

Far Eastern Department Stores, Ltd.

**Financial Statements for the
Years Ended December 31, 2007 and 2006 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Far Eastern Department Stores, Ltd. as of December 31, 2007 and 2006 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Far Eastern Department Stores, Ltd. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, on January 1, 2007, the Company adopted the newly released Statements of Financial Accounting Standards ("SFAS or Statements") No. 37 - "Accounting for Intangible Assets" and No. 38 - "Accounting Assets Held for Sale and Discontinued Operations" and related revisions of previously released Statement. On January 1, 2006, the Company adopted the newly released SFAS No. 34 - "Accounting for Financial Instruments" and No. 36 - "Disclosure and Presentation of Financial Instruments" and the related revisions of previously released Statements as well as the newly revised SFAS No. 5 - "Long-term Investments in Equity Securities" and No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method."

We have also audited the consolidated financial statements of Far Eastern Department Stores, Ltd. and subsidiaries as of and for the years ended December 31, 2007 and 2006 and have expressed an unqualified opinion thereon in our report dated February 27, 2008.

February 27, 2008

Notice to Readers

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

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

FAR EASTERN DEPARTMENT STORES, LTD.

BALANCE SHEETS

DECEMBER 31, 2007 AND 2006

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

ASSETS	2007		2006		LIABILITIES AND STOCKHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 4)	\$ 232,948	-	\$ 1,563,317	4	Short-term debts (Notes 14, 17, 25 and 26)	\$ 2,050,000	5	\$ 2,220,000	5
Available-for-sale financial assets - current (Notes 2, 3 and 5)	241,381	1	360,339	1	Short-term notes and bills payable (Notes 15 and 17)	699,204	1	948,787	2
Receivables:					Accounts payable	2,084,553	5	2,285,474	6
Notes	15,858	-	194,293	-	Accounts payable - related parties (Note 25)	135,082	-	89,390	-
Accounts, net of allowance for doubtful accounts of \$8,216 thousand in 2007 and \$3,550 thousand in 2006 (Note 2)	237,931	1	221,074	1	Accrued expenses (Note 27)	545,878	1	476,012	1
Related parties (Note 25)	444,629	1	13,680	-	Income tax payable (Notes 2 and 21)	-	-	42,630	-
Others (Note 21)	81,706	-	200,211	-	Balance payable - property (Note 27)	78,013	-	784,936	2
Inventories, net (Notes 2 and 6)	262,051	1	213,291	1	Advance receipts	1,391,078	3	1,064,993	3
Prepayments	27,872	-	22,424	-	Current portion of bonds issued (Notes 16 and 26)	1,200,000	3	2,000,000	5
Deferred tax assets (Notes 2 and 21)	27,143	-	16,485	-	Current portion of long-term borrowings (Notes 17 and 26)	597,133	1	584,917	1
Pledged time deposits (Note 26)	-	-	1,000	-	Current portion of franchise liability (Notes 2 and 10)	298,588	1	302,694	1
Other current assets	75,709	-	68,934	-	Other current liabilities	707,963	2	521,302	1
Total current assets	1,647,228	4	2,875,048	7	Total current liabilities	9,787,492	22	11,321,135	27
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Investments accounted for by the equity method (Notes 2, 8 and 26)	17,396,754	40	14,320,253	34	Bonds issued (Notes 16 and 26)	500,000	1	1,700,000	4
Available-for-sale financial assets - noncurrent (Notes 2, 3, 5 and 26)	3,201,751	7	2,045,479	5	Long-term borrowings (Notes 17 and 26)	8,881,183	20	6,299,809	15
Financial assets carried at cost (Notes 2 and 7)	162,570	-	162,570	1	Franchise liability (Notes 2 and 10)	-	-	298,588	1
Total long-term investments	20,761,075	47	16,528,302	40	Total long-term liabilities	9,381,183	21	8,298,397	20
PROPERTY (Notes 2, 9, 10, 11, 25 and 26)					RESERVES				
Cost					Reserve for land revaluation increment tax (Note 9)	575,490	2	575,490	1
Land	4,073,120	9	4,073,120	10	OTHER LIABILITIES				
Buildings and equipment	6,098,510	14	6,135,063	15	Deposits received (Notes 11 and 25)	42,659	-	56,559	-
Furniture and equipment	3,023,750	7	3,111,902	7	Deferred tax liabilities (Notes 2 and 21)	72,297	-	190,372	1
Total cost	13,195,380	30	13,320,085	32	Deferred credits - gains on related-party transactions (Notes 2, 9, 11 and 25)	11,366	-	369,086	1
Revaluation increment	1,193,498	3	1,194,771	3	Miscellaneous (Note 9)	563	-	598	-
Cost and appreciation	14,388,878	33	14,514,856	35	Total other liabilities	126,885	-	616,615	2
Less: Accumulated depreciation	3,848,424	9	3,624,635	9	Total liabilities	19,871,050	45	20,811,637	50
	10,540,454	24	10,890,221	26	STOCKHOLDERS' EQUITY				
Construction in progress	5,471,726	13	5,024,327	12	Capital stock NT\$10.00 par value				
Leasehold rights, net	3,999,805	9	4,018,785	9	Authorized - 1,350,000 thousand shares	-	-	-	-
Properties leased to others, net	1,028,045	2	1,588,945	4	Issued and outstanding - 1,120,967 thousand shares in 2007 and 1,077,853 thousand shares in 2006	11,209,670	25	10,778,529	26
Net property	21,040,030	48	21,522,278	51	Capital surplus:				
OTHER ASSETS					Additional paid-in capital - share issuance in excess of par	2,175,718	5	2,606,859	6
Idle assets, net (Notes 2, 9, 12 and 26)	387,483	1	458,910	1	Treasury stock transactions	312,682	-	267,469	1
Refundable deposits (Notes 10 and 13)	159,941	-	161,047	1	Long-term investments	323,895	1	345,117	1
Prepaid pension costs (Notes 2 and 24)	143,314	-	111,098	-	Total capital surplus	2,812,295	6	3,219,445	8
Miscellaneous	9,548	-	17,224	-	Retained earnings:				
Total other assets	700,286	1	748,279	2	Legal reserve	1,335,926	3	1,277,311	3
					Special reserve	2,156,588	5	2,159,977	5
					Unappropriated earnings	1,607,152	4	634,461	2
					Total retained earnings	5,099,666	12	4,071,749	10
					Other equity adjustments				
					Cumulative translation adjustments	(16,162)	-	(19,354)	-
					Net loss not recognized as pension costs	(12,351)	-	(11,660)	-
					Unrealized valuation gains (losses) on financial instruments	4,465,999	10	2,121,567	5
					Unrealized asset revaluation increment	883,944	2	883,944	2
					Total other equity adjustments	5,321,430	12	2,974,497	7
					Treasury stock - 28,770 thousand shares in 2007 and 30,414 thousand shares in 2006	(165,492)	-	(181,950)	(1)
					Total stockholders' equity	24,277,569	55	20,862,270	50
TOTAL	\$44,148,619	100	\$41,673,907	100	TOTAL	\$44,148,619	100	\$41,673,907	100

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

(With Deloitte & Touche audit report dated February 27, 2008)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
REVENUES				
Sales (Notes 2 and 25)	\$ 20,244,063	99	\$ 18,203,427	98
Other operating revenues (Notes 2, 20 and 25)	<u>270,656</u>	<u>1</u>	<u>345,932</u>	<u>2</u>
Total revenues	<u>20,514,719</u>	<u>100</u>	<u>18,549,359</u>	<u>100</u>
COSTS				
Cost of goods sold (Note 25)	16,282,890	80	14,617,200	79
Other operating costs (Notes 20 and 22)	<u>47,483</u>	<u>-</u>	<u>45,016</u>	<u>-</u>
Total costs	<u>16,330,373</u>	<u>80</u>	<u>14,662,216</u>	<u>79</u>
GROSS PROFIT	<u>4,184,346</u>	<u>20</u>	<u>3,887,143</u>	<u>21</u>
OPERATING EXPENSES (Notes 9, 10, 22 and 25)				
Selling	851,024	4	692,677	4
General and administrative	<u>2,659,196</u>	<u>13</u>	<u>2,543,919</u>	<u>14</u>
Total operating expenses	<u>3,510,220</u>	<u>17</u>	<u>3,236,596</u>	<u>18</u>
OPERATING INCOME	<u>674,126</u>	<u>3</u>	<u>650,547</u>	<u>3</u>
NONOPERATING INCOME AND GAINS				
Equity in earnings of equity-method investees, net (Note 8)	476,300	2	159,032	1
Dividend income	97,696	-	75,436	1
Realized gain on disposal of property (Notes 2 and 9)	363,639	2	-	-
Gain on disposal of investments, net	34,149	-	383	-
Interest income	6,131	-	8,112	-
Other income (Note 25)	<u>115,638</u>	<u>1</u>	<u>70,870</u>	<u>-</u>
Total nonoperating income and gains	<u>1,093,553</u>	<u>5</u>	<u>313,833</u>	<u>2</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 27 and 29)	182,944	1	194,340	1
Loss on disposal of property and idle assets (Note 2)	22,351	-	66,766	-
Other expenses (Notes 12, 22 and 25)	<u>78,204</u>	<u>-</u>	<u>91,609</u>	<u>1</u>
Total nonoperating expenses and losses	<u>283,499</u>	<u>1</u>	<u>352,715</u>	<u>2</u>

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FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 1,484,180	7	\$ 611,665	3
INCOME TAX (BENEFIT) EXPENSE (Notes 2 and 21)	<u>(122,972)</u>	<u>(1)</u>	<u>25,541</u>	<u>-</u>
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	1,607,152	8	586,124	3
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF INCOME TAX EXPENSE OF \$0 THOUSAND (Note 3)	<u>-</u>	<u>-</u>	<u>28</u>	<u>-</u>
NET INCOME	<u>\$ 1,607,152</u>	<u>8</u>	<u>\$ 586,152</u>	<u>3</u>

	2007		2006	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 23) Basic	<u>\$ 1.36</u>	<u>\$ 1.47</u>	<u>\$ 0.56</u>	<u>\$ 0.54</u>

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

	2007		2006	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE Basic	<u>\$ 1.36</u>	<u>\$ 1.47</u>	<u>\$ 0.60</u>	<u>\$ 0.58</u>

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

(With Deloitte & Touche audit report dated February 27, 2008)

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FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Other Equity Adjustments												
	Capital Stock Issued and Outstanding	Capital Surplus (Notes 2, 8, 18 and 19)			Retained Earnings (Notes 2, 18 and 21)			Cumulative Translation Adjustments (Note 2)	Net Loss not Recognized as Pension Cost	Unrealized Valuation Gain or Loss on Financial Instruments (Notes 2, 3 and 5)	Reserve for Asset Revaluation Increment (Notes 2 and 9)	Treasury Stock (Notes 2 and 19)	Total Stockholders' Equity
		Additional Paid-in Capital - Common	Treasury Stock Transactions	Long-term Investments	Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2006	\$ 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)	\$ 18,283,333
Effect of accounting adjustments (Note 3)	-	-	-	-	-	-	-	-	-	235,479	-	-	235,479
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 stocks	-	-	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
Adjustment reported by equity-method investees	-	-	-	(1,597)	-	-	-	1,301	(1,991)	1,436,946	-	-	1,434,659
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	798,628	-	-	798,628
Net income in 2006	-	-	-	-	-	-	<u>586,152</u>	-	-	-	-	-	<u>586,152</u>
BALANCE, DECEMBER 31, 2006	10,778,529	2,606,859	267,469	345,117	1,277,311	2,159,977	634,461	(19,354)	(11,660)	2,121,567	883,944	(181,950)	20,862,270
Appropriation of prior year's earnings:													
Legal reserve	-	-	-	-	58,615	-	(58,615)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(3,389)	3,389	-	-	-	-	-	-
Cash dividends - NT\$0.5 per share	-	-	-	-	-	-	(538,926)	-	-	-	-	-	(538,926)
Employee bonuses	-	-	-	-	-	-	(23,034)	-	-	-	-	-	(23,034)
Remuneration to directors and supervisors	-	-	-	-	-	-	(17,275)	-	-	-	-	-	(17,275)
Capital surplus transferred to common stock	431,141	(431,141)	-	-	-	-	-	-	-	-	-	-	-
Adjustment due to subsidiaries' disposal of parent's stocks	-	-	45,213	-	-	-	-	-	-	-	-	16,458	61,671
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(5,349)	-	-	-	-	(5,349)
Adjustment reported by equity-method investees	-	-	-	(21,222)	-	-	-	8,541	(691)	1,287,362	-	-	1,273,990
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	1,057,070	-	-	1,057,070
Net income in 2007	-	-	-	-	-	-	<u>1,607,152</u>	-	-	-	-	-	<u>1,607,152</u>
BALANCE, DECEMBER 31, 2007	<u>\$ 11,209,670</u>	<u>\$ 2,175,718</u>	<u>\$ 312,682</u>	<u>\$ 323,895</u>	<u>\$ 1,335,926</u>	<u>\$ 2,156,588</u>	<u>\$ 1,607,152</u>	<u>\$ (16,162)</u>	<u>\$ (12,351)</u>	<u>\$ 4,465,999</u>	<u>\$ 883,944</u>	<u>\$ (165,492)</u>	<u>\$ 24,277,569</u>

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

(With Deloitte & Touche audit report dated February 27, 2008)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,607,152	\$ 586,152
Depreciation	429,095	456,175
Amortization of deferred charges	9,034	12,894
Amortization of leasehold rights included as part of rental expense	74,667	74,667
Gain on disposal of available-for-sale financial assets	(34,149)	-
Cash dividends from equity-method investees	337,193	437,063
Equity in earnings of equity-method investees, net	(476,300)	(159,032)
Capital return on liquidation of investee	-	161
Loss on liquidation of investments	-	205
Loss on disposal of property and idle assets, net	22,332	66,785
Realized gain on disposal of assets	(363,639)	-
Deferred income taxes	(128,733)	(18,354)
Increase in prepaid pension cost	(32,216)	(23,501)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	830,000
Notes receivable	178,435	(166,857)
Accounts receivable	(16,857)	(50,078)
Accounts receivable - related parties	(106,955)	124,096
Other receivables	118,505	356,219
Inventories	(48,760)	23,352
Prepayments	(5,448)	9,915
Other current assets	(6,775)	(7,172)
Accounts payable	(200,921)	570,680
Accounts payable - related parties	45,692	(2,638)
Accrued expenses	69,866	17,301
Income tax payable	(42,630)	42,630
Advanced receipts	452,932	171,163
Other current liabilities	<u>203,411</u>	<u>(14,781)</u>
Net cash provided by operating activities	<u>2,084,931</u>	<u>3,337,045</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of the disposal of available-for-sale financial assets	53,905	-
Decrease in pledged time deposits	1,000	1,000
Acquisition of investments accounted for by the equity method	(1,931,076)	(2,549,508)
Acquisition of financial assets carried at cost	-	(55,200)
Proceeds of the disposal of property and idle assets	551,679	11,657
Acquisition of property	(1,654,643)	(1,072,345)
Decrease in refundable deposits	1,106	5,490
Increase in other assets	<u>(1,358)</u>	<u>-</u>
Net cash used in investing activities	<u>(2,979,387)</u>	<u>(3,658,906)</u>

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FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term debts	\$ (170,000)	\$ 870,000
(Decrease) increase in short-term notes and bills payable	(249,583)	549,247
Repayments of bonds issued	(2,000,000)	(2,300,000)
Increase in long-term borrowings	2,593,590	2,766,959
(Decrease) increase in deposits received	(13,900)	112
(Decrease) increase in other liabilities	(35)	39
Cash dividends, bonuses paid to employees and remuneration paid to supervisors and directors	<u>(595,985)</u>	<u>(588,406)</u>
Net cash provided by (used in) financing activities	<u>(435,913)</u>	<u>1,297,951</u>
NET (DECREASE) INCREASE IN CASH	(1,330,369)	976,090
CASH , BEGINNING OF YEAR	<u>1,563,317</u>	<u>587,227</u>
CASH , END OF YEAR	<u>\$ 232,948</u>	<u>\$ 1,563,317</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 301,416	\$ 305,300
Less: Capitalized interest	<u>140,978</u>	<u>131,352</u>
Interest paid, excluding capitalized interest	<u>\$ 160,438</u>	<u>\$ 173,948</u>
Income tax paid	<u>\$ 83,283</u>	<u>\$ 1,264</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends receivable from equity-method investees reclassified into accounts receivable - related parties	<u>\$ 323,994</u>	<u>\$ -</u>
Idle assets reclassified into construction-in-progress	<u>\$ 68,247</u>	<u>\$ -</u>
Adjustment to advance receipts and depreciation	<u>\$ 126,847</u>	<u>\$ 132,079</u>
Adjustment to advance receipts and loss on disposal of property	<u>\$ -</u>	<u>\$ 24,455</u>
Current portion of bonds issued	<u>\$ 1,200,000</u>	<u>\$ 2,000,000</u>
Current portion of long-term borrowings	<u>\$ 597,133</u>	<u>\$ 584,917</u>
Current portion of franchise liabilities	<u>\$ 298,588</u>	<u>\$ 302,694</u>
CASH PAID FOR ACQUISITION OF PROPERTY		
Acquisition of property	\$ 647,002	\$ 881,068
Decrease in construction in progress	(1,976)	(4,395)
Decrease (increase) in balance payable - property	706,923	(264,613)
Decrease in franchise liabilities	<u>302,694</u>	<u>460,285</u>
	<u>\$ 1,654,643</u>	<u>\$ 1,072,345</u>

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

(With Deloitte & Touche audit report dated February 27, 2008)

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

1. ORGANIZATION AND OPERATIONS

Far Eastern Department Stores, Ltd. (the "Company") manages and operates a nationwide chain of department stores, which numbered nine as of December 31, 2007. Its shares are listed on the Taiwan Stock Exchange.

The Company had 1,430 and 1,408 employees as of December 31, 2007 and 2006, 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 financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

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

Current and Noncurrent Assets and Liabilities

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

Available-for-sale Financial Assets

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

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

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

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

Allowances for Doubtful Accounts

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

Inventories

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

Investments Accounted for by the Equity Method

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

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

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

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

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

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

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.

Property and Property Leased to Others

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

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

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

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

Leasehold Rights

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

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

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 Assets

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

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.

Pension Costs

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

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

Deferred Income

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

Revenue Recognition

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

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

Concessionaires' Sales

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

Treasury Stock

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

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

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

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

Income Tax

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

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

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

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

Foreign-currency Transactions

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

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

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

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

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2006 have been reclassified to be consistent with the presentation of the financial statements as of and for the year ended December 31, 2007.

3. ACCOUNTING CHANGES

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

On January 1, 2006, the Company adopted the newly released 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:

The Company 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 Effect of Changes in Accounting Principles (Net of Tax)	Recognized as a Separate Component of Stockholders' Equity
Financial assets or liabilities at fair value through profit or loss	\$ 28	\$ -
Available-for-sale financial assets	<u>-</u>	<u>235,479</u>
	<u>\$ 28</u>	<u>\$ 235,479</u>

The accounting changes also resulted in an increase of \$28 thousand in net income in 2006. But these changes had no effect in basic earnings per share (after income tax).

The Company 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 \$238,845 thousand in net income before income tax expense without any cumulative changes in accounting principles and of NT\$0.23 in after-tax basic earnings per share in 2006.

4. CASH

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Cash		
Cash on hand and petty cash	\$ 57,241	\$ 83,918
Checking accounts and savings accounts	175,707	754,399
Transferable certificate of deposit - annual interest rate 1%	<u>-</u>	<u>725,000</u>
	<u>\$ 232,948</u>	<u>\$ 1,563,317</u>

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Listed and OTC stocks	\$ 179,771	\$ 1,172,184	\$ 179,771	\$ 1,191,940
Add: Valuation adjustment	<u>61,610</u>	<u>2,029,567</u>	<u>180,568</u>	<u>853,539</u>
	<u>\$ 241,381</u>	<u>\$ 3,201,751</u>	<u>\$ 360,339</u>	<u>\$ 2,045,479</u>

6. INVENTORIES, NET

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Merchandise	\$ 262,051	\$ 208,273
Others	<u>9,310</u>	<u>14,328</u>
	271,361	222,601
Less: Allowance for losses	<u>9,310</u>	<u>9,310</u>
	<u>\$ 262,051</u>	<u>\$ 213,291</u>

7. FINANCIAL ASSETS CARRIED AT COST

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Unlisted and non-OTC stocks	<u>\$ 162,570</u>	<u>\$ 162,570</u>

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

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

	December 31			
	2007		2006	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Stocks with no quoted market prices:				
Bai Yang Investment (“Bai Yang”)	\$ 8,409,163	100	\$ 7,554,095	100
Bai Ding Investment	2,848,885	67	1,902,267	67
Oriental Securities	2,383,519	20	2,224,536	20
Pacific Liu Tong Investment	2,300,606	35	2,107,295	35
Far Eastern Geant Co., Ltd. (“FE GEANT”)	1,324,335	100	279,994	50
FEDS Development	156,924	76	168,683	76
Ya Tung Department Stores (YTDS)	36,265	100	81,026	94
Far Eastern CitySuper Ltd.	11,076	77	73,898	77
Yu Ming Advertising Agency	71,048	100	58,015	100
Far Eastern Hon Li Do Co., Ltd.	4,495	56	30,005	55
Ding Ding Integrated Marketing Service	12,047	10	17,577	10
Asians Merchandise Co.	3,883	100	4,812	100
Bai Chin (Singapore) Pte. Ltd.	-	-	-	90
	<u>17,562,246</u>		<u>14,502,203</u>	
Less: Common stock held by subsidiaries and reclassified from long-term investments to treasury stock				
Bai Ding Investment	165,492		165,492	
Bai Yang Investment (“Bai Yang”)	-		16,458	
	<u>165,492</u>		<u>181,950</u>	
	<u>\$ 17,396,754</u>		<u>\$ 14,320,253</u>	

The balance as of January 1, 2006 of the investment premium on Pacific Liu Tong Investment Co. was \$21,215 thousand, classified as goodwill, which ceased to be amortized when the Company adopted the newly revised ROC Statement of Financial Accounting Standards No. 5 - “Long-term Investments in Equity Securities” on January 1, 2006.

On September 13, 2006, the Company signed a stock trading agreement with Casino Guichard-Perrachon SA (Casino) and paid \$737,584 thousand to buy on January 10, 2007 the shares of Far Eastern Geant Co., Ltd. (“Geant,” a Company investee) held by Casino and its subsidiaries. After this transaction, Geant became a 100% subsidiary of the Company.

Earlier, in May 2007, Geant completed the registration of a capital reduction, and this reduction resulted in a decrease in the Company’s equity in Geant by 259,999 thousand shares. In May 2007, the Company subscribed for Geant’s 100,000 thousand shares at NT\$10.00 per share.

In November 2007, to simplify the structure of its organization, the Company paid \$88 thousand to buy 30 thousand shares of Far Eastern Hon Li Do Co., Ltd. held by Bai Yang Investment Company, Feds Asia Pacific Development Co., Ltd., Yu Ming Advertising Agency Co. and Ya Tung Department Stores. The Company also bought 747 thousand shares of Ya Tung Department Stores for \$27,735 thousand from Bai Ding Investment Co., Bai Yang Investment Co. and Yu Ming Advertising Agency Co. Thus, the Company’s equity in Far Eastern Hon Li Do Co., Ltd. rose to 56% and, in Ya Tung Department Stores, to 100%. In addition, earlier, in March 2006, the Company bought all the shares of Bai Yang Investment Company (“Bai Yang”) held by YTDS, Yu Ming Advertising Agency and Bai Ding Investment Company. The Company then subscribed for an additional 455,000 thousand shares of Bai Yang by using the

Company's underlying equity (audited by the Company's independent auditors) in all of the net assets of FEDS Asia Pacific Development, FEDS New Century Development, Far Eastern Leasing Corp. and some of the Bai Ding Investment Company shares and by paying \$1,614,742 thousand in cash.

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

In December 2005, the Company subscribed for 3,000 thousand shares of Far Eastern CitySuper Ltd. ("CitySuper") at NT\$10.00 per share, and this subscription was classified as prepayment for long-term investments in stocks. After CitySuper completed the statutory procedures for capital registration, the prepayment for long-term investments in stocks was reclassified under long-term investments in 2006. In May 2006 and December 2006, the Company subscribed for CitySuper's 7,000 thousand shares and 7,600 thousand shares, respectively, and paid \$146,000 thousand for these shares. Because of these nonproportional subscriptions, the percentage of CitySuper's shares held by the Company was reduced to 77%, resulting in a credit of \$23,751 thousand to capital surplus. In July 2007, the Company bought 9,180 thousand shares of CitySuper at NT\$10.00 per share, or a total of \$91,800 thousand.

In June 2006, Ya Tung Department Stores ("Ya Tung") completed the registration of its capital reduction. The Company later subscribed for Ya Tung's 10,000 thousand shares proportionally. Thus, the Company's equity in Ya Tung increased to 94% and \$3,350 thousand was debited to capital surplus.

Bai Chin (Singapore) Pte. Ltd. was liquidated in December 2006. Thus, the Company recognized an investment loss of \$205 thousand, classified as nonoperating expenses and losses - other expenses. The liquidation process was completed in September 2007.

In July 2006, the Company subscribed for 49,267 thousand additional shares of Pacific Liu Tong Investment Co. at NT\$13.90 per share, decreased its equity in Pacific Liu Tong Investment Co. to 35% and credited \$1,891 thousand to capital surplus because of this nonproportional subscription.

The Company's board of directors passed a resolution to increase their investment by \$884 thousand in Chongqing Far Eastern Department Stores Ltd. through investing in Feds Development Ltd. (BVI); however, Bai Yang Investment Company (a subsidiary of the Company) later made this investment increase. This investment was approved by the Investment Commission. As of February 27, 2008, the date of the accompanying auditors' report, the investment had not been remitted to China.

The board of directors of Bai Yang Investment Company (a subsidiary of the Company) passed a resolution to buy the shares of Pacific China Holdings (HK) Co., Ltd. from the ABN AMRO bank in order to make an indirect investment in a China-based company, with the investment amount preliminarily set at US\$79,500 thousand. As of February 27, 2008, the date of the accompanying auditors' report, this investment had not been approved by the Investment Commission. Bai Yang Investment Company and ABN AMRO bank both agreed that the price and the payment day can be adjusted after the Investment Commission approves this investment.

The carrying values of equity-method investments, except those in Bai Chin (Singapore) Pte. Ltd. in 2006, were based on audited financial statements. There is no material effect expected on our financial position if all investees were audited.

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

All of the accounts of the Company's subsidiaries were included in its 2006 consolidated financial statements.

9. PROPERTY

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Cost	\$ 13,195,380	\$ 13,320,085
Revaluation increment		
Land	1,183,852	1,183,852
Buildings and equipment	<u>9,646</u>	<u>10,919</u>
	<u>1,193,498</u>	<u>1,194,771</u>
Total cost and appreciation	<u>14,388,878</u>	<u>14,514,856</u>
Less: Accumulated depreciation		
On cost		
Buildings and equipment	1,959,171	1,820,035
Furniture and equipment	<u>1,882,074</u>	<u>1,796,274</u>
	<u>3,841,245</u>	<u>3,616,309</u>
On appreciation		
Buildings and equipment	<u>7,179</u>	<u>8,326</u>
Total accumulated depreciation	<u>3,848,424</u>	<u>3,624,635</u>
	10,540,454	10,890,221
Unfinished construction	5,471,726	5,024,327
Leasehold rights, net (Note 10)	3,999,805	4,018,785
Property leased to others, net (Note 11)	<u>1,028,045</u>	<u>1,588,945</u>
	<u>\$ 21,040,030</u>	<u>\$ 21,522,278</u>

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

Depreciation expenses were \$426,028 thousand in 2007 and \$437,652 thousand in 2006. Capitalized interest expenses were \$140,978 thousand in 2007 and \$131,352 thousand in 2006. The interest rate used in computing the amounts capitalized ranged 2.33% to 2.49% in 2007 and from 2.21% to 2.52% in 2006.

To expand its business, the Company built a large department store in the Guo-Feng section in Hualien in December 2007. The carrying values of \$67,817 thousand of the related land and buildings and \$430 thousand of equipment were transferred from idle assets to construction in progress. As of December 31, 2007, the cost of this construction had reached \$87,777 thousand.

In February 2005, the Company entered into a contract with Far Eastern Construction Company (FECC) to build a mall on the land owned by the Company and FECC for the Company's customers in the Pan-Chiao City area. Under the contract, the cost of the construction would be paid on the basis of land ownership ratio. The construction cost as of December 31, 2007 consisted mainly of the acquisition cost for land located in Pan-Chiao City and architect's fee of \$5,376,452 thousand.

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

10. LEASEHOLD RIGHTS, NET

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Cost of A13 in the Hsinyi District	\$ 3,186,357	\$ 3,168,336
Cost of Tao-Yuan Farmers' Association	1,384,142	1,384,142
Cost of Taichung She Chan	<u>40,287</u>	<u>2,621</u>
	4,610,786	4,555,099
Less: Accumulated amortization	<u>610,981</u>	<u>536,314</u>
	<u>\$ 3,999,805</u>	<u>\$ 4,018,785</u>

- a. In September 2003, the Company acquired the land use rights for No. A13 in the Hsinyi district, which is owned by the Taipei City Government. The total amount of the land use rights was \$3,196,888 thousand, and the Company completed the registration of its acquisition of the land use right in October 2003. Under the contract, the Company has the right to use the land for 50 years from the completion of the right registration. The initial monthly rent is \$3,771, to be adjusted annually according to the land price announced on the contract date. The monthly rent has been adjusted to \$4,844 thousand since January 2007. The monthly rent are \$58,134 thousand in 2007 and \$54,429 in 2006, respectively, shown as rent expense (under operating expense).

In September 2003, the Company paid \$959,066 thousand, or 30% of the total land use rights payment. The rest, amounting to \$2,237,822 thousand, would be paid annually in five consecutive years at no interest. After the deduction of unrealized interest expenses of \$78,937 thousand, the net value of the rights was \$2,158,885 thousand, shown as accrued franchised liabilities. In 2007, the franchised liabilities amounted to \$298,588 thousand will due in one year.

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

Building and improvements pertain to a commercial building, including all improvements made thereon, the ownership of which will be transferred to Tao-Yuan Farmer Association in April 2018. The total construction cost of the commercial building is capitalized as leasehold rights, and cost amortization is from November 1999 to April 2018. The total amortization expense, classified as operating expenses - rental, was \$74,667 thousand in both 2007 and 2006.

- c. On November 28, 2005, the Company won the bid to lease land (No.89 and 91) located in the West Tun district in Taichung city, which was being managed by the Ministry of Education. Under the related contract, the Company has the leasing right for 20 years from April 6, 2007, in which one year, to be used for the Company's planning for constructing a building on the land, is rent free. On contract expiry, the Company has the right to extend the contract for another 20 years. The annual rent is \$140,288 thousand, to be adjusted every three years. The Company used a guarantee amounting to \$280,576 thousand and provided by Mega International Commercial Bank (formerly the International Commercial Bank of China) as the contract guarantee deposit for the period ending December 25, 2008. For assurance of the Company's transfer of the ownership of the building to the national government, the building will be entrusted to a certain financial institution in the Republic of China. In addition, the national government requires the Company to register with the authorities any building impairment due to force majeure (e.g., earthquakes) or other reasons. As of December 31, 2007, the cost of building development was \$40,287 thousand.

11. PROPERTY LEASED TO OTHERS, NET

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Cost		
Land	\$ 421,052	\$ 966,002
Building and equipment	522,449	528,891
Furniture and equipment	<u>255</u>	<u>9,732</u>
	<u>943,756</u>	<u>1,504,625</u>
Revaluation increment		
Land	211,744	211,744
Building and equipment	<u>3,027</u>	<u>3,027</u>
	<u>214,771</u>	<u>214,771</u>
Less: Accumulated depreciation		
Cost		
Building and equipment	128,182	118,732
Furniture and equipment	<u>242</u>	<u>9,703</u>
	128,424	128,435
Revaluation increment		
Building and equipment	<u>2,058</u>	<u>2,016</u>
Total accumulated depreciation	<u>130,482</u>	<u>130,451</u>
	<u>\$ 1,028,045</u>	<u>\$ 1,588,945</u>

The Company's lease contracts are mainly as follows:

- a. The Company leases the land located in Yung-Kang Tainan County to Far Eastern Hon Li Do Co. and Far Eastern Geant Co., Ltd. under a contract expiring on September 23, 2015. Under the contract, the Company received deposits of \$13,380 thousand from Far Eastern Hon Li Do Co., classified as deposits received, and receives monthly rent from Far Eastern Geant Co., Ltd. ('Geant'). The monthly rent was adjusted to \$8,886 thousand in October 2005. On April 2, 2007, the Company entered into an agreement to sell this land to Geant. The proceeds of this sale were \$565,000 thousand. After the deduction of the relevant expense of \$544,950 thousand and tax of \$14,131 thousand, the Company recognized a deferred gain of \$5,919 thousand on this disposal.
- b. The Company leases the site located in Kaohsiung City to related parties, Far Eastern International Bank for office building; the lease term will end in February 2010.
- c. The Company leases sections of sites separately located at the Tainan branch and the Hsin-Chu branch to Warner Village Movies Co. for its movie theatres in July and November 2002, respectively. Both lease terms are 15 years each, and the monthly rent for Tainan branch has been adjusted to \$3,188 thousand since July 2007 and for the Hsin-Chu branch adjusted to \$4,313 thousand since November 2007. Under the contract, the Company obtained \$33,000 thousand, classified as deposits received.
- d. The Company leases the site located in Ren-Ai Road Taipei City to Wellcome Department Stores Ltd. and two related parties, Yu Ming Advertising Agency Co. and Far Eastern CitySuper Ltd. Except for Yu Ming Advertising Agency Co. terminated lease on June 2007. The lease term will end in August 2008 and August 2009, respectively.

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

Year

2008	\$ 121,000
2009	101,432
2010	99,009
2011	99,988
2012	101,713

12. IDLE ASSETS, NET

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Cost		
Land	\$ 85,430	\$ 153,247
Buildings and equipment	217,099	225,078
Furniture and equipment	<u>8,151</u>	<u>21,162</u>
	<u>310,680</u>	<u>399,487</u>
Revaluation increment		
Land	255,291	255,291
Buildings and equipment	<u>16,058</u>	<u>16,470</u>
	<u>271,349</u>	<u>271,761</u>
	<u>582,029</u>	<u>671,248</u>
Less: Accumulated depreciation		
Cost		
Buildings and equipment	172,603	177,201
Furniture and equipment	7,772	20,648
Revaluation increment		
Buildings and equipment	<u>14,171</u>	<u>14,489</u>
	<u>194,546</u>	<u>212,338</u>
	<u>\$ 387,483</u>	<u>\$ 458,910</u>

The depreciation expense for idle assets are \$3,067 thousand and \$3,497 thousand in 2007 and 2006, respectively, classified as nonoperating expenses and losses - other expenses.

13. REFUNDABLE DEPOSITS

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Deposits on lease contracts	\$ 150,126	\$ 150,276
Others	<u>9,815</u>	<u>10,771</u>
	<u>\$ 159,941</u>	<u>\$ 161,047</u>

14. SHORT-TERM DEBTS

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Unsecured bank loan - interest from 2.259% to 2.500% in 2007 and from 1.720% to 1.800% in 2006	\$ 1,400,000	\$ 1,870,000
Secured bank loan - interest from 2.259% to 2.700% in 2007 and 1.720% in 2006	<u>650,000</u>	<u>350,000</u>
	<u>\$ 2,050,000</u>	<u>\$ 2,220,000</u>

15. SHORT-TERM NOTES AND BILLS PAYABLE

	<u>December 31</u>			
	<u>2007</u>		<u>2006</u>	
	Interest (%)	Value	Interest (%)	Value
China Bills Finance	2.00	\$ 350,000	1.57	\$ 350,000
International Bills Finance	2.20	200,000	-	-
Taiwan Bills Finance	2.04	150,000	1.52	150,000
Mega Bills Finance	-	-	1.55	<u>450,000</u>
		700,000		950,000
Less: Discount on notes and bills payable		<u>796</u>		<u>1,213</u>
		<u>\$ 699,204</u>		<u>\$ 948,787</u>

16 BONDS ISSUED

	Due in One Year	Due Over One Year	Total
<u>December 31, 2007</u>			
Domestic secured bonds issued on:			
August 25, 26, 27 and 28, 2003	\$ 1,200,000	\$ -	\$ 1,200,000
August 12, 2005	<u>-</u>	<u>500,000</u>	<u>500,000</u>
	<u>\$ 1,200,000</u>	<u>\$ 500,000</u>	<u>\$ 1,700,000</u>
<u>December 31, 2006</u>			
Domestic secured bonds issued on:			
August 7 and 8, 2002	\$ 500,000	\$ -	\$ 500,000
November 25, 26, 27, 28 and 29, 2002	1,500,000	-	1,500,000
August 25, 26, 27 and 28, 2003	-	1,200,000	1,200,000
August 12, 2005	<u>-</u>	<u>500,000</u>	<u>500,000</u>
	<u>\$ 2,000,000</u>	<u>\$ 1,700,000</u>	<u>\$ 3,700,000</u>

- a. The aggregate face value of domestic secured bonds issued on August 7 and 8, 2002 was \$500,000 thousand. These instruments consisted of Type A bonds with face value of \$300,000 thousand and Type B bonds with face value of \$200,000 thousand. Bond maturity was on August 7 and 8, 2007. Interest rate on each of these bonds was 3.7%, payable annually. The bonds were repaid in August 2007 on their maturity.

- b. The aggregate face value of domestic secured bonds issued on November 25 to 29, 2002 was \$1,500,000 thousand. These instruments consisted of Types A, B, C, D and E bonds with face value of \$300,000 thousand each. The bonds will all mature on November 25 to 29, 2007. Interest on all bonds is 2.588%, payable annually. The bonds were mature and repaid in November 2007.
- c. The average face value of domestic secured bonds issued on August 25 to 28, 2003 was \$1,200,000 thousand. These instruments consisted of Types A, B, C and D bonds with face value of \$300,000 thousand each. The bonds will all mature on August 25 to 28, 2008. Interest on all bonds is 1.178%, payable annually.
- d. The average face value of domestic secured bonds issued on August 12, 2005 was \$500,000 thousand. The bond will all mature on August 12, 2010. Interest on all bond is 1.81% payable annually.

17. LONG-TERM BORROWINGS

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Commercial paper issued - interest from 1.609% to 2.262% in 2007 and from 1.47% to 2.262% in 2006	\$ 6,078,316	\$ 5,479,026
Secured bank loan - interest from 2.13% to 2.409% in 2007 and from 2.10% to 2.13% in 2006	2,300,000	405,700
Unsecured bank loan - interest from 2.10% to 2.40% in 2007 and from 1.80% to 2.13% in 2006	<u>1,100,000</u>	<u>1,000,000</u>
	9,478,316	6,884,726
Less: Current portion	<u>597,133</u>	<u>584,917</u>
	<u>\$ 8,881,183</u>	<u>\$ 6,299,809</u>

The balance of secured bank loans amounted to \$285,700 thousand as of December 31, 2006 was repayable semiannually until October 2007. The other borrowings were repayable within one year. Under the loans contracts, the Company could extend the repayment deadline for these loans. Thus, these secured bank loans were classified as long-term liabilities.

As of December 31, 2007, unused bank credit lines aggregated \$4,469,000 thousand, of which the Company, Bai-Ding, Bai-Yang, Yu-Ming, Feds Asia Pacific and Far Eastern Hon Li Do Co., Ltd. collectively had unused bank credit lines aggregating \$850,000 thousand.

18. STOCKHOLDERS' EQUITY

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

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

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

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

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

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

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

On June 15, 2007 and June 2, 2006, the Company's stockholders resolved earnings appropriation and distribution of bonus to employees and remuneration to directors and supervisors in 2006 and 2005, that is shown as follows:

	<u>Earnings Appropriation</u>		<u>Dividends Per Shares (NT\$)</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Legal reserve	\$ 58,615	\$ 97,942		
Stock dividend - common stock	-	414,559	\$ -	\$ 0.40
Cash dividend - common stock	538,926	518,198	0.50	0.50
Bonus to employees - cash paid	23,034	40,119		
Remuneration to directors and supervisors - cash paid	<u>17,275</u>	<u>30,089</u>		
	<u>\$ 637,850</u>	<u>\$ 1,100,907</u>		

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

The stock dividend appropriation from the capital surplus of 2006 and the appropriation of stock dividends from the 2005 unappropriated earnings were approved by the Securities and Futures Bureau, and the board of directors resolved to have August 18, 2007 and August 9, 2006, respectively, as the effective dates of stock dividend distribution.

The earnings appropriation for year of 2006 and 2005 were consistent with the resolution made by the Board of Director on March 20, 2007 and March 9, 2006, respectively.

Had the above bonus to employees and remuneration to directors and supervisors been paid entirely in cash and charged against earnings for 2006 and 2005, the after-tax basic earnings per share would have decreased from NT\$0.54 to NT\$0.50 in 2006 and from NT\$0.95 to NT\$0.88 in 2005.

As of the accompanying auditors' report date (February 27, 2008), the board of directors had not approved the proposal on the distribution of the 2007 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>).

19. TREASURY STOCK

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

The related information about the Company's issued stock held by subsidiaries in the year of 2007 and 2006 were shown as follows:

	Shares in Thousands	Carrying Value	Fair Value
<u>December 31, 2007</u>			
Bai Ding Investment Co.	28,770	\$ <u>165,492</u>	\$ <u>1,129,225</u>
<u>December 31, 2006</u>			
Bai Ding Investment Co.	27,663	\$ 165,492	\$ 575,344
Bai Ying Investment Co.	2,751	<u>16,458</u>	<u>57,218</u>
		<u>\$ 181,950</u>	<u>\$ 632,562</u>

The treasury stocks held by subsidiaries increased by 1,107 thousand shares in 2007 and by 1,303 thousand shares in 2006 because of the Company's stock dividend distribution in 2007 and 2006. Also in 2007 and 2006, the subsidiaries disposed of 2,751 thousand treasury shares and 4,719 treasury shares, with proceeds of \$61,581 thousand and \$91,727 thousand, respectively. After deducting the treasury stock acquisition costs of \$16,368 thousand and \$28,529 thousand from these proceeds, the Company credited \$45,213 thousand and \$63,197 thousand, respectively, to capital surplus - treasury stock transactions based on the Company's equity in these subsidiaries.

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

20. OTHER OPERATING REVENUES AND COSTS

	2007	2006
Other operating revenues		
Concessionaires' sales	\$ 138,166	\$ 136,808
Revenue on property leased to others	67,159	143,029
Revenue on parking lots	65,331	65,981
Other	<u>-</u>	<u>114</u>
	<u>\$ 270,656</u>	<u>\$ 345,932</u>
Other operating costs		
Concessionaires' sales	\$ 21,666	\$ 21,866
Revenue on property leased to others	6,209	7,004
Revenue on parking lots	<u>19,608</u>	<u>16,146</u>
	<u>\$ 47,483</u>	<u>\$ 45,016</u>

21. 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 Company 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:

	2007	2006
Tax on pretax income at 25% statutory rate	\$ 371,035	\$ 152,906
Add (deduct) tax effects of:		
Permanent differences	(502,101)	(269,899)
Temporary differences	(88,836)	194,312
Loss carryforwards	-	(18,081)
Investment tax credit	-	(20,000)
Income basic tax	<u>-</u>	<u>4,648</u>
Current income tax payable	-	43,886
Less: Withholding tax	<u>34,892</u>	<u>1,256</u>
Income tax payable (tax refund receivable - as others receivable)	<u>\$ (34,892)</u>	<u>\$ 42,630</u>

- b. Income tax expense consisted of:

Income tax expense - current	\$ -	\$ 43,886
Prior years' adjustment	4,198	1
Income tax at 20% on negotiable certificates of deposits	1,450	
Income tax expense on short-term negotiable instruments taxed at 20%	113	8
Income tax expense - deferred	<u>(128,733)</u>	<u>(18,354)</u>
Income tax expense	<u>\$ (122,972)</u>	<u>\$ 25,541</u>

	2007	2006
c. Deferred income tax consisted of the following:		
Current		
Deferred income tax assets		
Unrealized interest expense	\$ 24,283	\$ 16,210
Allowance for doubtful accounts	10,840	9,966
Allowance for losses on obsolescence	2,328	2,328
Unrealized exchange expense	<u>1,761</u>	<u>-</u>
	39,212	28,504
Less: Valuation allowance	<u>(11,983)</u>	<u>(11,983)</u>
	27,229	16,521
Deferred income tax liabilities		
Unrealized exchange gain	<u>(86)</u>	<u>(36)</u>
Net deferred tax assets	<u>\$ 27,143</u>	<u>\$ 16,485</u>
Noncurrent		
Deferred income tax assets		
Cumulative equity in net loss of investees	\$ 372,905	\$ 482,538
Difference of pension cost between financial reporting and tax reporting	<u>861</u>	<u>8,914</u>
	373,766	491,452
Less: Valuation allowance	<u>(197,133)</u>	<u>(409,635)</u>
	176,633	81,817
Deferred income tax liabilities		
Difference of depreciation expense between financial reporting and tax reporting	(248,930)	(249,231)
Cumulative equity in net income of foreign-domiciled investees	<u>-</u>	<u>(22,958)</u>
	<u>(248,930)</u>	<u>(272,189)</u>
Net deferred tax liabilities	<u>\$ (72,297)</u>	<u>\$ (190,372)</u>
d. Information on the integrated income tax system is as follows:		
Balance of imputation credit account (ICA)	<u>\$ 175,077</u>	<u>\$ 36,066</u>

The actual creditable tax ratio for earnings of the Company in 2006 was 34.46%. The projected creditable tax ratio for earnings of the Company as of December 31, 2007 was 10.89%. 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 1997 were used to offset deficit in 2002.

Income tax returns through 2005 had been examined and cleared by the tax authorities.

22. PAYROLL, DEPRECIATION AND AMORTIZATION EXPENSES

	Operating Costs	Operating Expenses	Nonoperating Expenses	Total
<u>2007</u>				
Payroll expenses				
Salary	\$ 6,846	\$ 756,236	\$ -	\$ 763,082
Insurance	325	51,703	-	52,028
Pension	<u>642</u>	<u>22,482</u>	<u>-</u>	<u>23,124</u>
	<u>\$ 7,813</u>	<u>\$ 830,421</u>	<u>\$ -</u>	<u>\$ 838,234</u>
Depreciation	<u>\$ 15,881</u>	<u>\$ 410,147</u>	<u>\$ 3,067</u>	<u>\$ 429,095</u>
Amortization	<u>\$ -</u>	<u>\$ 76,951</u>	<u>\$ 6,750</u>	<u>\$ 83,701</u>
<u>2006</u>				
Payroll expenses				
Salary	\$ 7,576	\$ 741,912	\$ -	\$ 749,488
Insurance	596	53,551	-	54,147
Pension	<u>558</u>	<u>25,570</u>	<u>-</u>	<u>26,128</u>
	<u>\$ 8,730</u>	<u>\$ 821,033</u>	<u>\$ -</u>	<u>\$ 829,763</u>
Depreciation	<u>\$ 17,110</u>	<u>\$ 420,542</u>	<u>\$ 18,523</u>	<u>\$ 456,175</u>
Amortization	<u>\$ -</u>	<u>\$ 77,251</u>	<u>\$ 10,310</u>	<u>\$ 87,561</u>

23. EARNINGS PER SHARE

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

	<u>Amount (Numerator)</u>		Shares in Thousands (Denominator)	<u>Earnings Per Share (NT\$)</u>	
	<u>Before Tax</u>	<u>After Tax</u>		<u>Before Tax</u>	<u>After Tax</u>
<u>2007</u>					
Basic earnings per share					
Net income	<u>\$ 1,484,180</u>	<u>\$ 1,607,152</u>	<u>1,091,653</u>	<u>\$ 1.36</u>	<u>\$ 1.47</u>
<u>2006</u>					
Basic					
Income before effects of changes in accounting principles	\$ 611,665	\$ 586,124		\$ 0.59	\$ 0.56
Effects of changes in accounting principles	<u>28</u>	<u>28</u>		<u>-</u>	<u>-</u>
Net income	<u>\$ 611,693</u>	<u>\$ 586,152</u>	<u>1,044,166</u>	<u>\$ 0.59</u>	<u>\$ 0.56</u>

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

	<u>Amount (Numerator)</u>		<u>Shares in Thousands (Denominator)</u>	<u>Earnings Per Share (NT\$)</u>	
	<u>Before Tax</u>	<u>After Tax</u>		<u>Before Tax</u>	<u>After Tax</u>
<u>2007</u>					
Basic earnings per share					
Net income	<u>\$ 1,529,393</u>	<u>\$ 1,652,365</u>	<u>1,120,967</u>	<u>\$ 1.36</u>	<u>\$ 1.47</u>
<u>2006</u>					
Basic					
Income before effects of changes in accounting principles	\$ 674,863	\$ 649,322		\$ 0.63	\$ 0.60
Effects of changes in accounting principles	<u>28</u>	<u>28</u>		<u>-</u>	<u>-</u>
Net income	<u>\$ 674,891</u>	<u>\$ 649,350</u>	<u>1,077,853</u>	<u>\$ 0.63</u>	<u>\$ 0.60</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 2007. This adjustment caused the basic EPS in 2006 before and after tax to decrease from NT\$0.59 to NT\$0.56 and from NT\$0.56 to NT\$0.54, respectively.

24. PENSION PLAN

The Labor Pension Act (the "Act"), which took effect and the pension mechanism under the Act is deemed a defined contribution plan. The employees who were subject to the Labor Standards Law before July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Act or continue to be subject to the pension mechanism under the Labor Standards Law. For Company employees who were subject to the Labor Standards Law before July 1, 2005 and chose to be subject instead to the pension mechanism under the Act, their service years as of June 30, 2005 were retained. Based on the Act, the Company's rate of monthly contributions to employees' individual pension accounts is at 6% of monthly salaries and wages starting on July 1, 2005. In 2007 and 2006, the Company has accrued \$19,650 thousand and \$19,076 thousand as net pension cost for the defined contribution pension plan based on the Act.

The Company has a defined benefit plan under the Labor Standards Law, which provides benefits based on an employee's length of service and average salary of the six months before retirement. The Company contributes an amount equal to 6% of monthly salaries and wages to a pension fund. This fund is administered by a pension fund monitoring committee and deposited in the committee's name in the Bank of Taiwan (the former appointed Central Trust of China was incorporated into Bank of Taiwan in 2007).

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

	2007	2006
a. Net pension cost		
Service cost	\$ 13,108	\$ 13,794
Interest cost	10,700	12,968
Projected return on plan assets	(14,709)	(16,198)
Amortization	<u>(13,108)</u>	<u>(10,212)</u>
Net pension (benefit) cost	<u>\$ (4,009)</u>	<u>\$ 352</u>

	2007	2006
b. Reconciliation of the funded status of the plan and prepaid pension cost		
Present value of benefit obligation:		
Vested benefit obligation	\$ (139,171)	\$ (107,975)
Non-vested benefit obligation	<u>(277,405)</u>	<u>(220,903)</u>
Accumulated benefit obligation	(416,576)	(328,878)
Additional benefits based on future salaries	<u>(93,279)</u>	<u>(65,235)</u>
Projected benefit obligation	(509,855)	(394,113)
Fair value of plan assets	<u>989,436</u>	<u>525,580</u>
Funded status	479,581	131,467
Unrecognized net transition assets	(134,550)	(153,772)
Unrecognized prior service cost due to the adoption of the Labor Standards Law in 1998	(15,043)	(16,410)
Unrecognized net actuarial loss	<u>(186,674)</u>	<u>149,813</u>
Prepaid pension cost	<u>\$ 143,314</u>	<u>\$ 111,098</u>
c. Vested benefits - undiscounted	<u>\$ 176,306</u>	<u>\$ 132,796</u>
d. Actuarial assumptions		
Discount rate used in determining present value	2.75%	2.75%
Future salary increase rate	2.00%	2.00%
Expected rate of return on plan assets	2.75%	2.75%
e. Contributions to and payments from the fund		
Contributions	<u>\$ 28,207</u>	<u>\$ 23,852</u>
Payments	<u>\$ 36,122</u>	<u>\$ 53,679</u>

25. RELATED-PARTY TRANSACTIONS

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

<u>Related Party</u>	<u>Relationship with the Company</u>
Far Eastern Textile Co.	Equity-method investor
Far Eastern Geant Co., Ltd.	Equity-method investee
Far Eastern Hon Li Do Co., Ltd.	Equity-method investee
Bai Ding Investment Co.	Equity-method investee
Ya Tung Department Stores	Equity-method investee
Oriental Securities Corporation	Equity-method investee
Yu Ming Advertising Agency Co.	Equity-method investee
Bai Yang Investment Co.	Equity-method investee
Far Eastern CitySuper Ltd.	Equity-method investee
Pacific Liu Tong Investment Co.	Equity-method investee
Ding Ding Integrated Marketing Service	Equity-method investee
Asia Cement Corp.	Same Chairman of the Board of Directors
Yuan Ding Co., Ltd.	Same Chairman of the Board of Directors
Far Eastern International Bank	Same Chairman of the Board of Directors

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
Far EasTone Telecom Co., Ltd.	Same Chairman of the Board of Directors
Far Eastern Resource Development Ltd., Corp.	Same Chairman of the Board of Directors
New Century Infocom Tech., Co., Ltd.	Same Chairman of the Board of Directors
Far Eastern Construction Company	Same director
FEDS Asia Pacific Development Co., Ltd.	Subsidiary of Bai Yang Investment Co.
FEDS New Century Development	Subsidiary of Bai Yang Investment Co.
Far Eastern Apparel Co., Ltd.	An indirect subsidiary of Far Eastern Textile Co.
Far Eastern General Contractor Inc.	An indirect subsidiary of Far Eastern Textile Co.
Far Eastern International Leasing Corp.	Equity-method investee of Bai Yang Investment Co.
Yuan Bo Asset Management Company	Subsidiary of Far Eastern International Leasing Corp.
Others	Others (no transactions; see Table 10)

(Concluded)

26. ASSETS PLEDGED OR MORTGAGED

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

	2007	2006
Pledged time deposits	\$ -	\$ 1,000
Long-term stock investments accounted for using equity method	1,413,496	1,319,211
Available-for-sale financial assets - noncurrent	474,000	1,457,000
Property, net	13,540,331	9,892,808
Idle assets, net	<u>276,091</u>	<u>277,243</u>
	<u>\$ 15,703,918</u>	<u>\$ 12,947,262</u>

27. COMMITMENTS AND CONTINGENT LIABILITIES AS OF DECEMBER 31, 2007

Significant commitments and contingent liabilities are summarized as follows:

- a. Unused letters of credit aggregated \$29,129 thousand.
- b. Outstanding construction contracts aggregated \$1,984,037 thousand.
- c. Guarantees on the loans of related parties were as follows:

Pacific Sogo Department Store Co.	\$ 7,054,023
Bai-Ding Investment Corporation	3,900,000
Far Eastern Geant Co., Ltd.	3,475,000
FEDS Asia Pacific Development	1,550,000
Tianjin FEDS Limits., Co	494,333
Far Eastern Citysuper Ltd.	450,000
Yu Ming Advertising Agency Co.	200,000
Far Eastern Hon Li Do Co., Ltd.	80,000
Bai Yang Investment Co.	<u>80,000</u>
	<u>\$ 17,283,356</u>

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

- d. In addition to the lease contracts mentioned in Notes 10 and 11, other major operating lease contracts are listed below:
- 1) The Company leases from Asia Cement Corporation (a related party) the site of its store in Taipei. The lease agreement will expire on December 31, 2012, but the lessor allowed the Company to renew the lease upon its expiry. The total monthly rent is \$6,562 thousand.
 - 2) The Company leases from FEDS Asia Pacific Development (a related party) the site of its store in Kaohsiung. The lease agreement will expire on October 23, 2016, but the lessor allowed the Company to renew the lease upon its expiry. The total monthly rent is \$19,211 thousand.

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

Year	Rental Expense
2007	\$ 558,361
2008	556,453
2009	556,453
2010	556,453
2011	555,769

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

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

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

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

This case was pending before the court as of December 31, 2007. Thus, the Company recorded an interest payable of \$103,745 thousand as accrued expense.

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

The land sold to the Bank, however, was a replacement for a land owned by the Company that was designated by the Taipei County Government (TPG) as part of a special economic zone. The Company believes that the replacement was improper because the replacement land was smaller than the land originally owned by the Company. Thus, the Company brought a complaint before the Ministry of the Interior (MOTI), which referred the matter to the Taipei High Administrative Court (the "Court"). On September 29, 2006, the Court dismissed this complaint, but, after consulting its legal counsel, the Company deemed that the court decision was invalid because it believed that the land replacement rule was applied inappropriately. Thus, the Company raised an appeal to the Supreme Administrative Court on November 1, 2006. This case was still pending before the court as of December 31, 2007.

- g. Pacific Liu Tong Investment Company (PLTIC), a major stockholder of Pacific Sogo Department Store (SOGO), was sued by Zhang Ming Qiang ("Zhang") for the allegedly illegal passing of resolutions by PLTIC's stockholders in their meetings on May 9, 2002 and September 21, 2002 on capital subscription and the by-election, also on September 21, 2002, of directors and supervisors. Zhang thus claimed that the registration of the capital subscription and the by-election results was invalid. He included the Company and Far Eastern Textile Company (FETC) in his lawsuit because they had a significant investment in PLTIC. Zhang further demanded that PLTIC pay him \$5,000 thousand plus interest as board member remuneration. Later, Zhang withdrew the lawsuit on the capital subscription. The remaining lawsuit on the by-election was pending before the court as of December 31, 2007.
- h. Under a ruling by the Ministry of Economic Affairs, In April 2007, the Company and Pacific Sogo Department Stores Co., Ltd. signed an agreement to have mutual performance guarantees on gift certificates bought by customers. The guarantee period was from April 1, 2007 to March 31, 2008. As of December 31, 2007, the Company's guarantee amount for SOGO was \$2,008,276 thousand and that by SOGO for the Company was \$1,587,318 thousand.

28. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

Nonderivative Financial Instruments	December 31			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash	\$ 232,948	\$ 232,948	\$1,563,317	\$ 1,563,317
Notes receivable	15,858	15,858	194,293	194,293
Accounts receivable	237,931	237,931	221,074	221,074
Accounts receivable - related parties	444,629	444,629	13,680	13,680
Other receivable	81,706	81,706	200,211	200,211
Pledged time deposit	-	-	1,000	1,000
Available-for-sale financial assets	3,443,132	3,443,132	2,405,818	2,405,818
Financial assets carried at cost	162,570	162,570	162,570	162,570
Refundable deposits	159,941	159,941	161,047	161,047
Liabilities				
Short-term debts	2,050,000	2,050,000	2,220,000	2,220,000
Short-term notes and bills payable	699,204	699,204	948,787	948,787
Accounts payable	2,084,553	2,084,553	2,285,474	2,285,474
Accounts payable - related parties	135,082	135,082	89,390	89,390
Accrued expense	545,878	545,878	476,012	476,012
Balance payables - property	78,013	78,013	784,936	784,936
Bonds issued	1,700,000	1,687,605	3,700,000	3,691,287
Long-term borrowings	9,478,316	9,478,316	6,884,726	6,884,726
Franchise liability	298,588	298,588	601,282	601,282
Deposits received	42,659	42,659	56,559	56,559

Effective January 1, 2006, the Company 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.
- 2) Available-for-sale financial assets are based on quoted market prices.
- 3) The fair values of the financial assets carried at cost and long-term investments in non-publicly listed companies accounted for by the equity method cannot be estimated because they have no quoted market prices in an active market and determining their fair values entails an unreasonably high cost.
- 4) The fair values of 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, 2007 and 2006, financial assets exposed to fair value interest rate risk amounted to \$0 thousand and \$725,000 thousand, respectively, financial liabilities exposed to fair value interest rate risk amounted to \$9,376,904 thousand and \$10,900,308 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk amounted to \$4,849,204 thousand and \$3,454,487 thousand, respectively.
- d. Information about financial risks

1) Market risk

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

2) Credit risk

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

3) Liquidity risk

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

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

4) Cash flow interest rate risk

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

31. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None
- b. Endorsement/guarantee provided: Table 3 (attached)
- c. Marketable securities held: Table 4 (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 5 (attached)
- e. Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)

- f. Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: Table 7 (attached)
- g. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 8 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 9 (attached)
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Table 10 (attached)
- j. Derivative financial transactions: None
- k. Investment in Mainland China
 - 1) Investee company name, the description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Table 11 (attached)
 - 2) Significant direct or indirect transactions with the investee company, prices, payment terms and unrealized gain or loss:
 - a) Amount and percentage of purchases; the balance and percentage of related accounts payables: None
 - b) Amount and percentage of sales; the balance and percentage of related accounts receivables: None
 - c) Gain (loss) on and amounts of asset: None
 - d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: Table 3 (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

32. SEGMENT INFORMATION

- a. Industry information: The Company solely operates department stores.
- b. Geographic information: The Company operates entirely in the Republic of China in 2007 and 2006.
- c. Export sales: There were no export sales in 2007 and 2006.
- d. Sales to major customers: In 2007 and 2006, no revenue from a single customer was at least 10% of total operating revenues.

TABLE 1**FAR EASTERN DEPARTMENT STORES, LTD.****SUMMARY OF RELATED-PARTY BALANCES****DECEMBER 31, 2007 AND 2006****(In Thousands of New Taiwan Dollars)**

Related Party	Accounts Receivable - Related Parties (Notes B and C)		Unfinished Construction		Accounts Payable - Related Parties		Deposits Received		Deferred Credits	
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total
<u>2007</u>										
Far Eastern Geant Co., Ltd.	\$ 53,221	12	\$ -	-	\$ 19	-	\$ -	-	\$ 5,919	52
Far Eastern Hon Li Do Co., Ltd.	177	-	-	-	-	-	-	-	-	-
Bai Ding Investment Co.	11,699	3	-	-	866	1	-	-	5,447	48
Ya Tung Department Stores	2,637	1	-	-	505	-	-	-	-	-
Oriental Securities Corporation	35	-	-	-	1,990	2	-	-	-	-
Yu Ming Advertising Agency Co.	310	-	-	-	33	-	-	-	-	-
Far Eastern Textile Ltd.	198	-	-	-	8,530	6	-	-	-	-
Asia Cement Corporation	62	-	-	-	6,890	5	-	-	-	-
Far Eastern International Bank	129	-	-	-	22	-	1,409	3	-	-
Far EasTone Telecommunication Co., Ltd.	564	-	-	-	10	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	193	-	-	-	-	-
Ding Ding Integrated Marketing Service	9,341	2	-	-	25,986	19	-	-	-	-
Far Eastern Apparel Co., Ltd.	10,388	2	-	-	54,178	40	-	-	-	-
Far Eastern General Contractor Inc.	-	-	204,556	4	-	-	-	-	-	-
Pacific Liu Tong Investment Co., Ltd.	326,454	(Note A) 73	-	-	-	-	-	-	-	-
Pacific Sogo Department Stores Co., Ltd.	24,592	6	-	-	35,749	27	-	-	-	-
Other	4,822	1	-	-	111	-	408	1	-	-
	<u>\$ 444,629</u>	<u>100</u>	<u>\$ 204,556</u>	<u>4</u>	<u>\$ 135,082</u>	<u>100</u>	<u>\$ 1,817</u>	<u>4</u>	<u>\$ 11,366</u>	<u>100</u>
<u>2006</u>										
Far Eastern Geant Co., Ltd.	\$ 5,974	44	\$ -	-	\$ 8,825	10	\$ -	-	\$ 363,639	99
Far Eastern Hon Li Do Co., Ltd.	-	-	-	-	-	-	13,380	24	-	-
Bai Ding Investment Co.	-	-	-	-	10	-	-	-	5,447	1
Ya Tung Department Stores	163	1	-	-	156	-	-	-	-	-
Oriental Securities Corporation	1,292	9	-	-	1,366	2	472	1	-	-
Yu Ming Advertising Agency Co.	461	3	-	-	5,761	6	-	-	-	-
Far Eastern Textile Ltd.	5	-	-	-	8,676	10	-	-	-	-
Asia Cement Corporation	59	-	-	-	5,742	6	-	-	-	-
Far Eastern International Bank	260	2	-	-	-	-	1,409	2	-	-
Far EasTone Telecommunication Co., Ltd.	784	6	-	-	29	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	353	-	-	-	-	-
Ding Ding Integrated Marketing Service	748	6	-	-	22,281	25	-	-	-	-

(Continued)

Related Party	Accounts Receivable - Related Parties (Notes B and C)		Unfinished Construction		Accounts Payable - Related Parties		Deposits Received		Deferred Credits	
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total
Far Eastern Apparel Co., Ltd.	\$ 3,037	22	\$ -	-	\$ 36,191	41	\$ -	-	\$ -	-
Far Eastern General Contractor Inc.	-	-	117,939	2	-	-	-	-	-	-
Far Eastern Construction Co.	221	2	-	-	-	-	-	-	-	-
Pacific Sogo Department Stores Co., Ltd.	41	-	-	-	-	-	-	-	-	-
Other	<u>635</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>408</u>	<u>1</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,680</u>	<u>100</u>	<u>\$ 117,939</u>	<u>2</u>	<u>\$ 89,390</u>	<u>100</u>	<u>\$ 15,669</u>	<u>28</u>	<u>\$ 369,086</u>	<u>100</u>

Note A: Mainly cash dividend receivables.

Note B: The balances of the Company's accounts receivable from and accounts payable to Far Eastern Geant Co., Ltd. and Pacific Sogo Department Stores Co., Ltd. as of December 31, 2007 mainly referred to the consignment and redemption of gift certificates and gift vouchers. The related issuance fee is based on an agreed rate and is received or paid monthly.

Note C: The balance of the Company's handling fee receivables on endorsements or guarantees provided to its subsidiaries was US\$1,432 thousand as of December 31, 2007.

(Concluded)

TABLE 2

FAR EASTERN DEPARTMENT STORES, LTD. AND INVESTEEES

SUMMARY OF RELATED-PARTY TRANSACTIONS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

Related Party	Sales (Note A)		Purchases (Note A)		Other Operating Revenue - Rental (Note B)		Operating Expenses (Note B)		Nonoperating Income and Gains - Other Income (Note C)		Nonoperating Expenses and Losses - Other Expenses		Payable to Affiliates							
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Highest Balance During the Year	Date of Highest Balance	Year-end Amount	Rate (%)	Interest Expense Amount	% to Total		
2007																				
Far Eastern Geant Co., Ltd.	\$ 1,297	-	\$ 479	-	\$ 34,064	12	\$ 395	-	\$ 8,828	8	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Far Eastern Hon Li Do Co., Ltd.	-	-	-	-	102	-	-	-	169	-	-	-	-	-	-	-	-	-	-	-
Ya Tung Department Stores	11,108	-	-	-	-	-	643	-	8	-	-	-	-	-	-	-	-	-	-	-
Oriental Securities Corporation	802	-	-	-	2,198	1	-	-	-	-	7,344	9	-	-	-	-	-	-	-	-
FEDS Asia Pacific Development Co., Ltd.	-	-	-	-	-	-	229,014	7	3,561	3	-	-	-	-	-	-	-	-	-	-
Bai Yang Investment Co.	-	-	-	-	23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yu Ming Advertising Agency Co.	351	-	48,285	-	2,070	1	3,337	-	135	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	3,683	-	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Textile Ltd.	-	-	-	-	-	-	28,047	1	12,500	11	-	-	-	-	-	-	-	-	-	-
Asia Cement Corporation	130	-	-	-	-	-	87,203	2	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern International Bank	1,714	-	-	-	5,412	2	-	-	2,587	2	1	-	500,000	2007.6.15-2007.7.13	300,000	1.85-2.90	2,497	1	-	
Far EastTone Telecommunications Co., Ltd.	250	-	-	-	2,132	1	467	-	6	-	-	-	-	-	-	-	-	-	-	-
Yuan Bo Asset Management Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ding Ding Integrated Marketing Service	16,955	-	-	-	-	-	22,352	1	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	15,395	-	174,502	1	47	-	11,141	-	-	-	1,551	2	-	-	-	-	-	-	-	-
Pacific Sogo Department Stores Co., Ltd.	12,631	-	-	-	-	-	125	-	18,434	16	393	1	-	-	-	-	-	-	-	-
Other	1,051	-	-	-	2,074	1	7,362	-	14,476	12	1,091	1	-	-	-	-	-	-	-	-
	<u>\$ 61,684</u>	<u>-</u>	<u>\$ 223,266</u>	<u>1</u>	<u>\$ 48,122</u>	<u>18</u>	<u>\$ 393,769</u>	<u>11</u>	<u>\$ 60,704</u>	<u>52</u>	<u>\$ 10,380</u>	<u>13</u>			<u>\$ 300,000</u>				<u>\$ 2,497</u>	<u>1</u>
2006																				
Far Eastern Geant Co., Ltd.	\$ 2,273	-	\$ -	-	\$ 106,635	31	\$ -	-	\$ 10	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Far Eastern Hon Li Do Co., Ltd.	-	-	-	-	257	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ya Tung Department Stores	4,132	-	-	-	-	-	165	-	-	-	-	-	-	-	-	-	-	-	-	-
Oriental Securities Corporation	2,467	-	-	-	3,031	1	-	-	-	-	7,412	8	-	-	-	-	-	-	-	-
FEDS Asia Pacific Development Co., Ltd.	-	-	-	-	-	-	228,124	7	-	-	-	-	-	-	-	-	-	-	-	-
Bai Yang Investment Co.	-	-	-	-	23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yu Ming Advertising Agency Co.	186	-	25,943	-	4,133	1	3,585	-	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	4,149	-	17	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Textile Ltd.	-	-	-	-	-	-	28,911	1	12,500	18	3	-	-	-	-	-	-	-	-	-
Asia Cement Corporation	-	-	-	-	-	-	74,079	2	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern International Bank	2,157	-	-	-	5,522	2	-	-	2,340	3	-	-	500,000	2006.9.12-2006.9.22	-	1.54-1.78	2,832	1	-	
Far EastTone Telecommunications Co., Ltd.	-	-	-	-	1,802	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yuan Bo Asset Management Company	-	-	-	-	-	-	2,160	-	-	-	-	-	-	-	-	-	-	-	-	-
Ding Ding Integrated Marketing Service	-	-	-	-	-	-	16,228	1	-	-	-	-	-	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	4,764	-	160,594	1	57	-	8,134	1	-	-	1,477	2	-	-	-	-	-	-	-	-
Pacific Sogo Department Stores Co., Ltd.	153	-	-	-	-	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	569	-	300	-	2,055	1	7,726	-	-	-	10	-	-	-	-	-	-	-	-	-
	<u>\$ 16,701</u>	<u>-</u>	<u>\$ 186,837</u>	<u>1</u>	<u>\$ 123,515</u>	<u>36</u>	<u>\$ 373,265</u>	<u>12</u>	<u>\$ 14,867</u>	<u>21</u>	<u>\$ 8,902</u>	<u>10</u>			<u>\$ -</u>				<u>\$ 2,832</u>	<u>1</u>

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

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

Note C: The handling fee revenue in 2007 was calculated at 0.4% of the endorsement or guarantee used by each subsidiary. This rate was based on the prevailing handling fee rates of banks.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEES PROVIDED

YEAR ENDED DECEMBER 31, 2007

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

No.	Endorser/Guarantor	Counter-party		Limits on the Amount that Can be Endorsed/ Guaranteed by Each	Highest Balance for the Period (Note H)	Ending Balance (Note H)	Value of Property, Plant, or Equipment Used as Collateral	Ratio of Accumulated Amount of Collateral to Net Equity Based on the Latest Financial Statement of the Endorser/Guarantor	Maximum Collateral/ Guarantee Amounts Allowable	
		Name	Nature of Relationship of the Company (Note A)							
0	Far Eastern Department Store Ltd. (the "Company")	Pacific Sogo Department Store Co.	d.	\$ 14,566,541 (Note B)	\$ 7,054,023	\$ 7,054,023	\$ -	29	\$ 24,277,569 (Note C)	
		Bai Ding Investment Co.	a.	14,566,541 (Note B)	4,200,000	3,900,000	-	16	24,277,569 (Note C)	
		Far Eastern Geant Co., Ltd.	a.	14,566,541 (Note B)	3,475,000	3,475,000	-	14	24,277,569 (Note C)	
		FEDS Asia Pacific Development Ltd.	d.	14,566,541 (Note B)	2,110,000	1,550,000	-	6	24,277,569 (Note C)	
		Tianjin FEDS Limits, Co.	d.	14,566,541 (Note B)	548,075	494,333	-	2	24,277,569 (Note C)	
						(RMB123,400,000)	(RMB113,300,000)			
		Far Eastern CitySuper Ltd.	a.	14,566,541 (Note B)	450,000	450,000	-	2	24,277,569 (Note C)	
		Yu Ming Advertising Agency Co.	a.	14,566,541 (Note B)	300,000	200,000	-	1	24,277,569 (Note C)	
		Far Eastern Hon Li Do Co., Ltd.	a.	14,566,541 (Note B)	330,000	80,000	-	-	24,277,569 (Note C)	
		Bai Yang Investment Co.	a.	14,566,541 (Note B)	130,000	80,000	-	-	24,277,569 (Note C)	
1	Yu Ming Advertising Agency Co.	Pacific Sogo Department Store Co.	c.	42,629 (Note B)	333	333	-	-	71,048 (Note C)	
2	Bai Ding Investment Co.	Far Eastern Department Stores, Ltd.	g.	3,163,647 (Note B)	355,000 (Note I)	-	-	-	5,272,745 (Note C)	
		Pacific Sogo Department Store Co.	c.	3,163,647 (Note B)	400,458 (Note J)	208,458	-	4	5,272,745 (Note C)	
3	Bai Yang Investment Co.	Pacific Sogo Department Store Co.	c.	5,065,534 (Note B)	41,292	41,292	-	-	8,442,556 (Note C)	
4	Feds Asia Pacific Development Ltd.	Pacific Sogo Department Store Co.	c.	1,324,457 (Note B)	41,292	41,292	-	2	2,207,428 (Note C)	
5	Feds New Century Development Co., Ltd.	Pacific Sogo Department Store Co.	c.	127,927 (Note B)	41,292	41,292	-	19	213,212 (Note C)	
6	Far Eastern Hon Li Do Co., Ltd.	Pacific Sogo Department Store Co.	c.	10,949 (Note B)	2,997	2,997	-	16	18,249 (Note C)	
7	Ya Tung Department Store Ltd.	Pacific Sogo Department Store Co.	c.	36,265 (Note C)	22,977	22,977	-	63	72,530 (Note D)	
8	Feds Development Ltd. (BVI)	Tianjin FEDS Limits, Co.	a.	205,915 (Note C)	133,243 (RMB30,000,000)	124,361 (RMB28,000,000)	-	60	411,830 (Note D)	
9	Pacific Liu Tong Investment Co.	Pacific Sogo Department Store Co.	a.	32,516,695 (Note E)	11,675,000	11,595,000	-	178	65,033,390 (Note F)	
10	Pacific Sogo Department Store Co.	Pacific Liu Tong Investment Co.	a.	13,646,758 (Note D)	700,000	700,000	-	10	27,293,516 (Note G)	
		Taiwan Chong-Guang Ltd.	e.	13,646,758 (Note D)	234,297	164,297	-	2	27,293,516 (Note G)	
		Hong-Tong Comprehensive Commercial Developing Co., Ltd.	e.	13,646,758 (Note D)	4,000,000	4,000,000	-	59	27,293,516 (Note G)	
		Far Eastern Department Stores, Ltd.	f.	13,646,758 (Note D)	1,587,318	1,587,318	-	23	27,293,516 (Note G)	

Note A:

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

(Continued)

- Note B: The amount is 60% of net assets based on the latest financial statements of the endorser/guarantor.
- Note C: The maximum is 100% of net assets based on the latest financial statements of the endorser/guarantor.
- Note D: The amount is 200% of net assets based on the latest financial statements of the endorser/guarantor.
- Note E: The amount is 500% of net assets based on the latest financial statements of the endorser/guarantor.
- Note F: The amount is 1,000% of net assets based on the latest financial statements of the endorser/guarantor.
- Note G: The amount is 400% of net assets based on the latest financial statements of the endorser/guarantor.
- Note H: The endorsement or guarantee amounts of contracts or notes for Pacific Sogo Department Store Co. (“Sogo”) for issuing credit cards in alliance with Cathay United Bank was based on the percentage of ownership of Sogo by Pacific Liu Tong Investment Company, FEDS, Bai Ding Investment Co., Bai Yang Investment Co., Far Eastern Hon Li Do Co., Ltd., Feds Asia Pacific Development Ltd., Feds New Century Development Co., Ltd., and Ya Tung Department Store Ltd.
- Note I: The amount represents 35,500 thousand shares of Asia Cement Corp. These shares have not been pledged since August 3, 2007.
- Note J: This balance included 19,200 thousand shares of Far Eastern Textile Co., Ltd. and an endorsement amounting to \$208,458 thousand. These shares have not been pledged since February 14, 2007.
- Note K: Neither the total assets nor total revenues of Lian Ching Investment Co. and Pacific Sogo Investment Co. individually reached at least 10% of the Company’s total assets or total revenues. Thus, their information was not disclosed. (Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2007

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

Holding Company	Securities Type and Issuer Name	Relationship with the Investor Company (Note A)	Financial Statement Account	December 31, 2007				Note	
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value		
Far Eastern Department Stores, Ltd. (FEDS)	<u>Stock</u> Bai Yang Investment Co.	b	Investments accounted for by the equity method	614,002	\$ 8,409,163	100	\$ 8,442,556 (Note D)	83,200 thousand shares of Oriental Securities Corporation pledged for loans of the investor company	
	Bai Ding Investment Co.	b	Investments accounted for by the equity method	96,735	2,848,885	67	3,514,603 (Note D)		
	Oriental Securities Corporation	a	Investments accounted for by the equity method	140,297	2,383,519	20	2,391,080 (Note D)		
	Pacific Liu Tong Investment Co., Ltd.	b	Investments accounted for by the equity method	140,867	2,300,606	35	2,284,552 (Note D)		
	Far Eastern Geant Co., Ltd.	b	Investments accounted for by the equity method	167,160	1,324,335	100	883,391 (Note D)		
	Feds Development Ltd. (BVI)	b	Investments accounted for by the equity method	218	156,924	76	156,692 (Note D)		
	Yu Ming Advertising Agency Co.	b	Investments accounted for by the equity method	6,500	71,048	100	71,048 (Note D)		
	Far Eastern CitySuper Ltd.	b	Investments accounted for by the equity method	39,780	11,076	77	11,076 (Note D)		
	Ya Tung Department Stores	b	Investments accounted for by the equity method	13,000	36,265	100	36,265 (Note D)		
	Ding Ding Integrated Marketing Service	a	Investments accounted for by the equity method	3,000	12,047	10	12,047 (Note D)		
	Asian Merchandise Company	b	Investments accounted for by the equity method	950	3,883	100	3,883 (Note D)		
	Far Eastern Hon Li Do Co., Ltd.	b	Investments accounted for by the equity method	3,300	4,495	56	10,128 (Note D)		
	Asia Cement Corp.	c	Available-for-sale financial assets - noncurrent	54,134	1,048,504 (Note F)	2	2,565,930 (Note B)		10,000 thousand shares of Asia Cement Corp. pledged for loans of the investor company
	Far Eastern Textile Co., Ltd.	f	Available-for-sale financial assets - noncurrent	16,710	123,679 (Note F)	-	635,821 (Note B)		
	Far Eastern International Bank	c	Available-for-sale financial assets - current	23,099	179,771 (Note F)	1	241,381 (Note B)		
	Kaohsiung M.R.T.	-	Financial assets carried at cost	10,000	100,000	1	92,666 (Note E)		
	Far Eastern Finance & Leasing Corp.	-	Financial assets carried at cost	7,309	62,560	9	81,289 (Note D)		
	Yuan Ding Co., Ltd.	c	Financial assets carried at cost	2	10	-	81,289 (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	1,649,914	14	1,655,151 (Note D)	22,030 thousand shares of Oriental Securities Co., Ltd. pledged for loans of the investor company	
	Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	50,125	832,551	13	812,919 (Note D)		
	Far Eastern International Leasing Corp.	a	Investments accounted for by the equity method	17,475	302,147	5	258,075 (Note D)		

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Investor Company (Note A)	Financial Statement Account	December 31, 2007				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Pacific Sogo Department Stores Co., Ltd.	a	Investments accounted for by the equity method	4,914	\$ 93,114	1	\$ 92,741 (Note D)	
	Yue Ming Co.	a	Investments accounted for by the equity method	1,002	68,900	47	68,900 (Note D)	
	Far Eastern Hon Li Do Co., Ltd.	a	Investments accounted for by the equity method	2,670	8,120	44	8,120 (Note D)	
	Far Eastern Department Stores, Ltd.	e	Available-for-sale financial assets - current	28,770	438,326 (Note F)	3	1,129,225 (Note B)	
	Asia Cement Corp.	c	Available-for-sale financial assets - noncurrent	53,299	981,019 (Note F)	2	2,526,353 (Note B)	7,700 thousand shares of Asia Cement Corp. pledged for loans of the investor company
	Far Eastern Textile Co., Ltd.	c	Available-for-sale financial assets - noncurrent	25,790	334,564 (Note F)	1	981,305 (Note B)	
	New Century Infocom Tech., Co., Ltd.	c	Financial assets carried at cost	37,524	271,863	1	250,920 (Note D)	28,084 thousand shares of New Century InfoCom Tech., Co., Ltd. pledged for loans of the investor company
	Chung-Nan Textile Co., Ltd.	-	Financial assets carried at cost	2,984	81,390	5	113,491 (Note E)	
	Ding Ding Management Consultants Co., Ltd.	-	Financial assets carried at cost	216	11,817	5	5,058 (Note D)	
	Yue Ding Industry Co., Ltd.	-	Financial assets carried at cost	1,000	10,000	2	8,788 (Note D)	
	Ya Tung Securities Investment Advisory Co., Ltd.	-	Financial assets carried at cost	1	10	-	12 (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	181,514	2	160,556 (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	181,514	2	160,556 (Note D)	
	Beneficiary certificate Far Eastern Alliance Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	970	10,420 (Note F)	-	10,643 (Note C)	
Feds Development Ltd. (BVI)	<u>Stock</u> Tianjin FEDS Limits., Co.	a	Other liabilities	-	(210,579)	100	(210,579) (Note D)	
	Shanghai Bai Ding Business Management Consulting Co., Ltd. (Note H)	a	Investments accounted for by the equity method	-	21,274	100	21,274 (Note D)	
	Kowloon Cement Corp., Ltd.	-	Financial assets carried at cost	46	9,537	2	14,795 (Note E)	
	Millennium Microtech Holding Corporation	-	Financial assets carried at cost	43	518	-	- (Note E)	
Bai Yang Investment Co.	<u>Stock</u> Far Eastern International Leasing Corp.	a	Investments accounted for by the equity method	104,196	1,539,206	29	1,538,798 (Note D)	
	Feds Asia Pacific Development Co., Ltd.	a	Investments accounted for by the equity method	140,000	1,546,618	70	1,545,200 (Note D)	
	Bai Ding Investment Co.	a	Investments accounted for by the equity method	48,390	1,526,232	33	1,758,142 (Note D)	
	Feds New Century Development Co., Ltd.	a	Investments accounted for by the equity method	13,800	212,901	100	213,212 (Note D)	
	Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	9,900	181,514	2	160,556 (Note D)	
	Feds Development Ltd. (BVI)	a	Investments accounted for by the equity method	68	48,992	24	49,227 (Note D)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Investor Company (Note A)	Financial Statement Account	December 31, 2007				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Far Eastern International Bank	i	Available-for-sale financial assets - current	18,854	290,376 (Note F)	1	\$ 197,025 (Note B)	
	Asia Cement Corp.	i	Available-for-sale financial assets - noncurrent	3,132	\$ 57,644 (Note F)	-	148,444 (Note B)	
	Far Eastern Textile Co., Ltd.	i	Available-for-sale financial assets - noncurrent	1,855	27,659 (Note F)	-	70,591 (Note B)	
	New Century Infocomm Tech., Co., Ltd.	i	Financial assets carried at cost	17,314	125,438	-	115,775 (Note D)	Stocks 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	-	16 (Note D)	
	<u>Beneficiary certificate</u> Far Eastern Alliance Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	26,136	282,034 (Note F)	-	286,684 (Note C)	
Ya Tung Department Stores	<u>Stock</u> Pacific Liu Tong Investment Co., Ltd.	a	Investments accounted for by the equity method	5,500	100,839	1	89,178 (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	620	-	1,622 (Note D)	
	Asia Cement Corp.	j	Available-for-sale financial assets - noncurrent	1,225	20,176 (Note F)	-	58,058 (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	11,329	-	11,352 (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	6,973,411	79	5,363,176 (Note D)	71,500 thousand shares of Pacific Sogo Department Store Co. pledged for loans or bonds 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	344	49,612 (Note F)	-	33,490 (Note B)	
	CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss - current	510	29,401 (Note F)	-	5,763 (Note B)	
	China Development Financial Holding Co.	-	Financial assets at fair value through profit or loss - current	554	23,133 (Note F)	-	7,085 (Note B)	
	Quanta computer Inc.	-	Financial assets at fair value through profit or loss - current	190	14,921 (Note F)	-	8,752 (Note B)	
	Pacific Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	6,849	14,315 (Note F)	1	23,424 (Note B)	
	DBTEL Inc.	-	Financial assets at fair value through profit or loss - current	40	971 (Note F)	-	161 (Note B)	
	Pacific Liu Tong Investment Co., Ltd.	e	Financial assets carried at cost	400	4,091	-	6,487 (Note D)	
	Pacific Securities Co., Ltd.	-	Financial assets carried at cost	20,279	81,116	5	155,841 (Note E)	
	Invenpec Besta Co., Ltd.	-	Financial assets carried at cost	3	99	-	214 (Note B)	
	E-Shou Hi-tech Co., Ltd.	-	Financial assets carried at cost	18,300	-	15	- (Note E)	
	Tain Yuan Investment Co., Ltd.	-	Financial assets carried at cost	98,000	-	20	- (Note E)	
	PURETEK Corp.	-	Financial assets carried at cost	119	-	-	-	
	Pacific China Holdings (HK) Co., Ltd.	b	Investments accounted for by the equity method	11,400	4,664,781	60	4,664,781 (Note D)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Investor Company (Note A)	Financial Statement Account	December 31, 2007				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Pacific Department Store Co., Ltd.	a	Investments accounted for by the equity method	29,973	\$ 239,477	26	\$ 306,812 (Note E)	
	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	85	-	24	- (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)	
	Ding Ding Integrated Marketing Service	a	Investments accounted for by the equity method	3,000	12,047	10	12,047 (Note D)	
	<u>Beneficiary certificate</u>							
	The First Global Investment Trust OTC Equity Fund	-	Financial assets at fair value through profit or loss - current	1,000	10,000 (Note F)	-	9,160 (Note C)	
	First Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	500	11,008 (Note F)	-	6,295 (Note C)	
	HSBC Taiwan MID & Small Cap Fund	-	Financial assets at fair value through profit or loss - current	726	7,277 (Note F)	-	6,022 (Note C)	
	Fubon Elite Fund	-	Financial assets at fair value through profit or loss - current	2,000	20,060 (Note F)	-	15,320 (Note C)	
	HSBC Taiwan Growth Fund	-	Financial assets at fair value through profit or loss - current	511	10,029 (Note F)	-	12,436 (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)	-	2,742 (Note C)	
	HSBC Trinity Balanced Fund	-	Financial assets at fair value through profit or loss - current	900	9,027 (Note F)	-	10,423 (Note C)	
	HSBC New Japan Fund of Funds	-	Financial assets at fair value through profit or loss - current	994	9,966 (Note F)	-	9,122 (Note C)	
	HSBC Global Emerging Markets Equity Fund	-	Financial assets at fair value through profit or loss - current	1,011	10,138 (Note F)	-	15,354 (Note C)	
Pacific China Holdings (HK) Co., Ltd.	<u>Stock</u> Pacific China Holdings Co.	b	Investments accounted for by the equity method	19,000	7,774,635	100	2,057,893 (Note D)	
Pacific China Holdings Co.	<u>Stock</u> Shanghai Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	909,520	73	909,520 (Note D)	
	Chengdu Shangxia Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	516,929	100	516,929 (Note D)	
	Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	b	Other liabilities	-	43,385	100	43,385 (Note D)	
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	343,915	100	343,915 (Note D)	
	Beijing Xidan Pacific Department Store Co., Ltd.	b	Investments accounted for by the equity method	-	171,140	55	171,140 (Note D)	
	Chongqing Bai Ding Business Management Consulting Co., Ltd.	b	Investments accounted for by the equity method	-	40,771	100	40,771 (Note D)	
	Shanghai Pacific Business Management Consulting Co., Ltd.	a	Investments accounted for by the equity method	-	6,652	49	6,652 (Note D)	
	Taiwan Ocean Farming Corp.	-	Financial assets carried at cost	2,250	72,968	15	72,968 (Note E)	
	Oversea Development Corp.	-	Financial assets carried at cost	2,250	72,968	15	72,968 (Note E)	

(Continued)

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

Note B: The market values of the investment were determined at the closing price in December 31, 2007.

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 2007.

Note D: The market values of the investment were based on audited financial statements for the year ended December 31, 2007.

Note E: The market values of the investments were based on unaudited financial statements for the year ended December 31, 2007.

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: Chongqing Bai Ding Business Management Consulting Co., Ltd. officially changed its company name to Shanghai Bai Ding Business Management Consulting Co., Ltd. in August 2007.

(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, 2007

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

Company Name	Marketable Securities Type and Issuer/Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares (Thousands)	Amount (Note K)
Far Eastern Department Stores, Ltd. (FEDS)	<u>Stock</u> Far Eastern Geant Co., Ltd.	Investments accounted for by the equity method	Groupe Casino	-	163,579	\$ 279,994	263,580 (Note A)	\$ 1,044,341 (Note B)	259,999 (Note C)	\$ -	\$ -	\$ -	167,160	\$ 1,324,335
Bai Yang Investment Co.	<u>Beneficiary certificate</u> Far Eastern Alliance Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	21,094	227,000	14,242	154,000	9,200	99,999	98,966	1,033	26,136	282,034
	Primasia Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	10,982	133,000	-	-	10,982	134,237	133,000	1,237	-	-
Bai Ding Investment Co.	<u>Stock</u> Far Eastern International Leasing Co., Ltd.	Investments accounted for by the equity method	-	Equity method investee	7,475	151,948	10,000	150,199 (Note D)	-	-	-	-	17,475	302,147
	Far Eastern Textile Co., Ltd.	Available-for-sale financial assets - noncurrent	-	Same director	30,612	409,029	773 (Note F)	-	5,595	188,045	74,465	113,580	25,790	334,564
Pacific Sogo Department Stores Co., Ltd.	<u>Beneficiary certificate</u> Far Eastern Alliance Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	18,583	200,000	-	-	18,583	200,758	200,000	758	-	-
	Polaris Di-Po Fund	Financial assets at fair value through profit or loss - current	-	-	13,539	150,000	-	-	13,539	150,100	150,000	100	-	-
	JiH Sun Bond Fund	Financial assets at fair value through profit or loss - current	-	-	7,330	100,000	-	-	7,330	100,062	100,000	62	-	-
	Fubon Chi-Hsiang Fund	Financial assets at fair value through profit or loss - current	-	-	10,309	150,000	-	-	10,309	150,112	150,000	112	-	-
	<u>Stock</u> Pacific United Consultant Co., Ltd.	Investments accounted for by the equity method	ISS Fealty Property Management Co., Ltd.	-	4,071	72,125	-	-	4,071	170,262	72,125	98,099 (Note G)	-	-

Note A: FEDS acquired 163,580 thousand shares and subscribed for 100,000 thousand additional shares issued by the investee.

Note B: The amount included (a) the payment of \$737,585 thousand for share acquisition; (b) a subscription for additional shares for cash amounting to \$1,000,000 thousand; (c) equity of \$692,916 thousand in losses; and (d) unrecognized net losses of \$328 thousand not recognized as pension cost.

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

Note D: The amount included (a) a subscription amounting to \$120,000 thousand for the investee's additional shares (b) adjustment amounting to \$18,234 thousand to capital surplus because of the nonproportional subscription for an investee's newly issued shares, (c) equity of \$5,564 thousand in earnings; (d) an unrealized gain of \$6,469 thousand on the valuation of financial instruments; (e) a decrease of \$13 thousand in cumulative translation adjustments; and (f) unrecognized net losses of \$55 thousand not recognized as pension cost.

Note E: The carrying amounts of beneficiary securities and publicly traded securities were the original acquisition amounts without adjustments to their market values.

Note F: The amount represented a stock dividend.

Note G: The amount included (a) a gain of \$98,137 thousand on the disposal of equity-method investments in 2007; and (b) the 2005 capital surplus and cumulative translation adjustment totaling \$38 thousand.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

YEAR ENDED DECEMBER 31, 2007

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

Company Name	Types of Properties	Disposal Date	Disposal Price	Payment Terms	Counter-party	Nature of Relationship	Purpose of Acquisition	Price Reference	Other Terms
Far Eastern Geant Co., Ltd.	Land Building	2007/4/2	\$ 565,000	Fully paid	Far Eastern Department Store Ltd. Far Eastern Hon Li Do Co., Ltd.	Parent company Having the same parent company	To reduce rental expense	The appraisal report priced \$565,530	-
		2007/4/2	135,000	Fully paid			To reduce rental expense	The appraisal report priced \$137,147	-

Note A: It is the net profit, disposal price minus cost of the estate and related direct expense.

Note B: The amount of \$100,754 thousand was received in 2007, the remaining \$38,858 thousand is expected to receive in January 2008.

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, 2007

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

Company Name	Types of Properties	Disposal Date	Original Acquisition Date	Carrying Value	Disposal Price	Receipt Terms	Gain (Loss) on Disposal	Counter-party	Nature of Relationship	Purpose of Disposal	Price Reference	Other Terms
Far Eastern Department Stores, Ltd.	Land	2007.4.2	1991.12.26 and 1993.6.18	\$ 544,950	\$ 565,000	Fully received	\$ 5,919 (Note A)	Far Eastern Geant Co., Ltd.	Subsidiary	Business	The appraisal report priced \$565,530	-
Far Eastern Hon Li Do Co., Ltd.	Building	2007.4.2	1994.9.8	124,803	135,000	Fully received	10,150 (Note A)	Far Eastern Geant Co., Ltd.	The ultimate parent company's subsidiary	Business	The appraisal report priced \$137,147	-
Far Eastern Geant Co., Ltd.	Land	2007.5.2	1997.7.7	394,620	411,500	Fully received	6,492 (Note A)	Far Eastern Construction Company	Same director	Pay debt	The professional appraisal report priced \$421,730	-
Pacific Sogo Department Store Co., Ltd.	Land and building	2007.12.25-2007.12.31	1999.3.31	115,068	139,612	(Note B)	24,544	Kai Hong Trading Company, etc.	-	Business	Entrust the building agency	-

Note A: The amount is the net profit, i.e., disposal price minus cost of the estate and related direct expense.

Note B: The amount of \$100,754 thousand was received in 2007, and the remaining \$38,858 thousand is expected to be received in January 2008.

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, 2007**

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

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts (Payable) or Receivable		
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Subject	Ending Balance	% to Total
Far Eastern Department Stores, Ltd.	Far Eastern Apparel Co., Ltd.	Equity method investee's subsidiary	Purchase	\$ 174,502	1.00	45-60 days after the end of the month	\$ -	-	Notes receivable	\$ 8,538	54
									Accounts receivable	1,822	1
									Accounts payable	(50,779)	2
Pacific Sogo Department Store Co., Ltd.	Far Eastern CitySuper, Ltd.	The ultimate parent company's subsidiary	Purchase	405,113	1.54	10 days	-	-	Notes payable	(14,487)	
	Pacific 88 Co., Ltd.	Equity-method investee	Purchase	112,894	0.43	15-35 days after the end of the month	-	-	Accounts payable	(1,113)	
				2,848					Accounts payable	2,848	-
Far Eastern CitySuper, Ltd.	Pacific Sogo Department Store Co., Ltd.	The ultimate parent company's subsidiary	Sale	405,113	68.00	10 days	-	-	Accounts receivable	15,600	56

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, 2007

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Far Eastern Development Store, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Equity-method investee	\$ 326,454 (Note A)	-	\$ -	-	\$ 326,454	\$ -
Bai Ding Investment	Pacific Liu Tong Investment Co., Ltd.	Equity-method investee	116,232 (Note A)	-	-	-	116,232	-
Pacific Sogo Department Stores Co., Ltd.	Pacific 88 Co., Ltd.	Equity-method investee	269,885	-	269,885	Collection expedited	-	220,538
	Pacific Sogo Investment Co., Ltd.	Equity- method investee	534,424	-	534,424	Collection expedited	-	534,424
	Pacific Liu Tong Investment Co., Ltd.	The parent company	238,383	-	-	-	238,383	-

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

Note B: 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 THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 YEAR ENDED DECEMBER 31, 2007
 (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, 2007			Net Income (Loss) of the Investee	Equity in Net Income (Net Loss) (Note B)	Note A
				Dec. 31, 2007	Dec. 31, 2006	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Far Eastern Department Stores, Ltd.	Bai Yang Investment Co.	Taipei City, R.O.C.	Investment	\$ 5,422,181	\$ 5,422,181	614,002	100	\$ 8,409,163	\$ 436,382	\$ 388,690	b
	Oriental Securities Corporation	Taipei City, R.O.C.	Securities brokerage	143,652	143,652	140,297	20	2,383,519	1,424,511	269,818	a
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	1,764,210	1,764,210	140,867	35	2,300,606	1,469,334	511,349	b
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	33,357	33,357	96,735	67	2,848,885	535,255	348,928	b
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	3,313,584	1,575,999	167,160	100	1,324,335	(692,916)	(692,916)	b
	Feds Development Ltd. (BVI)	British Virgin Island	Investment	128,058	26,190	218	76	156,924	(138,162)	(105,291)	b
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	287,656	284,921	13,000	100	36,265	(49,936)	(47,729)	b
	Yu Ming Advertising Agency Co.	Taipei City, R.O.C.	Advertising and importation of certain merchandise	60,000	60,000	6,500	100	71,048	(9,867)	(9,867)	b
	Far Eastern CitySuper Ltd.	Taipei City, R.O.C.	Shopping mall	397,800	306,000	39,780	77	11,076	(201,911)	(154,622)	b
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	40,278	40,191	3,330	56	4,495	(36,335)	(25,614)	b
	Ding Ding Integrated Marketing Service	Taipei City, R.O.C.	Marketing	30,000	30,000	3,000	10	12,047	(55,304)	(5,530)	a
	Asian Merchandise Company	U.S.A.	Trading	5,316	5,316	950	100	3,883	(916)	(916)	b
	Bai Chin (Singapore) Pte., Ltd.	Singapore	Investment	-	1,718	-	-	-	-	-	b
	Bai Ding Investment Co.	Oriental Securities Corporation	Taipei City, R.O.C.	Securities brokerage	163,563	163,563	97,116	14	1,649,914	1,424,511	
Pacific Liu Tong Investment Co., Ltd.		Taipei City, R.O.C.	Investment	658,129	658,129	50,125	13	832,551	1,469,334		b
Far Eastern International Leasing Corp.		Taipei City, R.O.C.	Leasing	255,000	135,000	17,475	5	302,147	114,907		a
Pacific Sogo Department Stores Co., Ltd.		Taipei City, R.O.C.	Department store	33,490	33,490	4,914	1	93,114	1,918,981		c
Yu Ming Advertising Agency Co.		Taipei City, R.O.C.	Importation of certain merchandise	21,291	21,291	1,102	47	68,900	826		a
Far Eastern Hon Li Do Co., Ltd.		Taipei City, R.O.C.	Building rental	28,672	28,672	2,670	44	8,120	(36,335)		b
Ya Tung Department Stores		Taipei City, R.O.C.	Department store	-	52,754	-	-	-	(49,936)		b
Feds Asia Pacific Development Co., Ltd.		Taipei City, R.O.C.	Shopping mall	-	5,000	-	-	-	129,158		c
Feds New Century Development Co., Ltd.		Taipei City, R.O.C.	Shopping mall	-	20	-	-	-	35,559		c
Far Eastern Geant Co., Ltd.		Taipei City, R.O.C.	Shopping mall	-	2	-	-	-	(692,916)		b
Bai Chin (Singapore) Pte., Ltd.	Singapore	Investment	-	191	-	-	-	-		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	181,514	1,469,334		b
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	-	231	-	-	-	(36,335)		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	181,514	1,469,334		b
Feds Development Ltd. (BVI)	Tianjin FEDS Limits., Co.	Mainland China	Department store	158,907	158,907	-	100	(210,579)	(169,400)		c
	Shanghai Bai Ding Business Management Consulting Co., Ltd.	Mainland China	Consulting service	3,243	3,243	-	100	21,274	19,304		c
Bai Yang Investment Co.	Feds Asia Pacific Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	1,522,761	1,517,296	140,000	70	1,546,618	129,158		c
	Far Eastern International Leasing Corp.	Taipei City, R.O.C.	Leasing	1,280,569	1,280,569	104,196	29	1,539,206	114,907		a
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	577,457	577,225	48,390	33	1,526,232	535,255		b
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	185,272	185,152	13,800	100	212,901	35,559		c
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	99,000	99,000	9,900	2	181,514	1,469,334		b
	Feds Development Ltd. (BVI)	British Virgin Island	Investment	123,778	92,556	68	24	48,992	(138,162)		b
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	-	234	-	-	-	(36,335)		b
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	-	7	-	-	-	(49,936)		b
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	2	-	-	-	(692,916)		b

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products of the Investee Company	Investment Amount		Balance as of December 31, 2007			Net Income (Loss) of the Investee	Equity in Net Income (Net Loss) (Note B)	Note A
				Dec. 31, 2007	Dec. 31, 2006	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Ya Tung Department Stores	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	\$ 55,000	\$ 55,000	5,500	1	\$ 100,839	\$ 1,469,334	b	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	-	231	-	-	-	(36,335)	b	
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	-	33	-	-	-	535,255	b	
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	20	-	-	-	35,559	c	
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	2	-	-	-	(692,916)	b	
Yu Ming Advertising Agency Co.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	1,200	1,200	100	-	620	1,469,334	b	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	-	100	-	-	-	(36,335)	b	
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	-	33	-	-	-	535,255	b	
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	20	-	-	-	35,559	c	
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	-	7	-	-	-	(49,936)	b	
Far Eastern Hon Li Do Co., Ltd.	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	2	-	-	(693,916)	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	-	11,329	1,469,334	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	6,973,411	1,918,981	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	29,973	26	239,477	119,632	d	
	Pacific United Consultant Co., Ltd.	Taipei City, R.O.C.	Security and cleaning	-	76,099	-	-	-	-	d	
	Pacific 88 Co., Ltd.	Taipei City, R.O.C.	Clothing, restaurant	19,900	19,900	85	24	-	(51,640)	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 Co., Ltd.	Taipei City, R.O.C.	Marketing	30,000	30,000	3,000	10	12,047	(55,304)	d	
Pacific China Holdings (HK) Co., Ltd.	Pacific China Holdings (HK) Co., Ltd.	Hong Kong	Investment	4,000,000	4,000,000	11,400	60	4,664,781	768,986	c	
Pacific China Holdings (HK) Co., Ltd.	Pacific China Holdings Co.	British Virgin Island	Investment	616,170	616,170	19,000	100	7,774,635	759,236	c	
Pacific China Holdings Co.	Shanghai Pacific Department Store Co., Ltd.	Mainland China	Department store	416,158	416,158	-	73	909,520	604,033	c	
	Chengdu Shangxia Pacific Department Store Co., Ltd.	Mainland China	Department store	227,010	227,010	-	100	516,929	325,747	c	
	Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Mainland China	Department store	32,106	32,106	-	100	43,385	50,292	c	
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	Mainland China	Department store	97,290	97,290	-	100	343,915	199,633	c	
	Beijing Xidan Pacific Department Store Co., Ltd.	Mainland China	Department store	214,038	214,038	-	55	171,140	58,318	c	
	Chongqing Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	6,486	6,486	-	100	40,771	3,428	c	
	Shanghai Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	5,562	5,562	-	49	6,652	--	d	

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

Note B: The equity in earnings (losses) of equity-method investees was based on audited financial statements as of and for the year ended December 31, 2007.

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: Bai Chin (Singapore) Pte., Ltd. completed the dissolution procedure in September 2007.

Note E: The foreign-currency investments were translated at the rate of US\$1:NT\$32.43 prevailing on December 31, 2007.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2007
(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, 2007 (Note A)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2007 (Note A)	% Ownership of Direct and Indirect Investment	Investment Gain (Loss) (Note B)	Carrying Value as of Dec. 31, 2007	Accumulated Inward Remittance of Earnings as of Dec. 31, 2007	Accumulated Investment in Mainland China as of Dec. 31, 2007	Investment Amounts Authorized by Investment Commission, MOEA (Note H)	Upper Limit on Investment Defined by Investment Commission, MOEA
					Outflow	Inflow								
Shanghai Pacific Department Store Co., Ltd.	Department store	\$ 574,011	Note C	\$ 416,158 (Note F)	\$ -	\$ -	\$ 416,158 (Note F)	19	\$ 97,868	\$ 242,817	\$ - (Note H)	\$ -	\$ 174,383 (US\$5,350,000)	\$ 5,672,454
Chengdu Shangxia Pacific Department Store Co., Ltd.	Department store	227,010	Note C	227,010 (Note F)	-	-	227,010 (Note F)	27	87,544	138,006				
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Department store	32,106	Note C	32,106 (Note F)	-	-	32,106 (Note F)	27	13,516	11,583				
Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	Department store	97,290	Note C	97,290 (Note F)	-	-	97,290 (Note F)	27	53,651	91,816				
Beijing Xidan Pacific Department Store Co., Ltd.	Department store	389,160	Note C	214,038 (Note F)	-	-	214,038 (Note F)	15	8,620	45,690				
Chongqing Pacific Business Management Consulting Co., Ltd.	Business management consulting	29,187	Note C	6,486 (Note F)	-	-	6,486 (Note F)	27	921	10,885				
Shanghai Pacific Business Management Consulting Co., Ltd.	Business management consulting	11,351	Note C	5,562 (Note F)	-	-	5,562 (Note F)	13	32	1,776				
Chongqing Bai Ding Business Management Consulting Co., Ltd.	Business management consulting	3,243	Notes C and I	-	-	-	-	100	19,304	21,274				
Tianjin FEDS Limits, Co.	Department store	158,907	Note E	97,047 (Note G)	-	-	97,047 (Note G)	100	(169,400)	(210,579)				

Note A: Translated at the rate of US\$1:NT\$32.43 prevailing on December 31, 2007.

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

Note C: Pacific Sogo Department Store Co. (subsidiary of FED's [Far Eastern Department Stores, or the "Company"] 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 D: 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 E: 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 F: The payment was made by Pacific Construction Company (the former stockholder).

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

Note H: 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 I: Pacific Sogo Department Co. had been approved by the Investment Commission No. 0960210930, dated on June 25, 2007 for its investments, Because Chongqing Pacific Business Management Consulting Co., Ltd. (subsidiary of Sogo's subsidiary) had capital increment of US\$700 thousand from retained earnings,