash dividends; and (e) a decrease of NT\$45 thousand in cumulative translation adjustment.

Note I: The amount included (a) the Company's subscription for additional shares of Bai Yang Investment Company amounting to NT\$185,132 thousand; (b) equity of NT\$33,070 thousand in earnings; (c) a decrease of NT\$600 thousand in cumulative translation adjustments; (d) capital surplus of NT\$2,184 thousand; and (e) a decrease of NT\$11,993 thousand in cash dividends.

Note J: The amount included (a) the Company's subscription for additional shares of Bai Yang Investment Company amounting to NT\$577,125 thousand; (b) equity of NT\$124,743 thousand in earnings; (c) cumulative translation adjustment of NT\$1,236 thousand; (d) unrealized valuation gain on financial instruments of NT\$350,065 thousand; and (e) a decrease of NT\$2,885 thousand in capital surplus.

Note K: The carrying amount of beneficiary securities and publicly traded securities were the original acquisition amounts without adjustments to the market value.

Note L: The amount included (a) a subscription for additional shares amounting to NT\$684,810 thousand; (b) equity of NT\$371,212 thousand in earnings; (c) capital surplus of NT\$6 thousand; (d) a decrease of NT\$47 thousand in cumulative translation adjustments; (e) a decrease of NT\$320,600 thousand in cash dividends; (f) and adjustment of NT\$1,891 thousand to capital surplus due to nonproportional subscription for the investee's newly issued shares.

Note M: The amount included (a) a subscription for additional shares amounting to NT\$559,129 thousand; (b) equity of NT\$79,983 thousand in earnings; (c) capital surplus of NT\$1 thousand; (d) cumulative translation adjustment of NT\$3,906 thousand; (e) a decrease of NT\$34,650 thousand in cash dividends; (f) and a decrease of NT\$11,849 thousand in capital surplus due to nonproportional subscription for the investee's newly issued shares.

Note N: Stock dividend.

Note O: The amount included (a) 11,990 thousand shares acquired from the Company by subscribing for additional shares of Bai Yang Investment Company ; and (b) the stock dividend of 1,800 thousand shares issued by FEDS New Century Development.

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

(Concluded)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2006  
(In Thousands of U.S. 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> Feds Asia Pacific Development Co., Ltd.	Investments accounted for by the equity method	Bai Yang Investment Co.	Subsidiary	138,900	\$ 46,263	-	\$ -	138,900	\$ 46,263	\$ 46,263	\$ -	-	\$ -	
	Far Eastern International Leasing Corp.	Investments accounted for by the equity method	Bai Yang Investment Co.	Subsidiary	104,196	41,656	-	-	104,196	41,650	41,656	-	-	-	
	Feds New Century Development Co., Ltd.	Investments accounted for by the equity method	Bai Yang Investment Co.	Subsidiary	11,990	5,669	-	-	11,990	5,669	5,669	-	-	-	
	Bai Ding Investment Co.	Investments accounted for by the equity method	Bai Yang Investment Co.	Subsidiary	145,111	43,421	-	29,406 (Note A)	48,376	14,475	14,475	-	96,735	58,352 (Note P)	
	Bai Yang Investment Co.	Investments accounted for by the equity method	-	Subsidiary	131,652	44,005	455,348 (Note B)	187,716 (Note C)	-	-	-	-	587,000	231,721 (Note P)	
	Far Eastern CitySuper Ltd.	Investments accounted for by the equity method	-	Subsidiary	13,000	(398)	17,600	2,665 (Note D)	-	-	-	-	30,600	2,267 (Note P)	
	Ya Tung Department Stores	Investments accounted for by the equity method	-	Subsidiary	9,762	1,112	10,000	3,067	7,509 (Note E)	-	1,694 (Note F)	-	12,253	2,485 (Note P)	
	Pacific Liu Tong Investment Co., Ltd.	Investments accounted for by the equity method	-	Subsidiary	91,600	42,025	49,267	22,616 (Note L)	-	-	-	-	140,867	64,641 (Note P)	
		<u>Beneficiary certificate</u> HUWHWA Bond Fund	Financial assets at fair value through profit or loss - current	-	-	19,810	7,669	-	-	19,810	7,672	7,669	3	-	-
		JiH Sun Bond Fund	Financial assets at fair value through profit or loss - current	-	-	7,425	3,067	-	-	7,425	3,068	3,067	1	-	-
	Fubon Chi-Hsiang III Fund	Financial assets at fair value through profit or loss - current	-	-	12,429	3,988	-	-	12,429	3,990	3,988	2	-	-	
	NITC Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	7,195	3,067	-	-	7,195	3,069	3,067	2	-	-	
	NITC Bond Fund	Financial assets at fair value through profit or loss - current	-	-	19,556	7,669	-	-	19,556	7,673	7,669	4	-	-	
Bai Ding Investment Co.	<u>Stock</u> Pacific Liu Tong Investment Co., Ltd.	Investments accounted for by the equity method	-	Equity method investee	9,900	5,125	40,225	18,298 (Note M)	-	-	-	-	50,125	23,423 (Note P)	
	Far Eastern Textile Co., Ltd.	Available-for-sale financial assets - noncurrent	-	-	37,440	16,266	2,247 (Note N)	-	9,075	7,304	3,720	3,584	30,612	12,546	
Bai Yang Investment Co.	<u>Stock</u> Feds Asia Pacific Development Co., Ltd.	Investments accounted for by the equity method	Far Eastern Department Stores, Ltd.	Parent company	600	167	138,900	46,534 (Note G)	-	-	-	-	139,500	46,701 (Note P)	
	Far Eastern International Leasing Corp.	Investments accounted for by the equity method	Far Eastern Department Stores, Ltd.	Parent company	-	-	104,196	46,139 (Note H)	-	-	-	-	104,196	46,139	
	Feds New Century Development Co., Ltd.	Investments accounted for by the equity method	Far Eastern Department Stores, Ltd.	Parent company	2	-	13,790 (Note O)	6,374 (Note I)	-	-	-	-	13,792	6,374 (Note P)	
	Bai Ding Investment Co.	Investments accounted for by the equity method	Far Eastern Department Stores, Ltd.	Parent company	9	3	48,376	32,217 (Note J)	-	-	-	-	48,385	32,220 (Note P)	

(Continued)

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
Pacific Sogo Department Stores Co., Ltd.	Beneficiary certificate Prudential Financial Fund	Financial assets at fair value through profit or loss - current	-	-	2,644	\$ 1,166	6,914	\$ 3,067	7,796	\$ 3,475	\$ 3,451	\$ 24	1,762	\$ 782
	Far Eastern Alliance Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	26,996	8,709	21,094	6,963	26,996	8,857	8,709	148	21,094	6,963
	Polaris Di-Po Fund	Financial assets at fair value through profit or loss - current	-	-	9,355	3,097	4,560	1,534	12,074	4,070	4,012	58	1,841	619
	Primasia Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	23,454	8,681	12,472	4,606	4,601	5	10,982	4,080
	HUWHWA Bond Fund	Financial assets at fair value through profit or loss - current	-	-	8,512	3,282	11,851	4,601	16,141	6,294	6,244	50	4,222	1,639
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	6,624	3,067	4,936	2,301	2,286	15	1,688	781
	Beneficiary certificate Far Eastern Alliance Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	28,174	9,202	18,583	6,135	28,174	9,217	9,202	15	18,583	6,135
	Polaris Di-Po Fund	Financial assets at fair value through profit or loss - current	-	-	27,458	9,202	13,539	4,601	27,458	9,214	9,202	12	13,539	4,601
	JIH Sun Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	28,860	11,963	21,530	8,899	8,896	3	7,330	3,067
	Fubon Chi-Hsiang II Fund	Financial assets at fair value through profit or loss - current	-	-	13,926	6,135	-	-	13,926	6,142	6,135	7	-	-
	Truswell Premier Fund	Financial assets at fair value through profit or loss - current	-	-	18,225	6,135	-	-	18,225	6,145	6,135	10	-	-
	HSBC NTD Money Management Fund 2	Financial assets at fair value through profit or loss - current	-	-	20,927	8,896	-	-	20,927	8,910	8,896	14	-	-
	Fubon Chi-Hsiang Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	10,309	4,601	-	-	-	-	10,309	4,601
	Truswell Hua-win Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	23,733	7,669	23,733	7,671	7,669	2	-	-
	TIIM Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	17,730	7,669	17,730	7,671	7,669	2	-	-
	ABN AMRO Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	13,283	6,135	13,283	6,138	6,135	3	-	-
	Upame James Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	16,219	7,669	16,219	7,675	7,669	6	-	-
Pca Well Pool Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	19,988	7,669	19,988	7,674	7,669	5	-	-	

Note A: The amount included (a) equity in earnings of US\$7,177 thousand; (b) a decrease of US\$177 thousand in capital surplus; (c) cumulative translation adjustment of US\$76 thousand ;(d) unrealized gains on financial instrument of US\$21,857 thousand. A capital surplus of US\$474 thousand increased by selling Company shares owned by Bai Ding Investment Company.

Note B: The acquisition consisted of 348 thousand shares and subscription for 455,000 thousand additional shares.

Note C: The amount included (a) the payment of US\$121 thousand for acquisition; (b) subscription for additional shares by exchanging long-term investments and cash both amounting to US\$157,596 thousand; (c) equity of US\$7,704 thousand in earnings; (d) a decrease of US\$30 thousand in cumulative translation adjustment; (e) capital surplus of US\$92 thousand; (f) unrealized valuation gains on financial instrument of US\$21,757 thousand; (g) a decrease of US\$990 thousand in cash dividend. A capital surplus of US\$1,465 thousand increased when Bai Yang Investment Company sold its holding of Company shares.

Note D: The amount included (a) a subscription for additional shares amounting to US\$5,399 thousand; (b) equity of US\$3,463 thousand in losses; and (c) adjustment of US\$729 thousand to capital surplus because of the nonproportional subscription for an investee's newly issued shares.

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

Note F: The amount included (a) equity of US\$1,629 thousand in losses; (b) a decrease of US\$4 thousand in cumulative translation adjustments; and (c) capital surplus of US\$42 thousand; and (d) a decrease of US\$103 thousand in capital surplus because of the nonproportional subscription for an investee's newly issued shares.

Note G: The amount included (a) the Company's subscription for additional shares of Bai Yang Investment Company at US\$46,357 thousand; (b) equity of US\$2,475 thousand in earnings; (c) a decrease of US\$13 thousand in cumulative translation adjustments; (d) capital surplus of US\$47 thousand; and (e) a decrease of US\$2,332 thousand in cash dividends.

(Continued)

Note H: The amount included (a) the Company's subscription for additional shares of Bai Yang Investment Company amounting to US\$39,281 thousand; (b) equity of US\$333 thousand in losses; (c) unrealized valuation gain on financial instruments of US\$8,055 thousand; (d) a decrease of US\$863 thousand in cash dividends; and (e) a decrease of US\$1 thousand in cumulative translation adjustment.

Note I: The amount included (a) the Company's subscription for additional shares of Bai Yang Investment Company amounting to US\$5,679 thousand; (b) equity of US\$1,014 thousand in earnings; (c) a decrease of US\$18 thousand in cumulative translation adjustments; (d) capital surplus of US\$67 thousand; and (e) a decrease of US\$368 thousand in cash dividends.

Note J: The amount included (a) the Company's subscription for additional shares of Bai Yang Investment Company amounting to US\$17,703 thousand; (b) equity of US\$3,826 thousand in earnings; (c) cumulative translation adjustment of US\$38 thousand; (d) unrealized valuation gain on financial instruments of US\$10,738 thousand; and (e) a decrease of US\$88 thousand in capital surplus.

Note K: The carrying amount of beneficiary securities and publicly traded securities were the original acquisition amounts without adjustments to the market value.

Note L: The amount included (a) a subscription for additional shares amounting to US\$21,006 thousand; (b) equity of US\$11,387 thousand in earnings; (c) capital surplus of US\$0 thousand; (d) a decrease of US\$1 thousand in cumulative translation adjustments; (e) a decrease of US\$9,834 thousand in cash dividends; (f) and adjustment of US\$58 thousand to capital surplus due to nonproportional subscription for the investee's newly issued shares.

Note M: The amount included (a) a subscription for additional shares amounting to US\$17,151 thousand; (b) equity of US\$2,453 thousand in earnings; (c) capital surplus of US\$0 thousand; (d) cumulative translation adjustment of US\$120 thousand; (e) a decrease of US\$1,063 thousand in cash dividends; (f) and a decrease of US\$363 thousand in capital surplus due to nonproportional subscription for the investee's newly issued shares.

Note N: Stock dividend.

Note O: The amount included (a) 11,990 thousand shares acquired from the Company by subscribing for additional shares of Bai Yang Investment Company ; and (b) the stock dividend of 1,800 thousand shares issued by FEDS New Century Development.

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

(Concluded)

**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, 2006**

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

<b>Company Name</b>	<b>Types of Properties</b>	<b>Disposal Date</b>	<b>Disposal Price</b>	<b>Payment Terms</b>	<b>Counter-party</b>	<b>Nature of Relationship</b>	<b>Purpose of Disposal</b>	<b>Price Reference</b>	<b>Other Terms</b>
Pacific SOGO Department Store Co., Ltd.	Land and building	2006.12.20	\$ 520,000	Paid	Taiwan Agriculture Industrial Company	-	Service need	Chiun Lian Real Estate Appraiser Office of appraisal report	

**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, 2006**

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

<b>Company Name</b>	<b>Types of Properties</b>	<b>Disposal Date</b>	<b>Disposal Price</b>	<b>Payment Terms</b>	<b>Counter-party</b>	<b>Nature of Relationship</b>	<b>Purpose of Disposal</b>	<b>Price Reference</b>	<b>Other Terms</b>
Pacific SOGO Department Store Co., Ltd.	Land and building	2006.12.20	\$ 15,951	Paid	Taiwan Agriculture Industrial Company	-	Service need	Chiun Lian Real Estate Appraiser Office of appraisal report	



**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, 2006**

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

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts (Payable) or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Far Eastern Department Stores, Ltd.	Far Eastern Apparel Co., Ltd.	Equity method investee's subsidiary	Purchase	\$ 160,594	1.10%	45-60 days after the end of the month	-	-	\$ 35,502	2.00%	Accounts payable
Pacific Sogo Department Store Co.	Pacific 88 Co., Ltd.	Equity-method investee	Purchase	153,535	0.67%	15-45 days after the end of the month	-	-	2,207 11,970	0.05% 0.63%	Notes payable Accounts payable

**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, 2006**

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

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts (Payable) or Receivable		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	\$ 4,926	1.10%	45-60 days after the end of the month	-	-	\$ 1,089	2.00%	Accounts payable
Pacific Sogo Department Store Co.	Pacific 88 Co., Ltd.	Equity-method investee	Purchase	4,710	0.67%	15-45 days after the end of the month	-	-	68 367	0.05% 0.63%	Notes payable Accounts payable

**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, 2006**

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Pacific Sogo Department Stores	Pacific 88 Co., Ltd.	Equity-method investee	\$ 274,064	-	\$ 274,064	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 FEDS'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, 2006**

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Pacific Sogo Department Stores	Pacific 88 Co., Ltd.	Equity-method investee	\$ 8,407	-	\$ 8,407	Collection expedited	\$ -	\$ 6,765
	Pacific Sogo Investment Co., Ltd.	Equity- method investee	16,385	-	16,385	Collection expedited	-	16,385

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 FEDS'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 FEDS EXERCISES SIGNIFICANT INFLUENCE  
 YEAR ENDED DECEMBER 31, 2006  
 (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, 2006			Net Income (Loss) of the Investee	Equity in Net Income (Net Loss) (Note B)	Note A	
				Dec. 31, 2006	Dec. 31, 2005	Shares (Thousands)	Percentage of Ownership	Carrying Value				
Far Eastern Department Stores, Ltd.	Bai Yang Investment Co.	Taipei City, R.O.C.	Investment	\$ 5,422,181	\$ 249,424	587,000	100	\$ 7,554,095 (Note E)	\$ 299,201 (Note E)	\$ 251,165 (Note E)	b.	
	Oriental Securities Corporation	Taipei City, R.O.C.	Securities brokerage	143,652	143,652	140,297	20	2,224,536	835,228	157,587	a.	
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	1,764,210	1,079,400	140,867	35	2,107,295 (Note E)	1,043,772 (Note E)	371,212 (Note E)	b.	
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	33,357	50,041	96,735	67	1,902,267 (Note E)	374,176 (Note E)	233,957 (Note E)	b.	
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	1,575,999	1,575,999	163,579	50	279,994 (Note E)	(1,137,448) (Note E)	(568,724) (Note E)	b.	
	Feds Development Ltd. (BVI)	British Virgin Island	Investment	26,190	26,190	100	76	168,683 (Note E)	(163,568) (Note E)	(124,651) (Note E)	b.	
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	284,921	184,921	12,253	94	81,026 (Note E)	(63,108) (Note E)	(53,100) (Note E)	b.	
	Far Eastern CitySuper Ltd.	Taipei City, R.O.C.	Shopping mall	306,000	130,000	30,600	77	73,898 (Note E)	(138,642) (Note E)	(112,880) (Note E)	b.	
	Yu Ming Advertising Agency Co.	Taipei City, R.O.C.	Advertising and importation of certain merchandise	60,000	60,000	6,500	100	58,015 (Note E)	(14,805) (Note E)	(4,601) (Note E)	b.	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	40,191	40,191	3,300	55	30,005 (Note E)	17,617 (Note E)	9,689 (Note E)	b.	
	Ding Ding Integrated Marketing Service	Taipei City, R.O.C.	Marketing	30,000	30,000	3,000	10	17,577	(5,717)	(572)	a.	
	Asian Merchandise Company	U.S.A.	Trading	5,316	5,316	950	100	4,812 (Note E)	(27) (Note E)	(27) (Note E)	b.	
	Bai Chin (Singapore) Pte., Ltd.	Singapore	Investment	1,718	1,718	90	90	-	(26) (Note E)	(23) (Note E)	b.	
	Feds Asia Pacific Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	1,385,888	-	-	-	114,341 (Note E)	-	-	c.
	Far Eastern International Leasing Corp.	Taipei City, R.O.C.	Leasing	-	1,354,548	-	-	-	(28,610)	-	-	d.
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	106,399	-	-	-	33,973 (Note E)	-	-	c.
Bai Ding Investment Co.	Oriental Securities Corporation	Taipei City, R.O.C.	Securities brokerage	163,563	163,563	97,116	14	1,539,862	835,228	-	a.	
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	658,129	99,000	50,125	13	763,581 (Note E)	1,043,772 (Note E)	-	b.	
	Far Eastern International Leasing Corp.	Taipei City, R.O.C.	Leasing	135,000	135,000	7,475	2	151,948	(28,610)	-	d.	
	Pacific Sogo Department Stores Co., Ltd.	Taipei City, R.O.C.	Department store	33,490	33,490	4,914	1	84,202 (Note E)	1,454,376 (Note E)	-	c.	
	Yu Ming Advertising Agency Co.	Taipei City, R.O.C.	Importation of certain merchandise	21,291	21,291	1,002	47	37,070	1,250	-	d.	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	28,672	28,672	2,670	45	24,276 (Note E)	17,617 (Note E)	-	b.	
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	52,754	52,754	747	6	4,941 (Note E)	(63,108) (Note E)	-	b.	
	Feds Asia Pacific Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	5,000	5,000	500	-	4,225 (Note E)	114,341 (Note E)	-	c.	
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	20	20	3	-	8 (Note E)	33,973 (Note E)	-	c.	
Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	2	2	-	-	2 (Note E)	(1,137,448) (Note E)	-	b.		

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products of the Investee Company	Investment Amount		Balance as of December 31, 2006			Net Income (Loss) of the Investee	Equity in Net Income (Net Loss) (Note B)	Note A
				Dec. 31, 2006	Dec. 31, 2005	Shares (Thousands)	Percentage of Ownership	Carrying Value			
	Bai Chin (Singapore) Pte., Ltd.	Singapore	Investment	\$ 191	\$ 191	10	10	\$ -	\$ (26)		b.
	Bai Yang Investment Co.	Taipei City, R.O.C.	Investment	-	551	-	-	-	(Note E) 299,201		b.
Feds Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	99,000	99,000	9,900	2	167,892	1,043,772		b.
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	231	231	6	-	60	(Note E) 17,617		b.
Feds New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	99,000	99,000	9,900	2	167,892	1,043,772		b.
Feds Development Ltd. (BVI)	Tianjin FEDS Limits., Co.	Mainland China	Department store	159,716	94,526	-	100	(34,229)	(181,615)		c.
	Chongqing Bai Ding Business Management Consulting Co., Ltd.	Mainland China	Consulting service	3,260	3,260	-	100	1,340	(Note E) 7,087		c.
Bai Yang Investment Co.	Feds Asia Pacific Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	1,517,296	6,064	139,500	70	1,522,441	114,341		c.
	Far Eastern International Leasing Corp.	Taipei City, R.O.C.	Leasing	1,280,569	-	104,196	34	1,504,139	(28,610)		d.
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	577,225	100	48,385	33	1,050,373	(Note E) 374,176		b.
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	185,152	20	13,792	100	207,807	(Note E) 33,973		c.
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	99,000	99,000	9,900	2	167,892	(Note E) 1,043,772		b.
	Feds Development Ltd. (BVI)	British Virgin Island	Investment	92,556	92,556	31	24	52,663	(Note E) (163,568)		b.
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	234	234	12	-	77	(Note E) 17,617		b.
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	7	7	-	-	7	(Note E) (63,108)		b.
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	2	2	-	-	6	(Note E) (1,137,448)		b.
Ya Tung Department Stores	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	55,000	55,000	5,500	1	93,271	(Note E) 1,043,772		b.
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	231	231	6	-	60	(Note E) 17,617		b.
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	33	33	3	-	33	(Note E) 374,176		b.
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	20	20	3	-	8	(Note E) 33,973		c.
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	2	2	-	-	2	(Note E) (1,137,448)		b.
	Bai Yang Investment Co.	Taipei City, R.O.C.	Investment	-	4	-	-	-	(Note E) 299,201		b.
Yu Ming Advertising Agency Co.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	1,200	1,200	100	-	850	(Note E) 1,043,772		b.
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	100	100	6	-	56	(Note E) 17,617		b.
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	33	33	3	-	33	(Note E) 374,176		b.
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	20	20	3	-	18	(Note E) 33,973		c.

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products of the Investee Company	Investment Amount		Balance as of December 31, 2006			Net Income (Loss) of the Investee	Equity in Net Income (Net Loss) (Note B)	Note A
				Dec. 31, 2006	Dec. 31, 2005	Shares (Thousands)	Percentage of Ownership	Carrying Value			
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	\$ 7	\$ 7	-	-	\$ 7	\$ (63,108)		b.
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	2	2	-	-	1	(1,137,448)		b.
	Bai Yang Investment Co.	Taipei City, R.O.C.	Investment	-	4	-	-	-	299,201		b.
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	8,400	8,400	700	-	10,366	1,043,772		b.
Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Taipei City, R.O.C.	Department store	4,469,904	4,469,904	284,153	79	6,458,375	1,454,376		c.
Pacific Sogo Department Stores Co., Ltd.	Sogo Department Store Co., Ltd.	Taipei City, R.O.C.	Credit card business	32,984	32,984	7,120	34	-	-		d.
	Pacific Department Store Co., Ltd.	Taipei City, R.O.C.	Department store	525,000	525,000	29,672	26	239,812	170,397		d.
	Pacific United Consultant Co., Ltd.	Taipei City, R.O.C.	Security and cleaning	76,099	76,099	4,071	39	72,125	19,504		d.
	Pacific 88 Co., Ltd.	Taipei City, R.O.C.	Clothing, restaurant	19,900	19,900	2,838	28	658	(47,324)		d.
	Pacific Sogo Investment Co., Ltd.	Taipei City, R.O.C.	Investment	999,900	999,900	99,990	100	-	-		c.
	Pacific Venture Investment Ltd	Hong Kong	Investment	357,050	357,050	100,000	48	-	-		d.
	Lian Ching Investment Co., Ltd.	Taipei City, R.O.C.	Investment	270,641	270,641	26,764	50	-	-		c.
	Ding Ding Integrated Marketing Service	Taipei City, R.O.C.	Marketing	30,000	30,000	3,000	10	17,578	(5,717)		d.
	Pacific China Holdings (HK) Co., Ltd.	Hong Kong	Investment	4,000,000	4,000,000	11,400	60	4,182,469	660,913		c.
Pacific China Holdings (HK) Co., Ltd.	Pacific China Holdings Co.	British Virgin Island	Investment	619,305	619,305	-	100	6,970,781	660,913		c.
Pacific China Holdings Co.	Shanghai Pacific Department Store Co., Ltd.	Mainland China	Department store	418,259	418,259	-	73	853,267	571,005		c.
	Chengdu Shangxia Pacific Department Store Co., Ltd.	Mainland China	Department store	228,165	228,165	-	100	300,440	154,607		c.
	Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Mainland China	Department store	32,269	32,269	-	100	(7,826)	33,848		c.
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	Mainland China	Department store	97,785	97,785	-	100	262,477	129,549		c.
	Beijing Xidan Pacific Department Store Co., Ltd.	Mainland China	Department store	215,127	215,127	-	55	129,921	119,014		c.
	Chongqing Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	6,519	6,519	-	100	35,025	2,349		c.
	Shanghai Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	5,590	5,590	-	49	6,570	205		d.

Note A: a. Equity-method investee.  
b. Subsidiary.  
c. Subsidiary of FEDS'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, 2006.

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 FEDS'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\$32.60 prevailing on December 31, 2006.

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

(Concluded)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH FEDS EXERCISES SIGNIFICANT INFLUENCE  
YEAR ENDED DECEMBER 31, 2006  
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products of the Investee Company	Investment Amount		Balance as of December 31, 2006			Net Income (Loss) of the Investee	Equity in Net Income (Net Loss) (Note B)	Note A	
				Dec. 31, 2006	Dec. 31, 2005	Shares (Thousands)	Percentage of Ownership	Carrying Value				
Far Eastern Department Stores, Ltd.	Bai Yang Investment Co.	Taipei City, R.O.C.	Investment	\$ 166,325	\$ 7,651	587,000	100	\$ 23,721 (Note E)	\$ 9,178 (Note E)	\$ 7,704 (Note E)	b.	
	Oriental Securities Corporation	Taipei City, R.O.C.	Securities brokerage	4,407	4,407	140,297	20	68,237	25,620	4,834	a.	
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	54,117	33,110	140,867	35	64,641 (Note E)	32,018 (Note E)	11,387 (Note E)	b.	
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	1,023	1,535	96,735	67	58,352 (Note E)	11,478 (Note E)	7,177 (Note E)	b.	
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	48,344	48,344	163,579	50	8,589 (Note E)	(34,891) (Note E)	(17,446) (Note E)	b.	
	Feds Development Ltd. (BVI)	British Virgin Island	Investment	803	803	100	76	5,174 (Note E)	(5,017) (Note E)	(3,824) (Note E)	b.	
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	8,740	5,672	12,253	94	2,485 (Note E)	(1,936) (Note E)	(1,629) (Note E)	b.	
	Far Eastern CitySuper Ltd.	Taipei City, R.O.C.	Shopping mall	9,387	3,988	30,600	77	2,267 (Note E)	(4,253) (Note E)	(3,463) (Note E)	b.	
	Yu Ming Advertising Agency Co.	Taipei City, R.O.C.	Advertising and importation of certain merchandise	1,840	1,840	6,500	100	1,780 (Note E)	(454) (Note E)	(141) (Note E)	b.	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	1,233	1,233	3,300	55	920 (Note E)	540 (Note E)	297 (Note E)	b.	
	Ding Ding Integrated Marketing Service	Taipei City, R.O.C.	Marketing	920	920	3,000	10	539	(175)	(18)	a.	
	Asian Merchandise Company	U.S.A.	Trading	163	163	950	100	148 (Note E)	(1) (Note E)	(1) (Note E)	b.	
	Bai Chin (Singapore) Pte., Ltd.	Singapore	Investment	53	53	90	90	-	(1) (Note E)	(1) (Note E)	b.	
	Feds Asia Pacific Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	42,512	-	-	-	3,507 (Note E)	-	-	c.
	Far Eastern International Leasing Corp.	Taipei City, R.O.C.	Leasing	-	41,551	-	-	-	(878)	-	-	d.
Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	3,264	-	-	-	1,042 (Note E)	-	-	c.	
Bai Ding Investment Co.	Oriental Securities Corporation	Taipei City, R.O.C.	Securities brokerage	5,017	5,017	97,116	14	47,235	25,620	-	a.	
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	20,188	3,037	50,125	13	23,423 (Note E)	32,018 (Note E)	-	b.	
	Far Eastern International Leasing Corp.	Taipei City, R.O.C.	Leasing	4,141	4,141	7,475	2	4,661	(878)	-	d.	
	Pacific Sogo Department Stores Co., Ltd.	Taipei City, R.O.C.	Department store	1,027	1,027	4,914	1	2,583 (Note E)	44,613 (Note E)	-	c.	
	Yu Ming Advertising Agency Co.	Taipei City, R.O.C.	Importation of certain merchandise	653	653	1,002	47	1,137	38	-	d.	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	880	880	2,670	45	745 (Note E)	540 (Note E)	-	b.	
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	1,618	1,618	747	6	152 (Note E)	(1,936) (Note E)	-	b.	
	Feds Asia Pacific Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	153	153	500	-	130 (Note E)	3,507 (Note E)	-	c.	
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	1	1	3	-	- (Note E)	1,042 (Note E)	-	c.	
Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	-	-	-	- (Note E)	(34,891) (Note E)	-	b.		

(Continued)



Investor Company	Investee Company	Location	Main Businesses and Products of the Investee Company	Investment Amount		Balance as of December 31, 2006			Net Income (Loss) of the Investee	Equity in Net Income (Net Loss) (Note B)	Note A
				Dec. 31, 2006	Dec. 31, 2005	Shares (Thousands)	Percentage of Ownership	Carrying Value			
	Bai Chin (Singapore) Pte., Ltd.	Singapore	Investment	\$ 6	\$ 6	10	10	\$ -	\$ (1)	b.	
	Bai Yang Investment Co.	Taipei City, R.O.C.	Investment	-	17	-	-	-	(Note E) 9,178	b.	
Feds Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	3,037	3,037	9,900	2	5,150	32,018	b.	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	7	7	6	-	2	(Note E) 540	b.	
Feds New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	3,037	3,037	9,900	2	5,150	32,018	b.	
Feds Development Ltd. (BVI)	Tianjin FEDS Limits., Co.	Mainland China	Department store	4,899	2,900	-	100	(1,050)	(5,571)	c.	
	Chongqing Bai Ding Business Management Consulting Co., Ltd.	Mainland China	Consulting service	100	100	-	100	41	(Note E) 217	c.	
Bai Yang Investment Co.	Feds Asia Pacific Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	46,453	186	139,500	70	46,701	3,507	c.	
	Far Eastern International Leasing Corp.	Taipei City, R.O.C.	Leasing	39,281	-	104,196	34	46,139	(878)	d.	
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	17,706	3	48,385	33	32,220	(Note E) 11,478	b.	
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	5,680	1	13,792	100	6,374	(Note E) 1,042	c.	
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	3,037	3,037	9,900	2	5,150	(Note E) 32,018	b.	
	Feds Development Ltd. (BVI)	British Virgin Island	Investment	2,839	2,839	31	24	1,615	(Note E) (5,017)	b.	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	7	7	12	-	2	(Note E) 540	b.	
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	-	-	-	-	-	(Note E) (1,936)	b.	
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	-	-	-	-	(Note E) (34,891)	b.	
Ya Tung Department Stores	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	1,687	1,687	5,500	1	2,861	(Note E) 32,018	b.	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	7	7	6	-	2	(Note E) 540	b.	
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	1	1	3	-	1	(Note E) 11,478	b.	
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	1	1	3	-	-	(Note E) 1,042	c.	
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	-	-	-	-	(Note E) (34,891)	b.	
	Bai Yang Investment Co.	Taipei City, R.O.C.	Investment	-	-	-	-	-	(Note E) 9,178	b.	
Yu Ming Advertising Agency Co.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	37	37	100	-	26	(Note E) 32,018	b.	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	3	3	6	-	2	(Note E) 540	b.	
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	1	1	3	-	1	(Note E) 11,478	b.	
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	1	1	3	-	1	(Note E) 1,042	c.	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products of the Investee Company	Investment Amount		Balance as of December 31, 2006			Net Income (Loss) of the Investee	Equity in Net Income (Net Loss) (Note B)	Note A
				Dec. 31, 2006	Dec. 31, 2005	Shares (Thousands)	Percentage of Ownership	Carrying Value			
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	\$ -	\$ -	-	-	\$ -	\$ (1,936)	b.	
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	-	-	-	(Note E)	(Note E)	b.	
	Bai Yang Investment Co.	Taipei City, R.O.C.	Investment	-	-	-	-	(Note E)	(Note E)	b.	
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	258	258	700	-	318	32,018	b.	
								(Note E)	(Note E)		
Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Taipei City, R.O.C.	Department store	137,114	137,114	284,153	79	198,110	44,613	c.	
								(Note E)	(Note E)		
Pacific Sogo Department Stores Co., Ltd.	Sogo Department Store Co., Ltd.	Taipei City, R.O.C.	Credit card business	1,012	1,012	7,120	34	-	-	d.	
	Pacific Department Store Co., Ltd.	Taipei City, R.O.C.	Department store	16,104	16,104	29,672	26	7,356	5,227	d.	
	Pacific United Consultant Co., Ltd.	Taipei City, R.O.C.	Security and cleaning	2,334	2,334	4,071	39	2,212	598	d.	
	Pacific 88 Co., Ltd.	Taipei City, R.O.C.	Clothing, restaurant	610	610	2,838	28	20	(1,452)	d.	
	Pacific Sogo Investment Co., Ltd.	Taipei City, R.O.C.	Investment	30,672	30,672	99,990	100	-	-	c.	
	Pacific Venture Investment Ltd	Hong Kong	Investment	10,952	10,952	100,000	48	-	-	d.	
	Lian Ching Investment Co., Ltd.	Taipei City, R.O.C.	Investment	8,302	8,302	26,764	50	-	-	c.	
	Ding Ding Integrated Marketing Service	Taipei City, R.O.C.	Marketing	920	920	3,000	10	539	(175)	d.	
	Pacific China Holdings (HK) Co., Ltd.	Hong Kong	Investment	122,699	122,699	11,400	60	128,297	20,273	c.	
								(Note E)	(Note E)		
Pacific China Holdings (HK) Co., Ltd.	Pacific China Holdings Co.	British Virgin Island	Investment	18,997	18,997	-	100	213,828	20,273	c.	
								(Note E)	(Note E)		
Pacific China Holdings Co.	Shanghai Pacific Department Store Co., Ltd.	Mainland China	Department store	12,830	12,830	-	73	26,174	17,515	c.	
								(Note E)	(Note E)		
	Chengdu Shangxia Pacific Department Store Co., Ltd.	Mainland China	Department store	6,999	6,999	-	100	9,216	4,743	c.	
								(Note E)	(Note E)		
	Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Mainland China	Department store	990	990	-	100	(240)	1,038	c.	
								(Note E)	(Note E)		
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	Mainland China	Department store	3,000	3,000	-	100	8,051	3,974	c.	
								(Note E)	(Note E)		
	Beijing Xidan Pacific Department Store Co., Ltd.	Mainland China	Department store	6,599	6,599	-	55	3,985	3,651	c.	
								(Note E)	(Note E)		
	Chongqing Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	200	200	-	100	1,074	72	c.	
								(Note E)	(Note E)		
	Shanghai Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	171	171	-	49	202	6	d.	
								(Note E)	(Note E)		

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

Note B: Except for Bai Chin (Singapore) Ptd. Ltd., the equity in earnings (losses) of equity investees were based on audited financial statements as of and for the year ended December 31, 2006.

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 FEDS'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\$32.60 prevailing on December 31, 2006.

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

(Concluded)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2006  
(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note A)	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2006 (Note A)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2006 (Note A)	% Ownership of Direct and Indirect Investment	Investment Gain (Loss)	Carrying Value as of Dec. 31, 2006	Accumulated Inward Remittance of Earnings as of Dec. 31, 2006	Accumulated Investment in Mainland China as of Dec. 31, 2006	Investment Amounts Authorized by Investment Commission, MOEA (Note G)	Upper Limit on Investment Defined by Investment Commission, MOEA
					Outflow	Inflow								
Shanghai Pacific Department Store Co., Ltd.	Department store	\$ 576,932	Note B	\$ 418,259	\$ -	\$ -	\$ 418,259 (Note E)	19	\$ 91,738	\$ 227,785	\$ - (Note G)	\$ -	\$ 174,383 (US\$5,350,000)	\$ 5,672,454
Chengdu Shangxia Pacific Department Store Co., Ltd.	Department store	228,165	Note B	228,165	-	-	228,165 (Note E)	27	41,273	80,204				
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Department store	32,269	Note B	32,269	-	-	32,269 (Note E)	27	9,036	(2,089)				
Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	Department store	97,785	Note B	97,785	-	-	97,785 (Note E)	27	34,584	70,070				
Beijing Xidan Pacific Department Store Co., Ltd.	Department store	391,140	Note B	215,127	-	-	215,127 (Note E)	15	17,474	34,683				
Chongqing Pacific Business Management Consulting Co., Ltd.	Business management consulting	6,519	Note B	6,519	-	-	6,519 (Note E)	27	627	9,350				
Shanghai Pacific Business Management Consulting Co., Ltd.	Business management consulting	11,408	Note B	5,590	-	-	5,590 (Note E)	13	27	1,754				
Chongqing Bai Ding Business Management Consulting Co., Ltd.	Business management consulting	3,260	Note C	-	-	-	-	100	7,087	1,340				
Tianjin FEDS Limits, Co.	Department store	159,716	Note D	94,526	-	-	94,526 (Note F)	100	(181,615)	(34,229)				

Note A: Translated at the rate of US\$1:NT\$32.60 prevailing on December 31, 2006.

Note B: Pacific Sogo Department Store Co. (subsidiary of FED'S subsidiary) invested US\$116,249,417 in the third country to set up the company in Mainland China and this investment had been approved by the Investment Commission (No. 091047678, dated on August 25, 2006).

Note C: The Company invested US\$100,000 thousand in FEDS Development (BVI) to set up the company in Mainland China and this investment had been approved by the Investment Commission (No. 07383, dated on July 8, 2004).

Note D: The Company invested US\$2,000,000 thousand in FEDS Development (BVI) to set up the company in Mainland China and this investment had been approved by the Investment Commission (No. 094004165, dated on March 2, 2005). Bai Yang Investment Company invested US\$2,900,000 thousand in FEDS Development (BVI) to set up the company in Mainland China and this investment had been approved by the Investment Commission (No. 094004905, dated on July 13, 2005).

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

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

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

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

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2006  
(In Thousands of U.S. Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note A)	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2006 (Note A)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2006 (Note A)	% Ownership of Direct and Indirect Investment	Investment Gain (Loss)	Carrying Value as of Dec. 31, 2006	Accumulated Inward Remittance of Earnings as of Dec. 31, 2006	Accumulated Investment in Mainland China as of Dec. 31, 2006	Investment Amounts Authorized by Investment Commission, MOEA (Note G)	Upper Limit on Investment Defined by Investment Commission, MOEA
					Outflow	Inflow								
Shanghai Pacific Department Store Co., Ltd.	Department store	\$ 17,697	Note B	\$ 12,830	\$ -	\$ -	\$ 12,830	19	\$ 2,814	\$ 6,987	\$ - (Note G)	\$ -	\$ 5,350	\$ 174,002
Chengdu Shangxia Pacific Department Store Co., Ltd.	Department store	6,999	Note B	6,999	-	-	6,999	27	1,266	2,460	-	-	-	-
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Department store	990	Note B	990	-	-	990	27	277	(64)	-	-	-	-
Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	Department store	3,000	Note B	3,000	-	-	3,000	27	1,061	2,149	-	-	-	-
Beijing Xidan Pacific Department Store Co., Ltd.	Department store	11,998	Note B	6,599	-	-	6,599	15	536	1,064	-	-	-	-
Chongqing Pacific Business Management Consulting Co., Ltd.	Business management consulting	200	Note B	200	-	-	200	27	19	287	-	-	-	-
Shanghai Pacific Business Management Consulting Co., Ltd.	Business management consulting	350	Note B	171	-	-	171	13	1	54	-	-	-	-
Chongqing Bai Ding Business Management Consulting Co., Ltd.	Business management consulting	100	Note B	-	-	-	-	100	217	41	-	-	-	-
Tianjin FEDS Limits, Co.	Department store	4,899	Note B	2,900	-	-	2,900	100	(5,571)	(1,050)	-	-	-	-

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

Note B: Pacific Sogo Department Store Co. (subsidiary of FED'S subsidiary) invested US\$116,249,417 in the third country to set up the company in Mainland China and this investment had been approved by the Investment Commission (No. 091047678, dated on August 25, 2006).

Note C: The Company invested US\$100,000 thousand in FEDS Development (BVI) to set up the company in Mainland China and this investment had been approved by the Investment Commission (No. 07383, dated on July 8, 2004).

Note D: The Company invested US\$2,000,000 thousand in FEDS Development (BVI) to set up the company in Mainland China and this investment had been approved by the Investment Commission (No. 094004165, dated on March 2, 2005). Bai Yang Investment Company invested US\$2,900,000 thousand in FEDS Development (BVI) to set up the company in Mainland China and this investment had been approved by the Investment Commission (No. 094004905, dated on July 13, 2005).

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

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

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

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

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

**INTERCOMPANY TRANSACTIONS  
YEAR ENDED DECEMBER 31, 2006**

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

Number	Transacting Company (Note A)	Counter-party	Flow of Transaction (Note B)	Status			
				Account	Amount (Note D)	Condition	Ratio to Consolidated Operating Revenue or Asset (Note C)
0	Far Eastern Department Stores, Ltd.	Far Eastern Great Co., Ltd.	1	Deferred income	\$ (363,639)	-	-
1	Far Eastern Great Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Land	363,639	-	-
0	Far Eastern Department Stores, Ltd.	Far Eastern Great Co., Ltd.	1	Other operating revenue	(106,635)	The rent is based on market rates and is received monthly	-
1	Far Eastern Great Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Operating expense	106,635	The rent is based on market rates and is received monthly	-
2	Feds Asia Pacific Development Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Other operating revenue	(228,124)	The rent is based on market rates and is received monthly	-
0	Far Eastern Department Stores, Ltd.	Feds Asia Pacific Development Co., Ltd.	1	Operating expense	228,124	The rent is based on market rates and is received monthly	-

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

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

Note B: Flow of transaction:

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

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

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

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

**INTERCOMPANY TRANSACTIONS**

**YEAR ENDED DECEMBER 31, 2006**

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

Number	Transacting Company (Note A)	Counter-party	Flow of Transaction (Note B)	Status			
				Account	Amount (Note D)	Condition	Ratio to Consolidated Operating Revenue or Asset (Note C)
0	Far Eastern Department Stores, Ltd.	Far Eastern Great Co., Ltd.	1	Deferred income	\$ (11,155)	-	-
1	Far Eastern Great Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Land	11,155	-	-
0	Far Eastern Department Stores, Ltd.	Far Eastern Great Co., Ltd.	1	Other operating revenue	(3,271)	The rent is based on market rates and is received monthly	-
1	Far Eastern Great Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Operating expense	3,271	The rent is based on market rates and is received monthly	-
2	Feds Asia Pacific Development Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Other operating revenue	(6,998)	The rent is based on market rates and is received monthly	-
0	Far Eastern Department Stores, Ltd.	Feds Asia Pacific Development Co., Ltd.	1	Operating expense	6,998	The rent is based on market rates and is received monthly	-

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

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

Note B: Flow of transaction:

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

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

Note D: The amount of an intercompany transaction more than one US\$3,067 thousand would be disclosed in this table.

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

**INTERCOMPANY TRANSACTIONS  
YEAR ENDED DECEMBER 31, 2005**

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

Number	Transacting Company (Note A)	Counter-party	Flow of Transaction (Note B)	Status			
				Account	Amount (Note D)	Condition	Ratio to Consolidated Operating Revenue or Asset (Note C)
0	Far Eastern Department Stores, Ltd.	Far Eastern Great Co., Ltd.	1	Deferred income	\$ (363,639)	-	-
1	Far Eastern Great Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Land	363,639	-	-
0	Far Eastern Department Stores, Ltd.	Far Eastern Great Co., Ltd.	1	Other operating revenue	(101,326)	The rent is based on market rates and is received monthly	-
1	Far Eastern Great Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Operating expense	101,326	The rent is based on market rates and is received monthly	-
2	Feds Asia Pacific Development Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Other operating revenue	(228,000)	The rent is based on market rates and is received monthly	-
0	Far Eastern Department Stores, Ltd.	Feds Asia Pacific Development Co., Ltd.	1	Operating expense	228,000	The rent is based on market rates and is received monthly	-

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

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

Note B: Flow of transaction:

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

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

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

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

**INTERCOMPANY TRANSACTIONS  
YEAR ENDED DECEMBER 31, 2005  
(In Thousands of U.S. Dollars, Unless Stated Otherwise)**

Number	Transacting Company (Note A)	Counter-party	Flow of Transaction (Note B)	Status			
				Account	Amount (Note D)	Condition	Ratio to Consolidated Operating Revenue or Asset (Note C)
0	Far Eastern Department Stores, Ltd.	Far Eastern Great Co., Ltd.	1	Deferred income	\$ (11,155)	-	-
1	Far Eastern Great Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Land	11,155	-	-
0	Far Eastern Department Stores, Ltd.	Far Eastern Great Co., Ltd.	1	Other operating revenue	(3,108)	The rent is based on market rates and is received monthly	-
1	Far Eastern Great Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Operating expense	3,108	The rent is based on market rates and is received monthly	-
2	Feds Asia Pacific Development Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Other operating revenue	(6,994)	The rent is based on market rates and is received monthly	-
0	Far Eastern Department Stores, Ltd.	Feds Asia Pacific Development Co., Ltd.	1	Operating expense	6,994	The rent is based on market rates and is received monthly	-

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

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

Note B: Flow of transaction:

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

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

Note D: The amount of an intercompany transaction more than one US\$3,067 thousand would be disclosed in this table.



**TABLE 14 (A)****FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES****INDUSTRY SEGMENT INFORMATION  
YEARS ENDED DECEMBER 31, 2006 AND 2005  
(In Thousands of New Taiwan Dollars)**

	2006				2005			
	Retail Department Stores	Investment	Adjusted	Consolidated	Retail Department Stores	Investment	Adjusted	Consolidated
Revenues from customers excluding FEDS and subsidiaries	\$ 79,448,410	\$ 1,817,959	\$ (1,817,959)	\$ 79,448,410	\$ 76,812,547	\$ 1,317,614	\$ (1,317,614)	\$ 76,812,547
Revenues from FEDS and subsidiaries	24	-	(24)	-	54	-	(54)	-
	<u>\$ 79,448,434</u>	<u>\$ 1,817,959</u>	<u>\$ (1,817,983)</u>	<u>\$ 79,448,410</u>	<u>\$ 76,812,601</u>	<u>\$ 1,317,614</u>	<u>\$ (1,317,668)</u>	<u>\$ 76,812,547</u>
Segment operating income (loss) (Note A)	<u>\$ 2,833,035</u>	<u>\$ 145,172</u>	<u>\$ (185,686)</u>	\$ 2,792,521	<u>\$ 2,926,924</u>	<u>\$ 30,333</u>	<u>\$ (61,210)</u>	\$ 2,896,047
Equity in net income (loss)				287,601				217,462
Unallocated income				819,904				1,096,869
Unallocated expenses				(929,410)				(1,094,095)
Interest expenses				(787,133)				(747,298)
Income before income tax				<u>\$ 2,183,483</u>				<u>\$ 2,368,985</u>
Identifiable assets (Note B)	<u>\$ 66,895,229</u>	<u>\$ 9,203,880</u>	<u>\$ -</u>	\$ 76,099,109	<u>\$ 68,504,225</u>	<u>\$ 3,905,903</u>	<u>\$ -</u>	\$ 72,410,128
Investments in shares of stocks				5,881,869				5,458,935
Total assets				<u>\$ 81,980,978</u>				<u>\$ 77,869,063</u>
Depreciation expenses	<u>\$ 1,611,695</u>	<u>\$ -</u>			<u>\$ 1,696,974</u>	<u>\$ 2,824</u>		
Capital expenditures	<u>\$ 3,032,616</u>	<u>\$ -</u>			<u>\$ 1,945,558</u>	<u>\$ -</u>		

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

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

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

**TABLE 14 (B)****FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES****INDUSTRY SEGMENT INFORMATION  
YEARS ENDED DECEMBER 31, 2006 AND 2005  
(In Thousands of U.S. Dollars)**

	2006				2005			
	Retail Department Stores	Investment	Adjusted	Consolidated	Retail Department Stores	Investment	Adjusted	Consolidated
Revenues from customers excluding FEDS and subsidiaries	\$ 2,437,068	\$ 55,765	\$ (55,765)	\$ 2,437,068	\$ 2,356,213	\$ 40,418	\$ (40,418)	\$ 2,356,213
Revenues from FEDS and subsidiaries	<u>1</u>	-	<u>(1)</u>	-	<u>2</u>	-	<u>(2)</u>	-
	<u>\$ 2,437,069</u>	<u>\$ 55,765</u>	<u>\$ (55,766)</u>	<u>\$ 2,437,068</u>	<u>\$ 2,356,215</u>	<u>\$ 40,418</u>	<u>\$ (40,420)</u>	<u>\$ 2,356,213</u>
Segment operating income (loss) (Note A)	<u>\$ 86,903</u>	<u>\$ 4,453</u>	<u>\$ (5,696)</u>	\$ 85,660	<u>\$ 89,783</u>	<u>\$ 931</u>	<u>\$ (1,878)</u>	\$ 88,836
Equity in net income (loss)				8,822				6,670
Unallocated income				25,151				33,646
Unallocated expenses				(28,510)				(33,561)
Interest expenses				<u>(24,145)</u>				<u>(22,923)</u>
Income before income tax				<u>\$ 66,978</u>				<u>\$ 72,668</u>
Identifiable assets (Note B)	<u>\$ 2,052,001</u>	<u>\$ 282,328</u>	<u>\$ -</u>	\$ 2,334,329	<u>\$ 2,101,357</u>	<u>\$ 119,813</u>	<u>\$ -</u>	\$ 2,221,170
Investments in shares of stocks				<u>180,425</u>				<u>167,452</u>
Total assets				<u>\$ 2,514,754</u>				<u>\$ 2,388,622</u>
Depreciation expenses	<u>\$ 49,438</u>	<u>\$ -</u>			<u>\$ 52,054</u>	<u>\$ 87</u>		
Capital expenditures	<u>\$ 93,025</u>	<u>\$ -</u>			<u>\$ 59,680</u>	<u>\$ -</u>		

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

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

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

**TABLE 15 (A)****FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES****GEOGRAPHIC SEGMENT INFORMATION  
YEARS ENDED DECEMBER 31, 2006 AND 2005  
(In Thousands of New Taiwan Dollars)**

	2006				2005			
	R.O.C.	China	Adjusted	Total	R.O.C.	China	Adjusted	Total
Revenues from customers excluding FEDS and subsidiaries (Note A)	\$ 66,207,789	\$ 15,058,580	\$ (1,817,959)	\$ 79,448,410	\$ 64,729,490	\$ 13,400,671	\$ (1,317,614)	\$ 76,812,547
Segment operating income (Note B)	\$ 1,625,175	\$ 1,353,032	\$ (185,686)	\$ 2,792,521	\$ 2,307,952	\$ 649,837	\$ (61,742)	\$ 2,896,047
Equity in net loss				287,601				217,462
Unallocated income				819,904				1,096,869
Unallocated expenses				(929,410)				(1,094,095)
Interest expenses				(787,133)				(747,298)
Income before income tax				\$ 2,183,483				\$ 2,368,985
Identifiable assets (Note C)	\$ 68,245,784	\$ 7,854,925	\$ (1,600)	\$ 76,099,109	\$ 66,170,193	\$ 6,239,935	\$ -	\$ 72,410,128
Investments in shares of stocks				5,881,869				5,458,935
Total assets				\$ 81,980,978				\$ 77,869,063

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

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

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

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

**TABLE 15 (B)****FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES****GEOGRAPHIC SEGMENT INFORMATION  
YEARS ENDED DECEMBER 31, 2006 AND 2005  
(In Thousands of U.S. Dollars)**

	2006				2005			
	R.O.C.	China	Adjusted	Total	R.O.C.	China	Adjusted	Total
Revenues from customers excluding FEDS and subsidiaries (Note A)	\$ 2,030,914	\$ 461,920	\$ (55,766)	\$ 2,437,068	\$ 1,985,567	\$ 411,064	\$ (40,418)	\$ 2,356,213
Segment operating income (Note B)	\$ 49,852	\$ 41,504	\$ (5,696)	\$ 85,660	\$ 70,796	\$ 19,934	\$ (1,894)	\$ 88,836
Equity in net loss				8,822				6,671
Unallocated income				25,151				33,646
Unallocated expenses				(28,510)				(33,561)
Interest expenses				(24,145)				(22,923)
Income before income tax				\$ 66,978				\$ 72,669
Identifiable assets (Note C)	\$ 2,093,429	\$ 240,949	\$ (49)	\$ 2,334,329	\$ 2,029,761	\$ 191,409	\$ -	\$ 2,221,170
Investments in shares of stocks				180,425				167,452
Total assets				\$ 2,514,754				\$ 2,388,622

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

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

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

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