

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

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

INDEPENDENT AUDITORS' REPORT

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

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

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

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

As stated in Note 3 to the financial statements, on January 1, 2007, Far Eastern Department Stores, Ltd. and all of its direct and indirect subsidiaries adopted the newly released Statements of Financial Accounting Standards ("Statements" or SFAS) No. 37 - "Accounting for Intangible assets" and No. 38 - "Accounting Assets Held for sale and Discontinued Operations". On January 1, 2006, the Company and all its direct and indirect subsidiaries 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."

Our audits also comprehended the translation of the 2007 and 2006 New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers.

February 27, 2008

Notice to Readers

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(In Thousands, Except Par Value)

ASSETS	2007			2006			LIABILITIES AND STOCKHOLDERS' EQUITY	2007			2006		
	New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%		New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Notes 2 and 5)	\$ 12,746,191	\$ 393,037	15	\$ 10,444,283	\$ 322,056	13	Short-term debts (Notes 19 and 31)	\$ 4,935,939	\$ 152,203	6	\$ 4,623,000	\$ 142,553	6
Financial assets at fair value through profit or loss (Notes 2, 4 and 6)	462,876	14,273	1	1,654,661	51,022	2	Short-term notes and bills payable (Notes 20 and 31)	3,608,945	111,284	4	4,737,582	146,086	6
Available-for-sale financial assets - current (Notes 2, 4 and 7)	438,620	13,525	1	654,463	20,181	1	Notes and accounts payable (Notes 30 and 32)	15,926,022	491,089	19	15,544,141	479,314	19
Notes and accounts receivable, net of allowance for doubtful accounts of NTS221,369 thousand (US\$6,826 thousand) in 2007 and NTS224,241 thousand (US\$6,879 thousand) in 2006 (Notes 2 and 30)	1,116,433	34,426	1	1,451,578	44,760	2	Income tax payable (Notes 2 and 25)	690,619	21,296	1	522,781	16,120	1
Other receivables (Notes 12, 30 and 32)	333,401	10,281	-	573,708	17,691	1	Accrued expenses (Notes 30 and 32)	1,664,292	51,320	2	1,791,815	55,252	2
Inventories, net (Notes 2 and 8)	2,081,008	64,169	3	2,119,491	65,356	3	Other payables (Note 32)	2,263,863	69,808	3	2,093,267	64,547	3
Prepayments (Notes 17 and 30)	766,821	23,645	1	958,738	29,563	1	Balance payable - property (Notes 13, 30 and 32)	134,498	4,147	-	1,001,610	30,885	1
Deferred tax assets (Notes 2 and 25)	241,077	7,434	-	205,955	6,351	-	Advance receipts (Note 30)	3,970,697	122,439	5	3,655,668	112,725	4
Pledged time deposits (Note 31)	13,092	404	-	10,932	337	-	Current portion of bonds issued (Notes 21 and 31)	1,200,000	37,003	1	2,000,000	61,671	2
Refundable deposits - current (Notes 15 and 30)	-	-	-	293,975	9,065	-	Current portion of long-term borrowings (Notes 22 and 31)	2,477,133	76,384	3	1,805,609	55,677	2
Other current assets	97,666	3,012	-	101,081	3,117	-	Current portion of franchise liability (Notes 2 and 13)	298,588	9,207	-	302,694	9,334	-
							Other current liabilities	812,941	25,067	1	677,657	20,896	1
Total current assets	18,297,185	564,206	22	18,468,865	569,499	23	Total current liabilities	37,983,537	1,171,247	45	38,755,824	1,195,060	47
LONG-TERM INVESTMENTS							LONG-TERM LIABILITIES, NET OF CURRENT PORTION						
Investments accounted for by the equity method (Notes 2, 4, 9 and 31)	6,283,912	193,768	8	5,881,869	181,371	7	Bonds issued (Notes 21 and 31)	500,000	15,418	1	1,700,000	52,421	2
Real estate, net (Notes 2 and 11)	93,600	2,886	-	93,600	2,886	-	Long-term borrowings (Notes 22 and 31)	13,634,871	420,440	16	13,346,147	411,537	16
Available-for-sale financial assets - noncurrent (Notes 2, 4, 7 and 31)	6,986,502	215,433	8	4,624,164	142,589	6	Franchise liability (Notes 2 and 13)	-	-	-	298,588	9,207	1
Financial assets carried at cost (Notes 2, 4, 10 and 31)	889,288	27,422	1	846,322	26,097	1	Total long-term liabilities	14,134,871	435,858	17	15,344,735	473,165	19
Total long-term investments	14,253,302	439,509	17	11,445,955	352,943	14	RESERVE						
PROPERTY (Notes 2, 12, 13, 14, 30, 31 and 32)							Reserve for land revaluation increment tax (Note 12)	575,490	17,746	1	575,490	17,746	1
Cost							OTHER LIABILITIES						
Land	6,590,291	203,216	8	6,844,331	211,049	9	Accrued pension costs (Notes 2 and 29)	276,287	8,520	1	260,559	8,034	-
Buildings and equipment	17,818,773	549,453	21	17,483,651	539,120	21	Deposits received (Note 14)	169,163	5,216	-	177,713	5,480	-
Furniture and equipment	6,261,533	193,078	8	6,255,607	192,896	8	Miscellaneous (Notes 2, 11 and 30)	32,608	1,004	-	32,643	1,007	-
Leasehold improvements	3,413,438	105,256	4	3,552,086	109,531	4	Total other liabilities	478,058	14,740	1	470,915	14,521	-
Total cost	34,084,035	1,051,003	41	34,135,675	1,052,596	42	Total liabilities	53,171,956	1,639,591	64	55,146,964	1,700,492	67
Revaluation increment	1,193,498	36,802	1	1,194,771	36,841	1	STOCKHOLDERS' EQUITY						
Cost and appreciation	35,277,533	1,087,805	42	35,330,446	1,089,437	43	Capital stock of parent company, NTS\$10.00 par value						
Less: Accumulated depreciation	10,812,573	333,412	13	9,609,311	296,309	12	Authorized - 1,350,000 thousand shares						
	24,464,960	754,393	29	25,721,135	793,128	31	Issued and outstanding - 1,120,967 thousand shares in 2007 and 1,077,853 thousand shares in 2006	11,209,670	345,657	14	10,778,529	332,363	13
Construction in progress	5,500,893	169,624	7	5,031,541	155,151	6	Capital surplus:						
Leasehold rights, net	8,392,695	258,794	10	8,654,693	266,873	11	Additional paid-in capital - share issuance in excess of par	2,175,718	67,090	3	2,606,859	80,384	3
Properties leased to others, net	1,028,045	31,700	1	1,043,994	32,192	1	Treasury stock transactions	312,682	9,642	-	267,469	8,248	-
Net properties	39,386,593	1,214,511	47	40,451,363	1,247,344	49	Long-term investments	323,895	9,987	-	345,117	10,642	1
INTANGIBLE ASSETS							Total capital surplus	2,812,295	86,719	3	3,219,445	99,274	4
Deferred pension costs (Notes 2 and 29)	48,455	1,494	-	43,713	1,348	-	Retained earnings:						
OTHER ASSETS							Legal reserve	1,335,926	41,194	2	1,277,311	39,387	1
Refundable deposits - noncurrent (Notes 13, 15, 17, 30 and 32)	1,359,390	41,918	2	1,316,934	40,609	2	Special reserve	2,156,588	66,500	2	2,159,977	66,604	3
Idle assets, net (Notes 2, 16 and 31)	387,636	11,953	1	459,085	14,156	1	Unappropriated earnings	1,607,152	49,558	2	634,461	19,564	1
Long-term prepayments (Notes 17, 30 and 32)	3,720,206	114,715	5	3,224,265	99,422	4	Total retained earnings	5,099,666	157,252	6	4,071,749	125,555	5
Prepaid pension costs (Notes 2 and 29)	143,314	4,419	-	111,098	3,426	-	Other equity adjustments						
Deferred tax assets (Notes 2 and 25)	230,733	7,115	-	329,738	10,168	-	Cumulative translation adjustments	(16,162)	(498)	-	(19,354)	(597)	-
Consolidated debits (Notes 2, 4 and 18)	5,365,259	165,441	6	5,365,259	165,441	6	Net losses not recognized as pension costs	(12,351)	(381)	-	(11,660)	(359)	-
Pledged assets (Notes 31 and 32)	30,526	941	-	210,498	6,491	-	Unrealized valuation gains on financial instruments	4,465,999	137,712	5	2,121,567	65,419	3
Miscellaneous	269,814	8,320	-	554,205	17,089	1	Unrealized asset revaluation increment	883,944	27,257	1	883,944	27,257	1
Total other assets	11,506,878	354,822	14	11,571,082	356,802	14	Total other equity adjustments	5,321,430	164,090	6	2,974,497	91,720	4
TOTAL	\$ 83,492,413	\$ 2,574,542	100	\$ 81,980,978	\$ 2,527,936	100	Treasury stock - 28,770 thousand shares in 2007 and 30,414 thousand shares in 2006	(165,492)	(5,103)	-	(181,950)	(5,610)	-
							Minority interest	6,042,888	186,336	7	5,971,744	184,142	7
							Total stockholders' equity	30,320,457	934,951	36	26,834,014	827,444	33
							TOTAL	\$ 83,492,413	\$ 2,574,542	100	\$ 81,980,978	\$ 2,527,936	100

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands, Except Per Share Amounts)

	2007			2006		
	New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%
REVENUES						
Sales (Notes 2 and 30)	\$ 86,504,688	\$2,667,428	98	\$ 77,699,994	\$2,395,930	98
Other operating revenues (Notes 2 and 30)	<u>1,876,619</u>	<u>57,867</u>	<u>2</u>	<u>1,719,033</u>	<u>53,007</u>	<u>2</u>
Total revenues	<u>88,381,307</u>	<u>2,725,295</u>	<u>100</u>	<u>79,419,027</u>	<u>2,448,937</u>	<u>100</u>
COSTS (Notes 26 and 30)						
Cost of goods sold	68,678,872	2,117,757	78	62,379,871	1,923,524	78
Other operating costs	<u>98,996</u>	<u>3,053</u>	<u>-</u>	<u>100,153</u>	<u>3,088</u>	<u>-</u>
Total costs	<u>68,777,868</u>	<u>2,120,810</u>	<u>78</u>	<u>62,480,024</u>	<u>1,926,612</u>	<u>78</u>
GROSS PROFIT	<u>19,603,439</u>	<u>604,485</u>	<u>22</u>	<u>16,939,003</u>	<u>522,325</u>	<u>22</u>
OPERATING EXPENSES (Notes 11, 12, 13, 17, 18, 26, 30 and 32)						
Selling	8,325,961	256,737	9	7,492,358	231,032	10
General and administrative	<u>7,817,968</u>	<u>241,072</u>	<u>9</u>	<u>6,683,507</u>	<u>206,090</u>	<u>8</u>
Total operating expenses	<u>16,143,929</u>	<u>497,809</u>	<u>18</u>	<u>14,175,865</u>	<u>437,122</u>	<u>18</u>
OPERATING INCOME	<u>3,459,510</u>	<u>106,676</u>	<u>4</u>	<u>2,763,138</u>	<u>85,203</u>	<u>4</u>
NONOPERATING INCOME AND GAINS						
Equity in earnings of equity-method investees, net (Notes 2 and 9)	474,924	14,645	1	287,601	8,868	-
Gain on disposal of fixed assets	381,790	11,773	1	-	-	-
Interest income	258,296	7,965	-	180,225	5,557	-
Gain on disposal of investments, net	235,049	7,248	-	115,871	3,573	-
Dividend income	229,836	7,087	-	200,130	6,171	-
Valuation gain on financial instruments, net (Notes 2, 4 and 6)	-	-	-	60,534	1,867	-
Gains on write-off of accounts payable	-	-	-	1,271	39	-
Other income (Note 30)	<u>372,308</u>	<u>11,480</u>	<u>-</u>	<u>291,256</u>	<u>8,982</u>	<u>1</u>
Total nonoperating income and gains	<u>1,952,203</u>	<u>60,198</u>	<u>2</u>	<u>1,136,888</u>	<u>35,057</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES						
Interest expenses (Notes 12, 30 and 32)	715,710	22,069	1	787,133	24,272	1
Loss on physical inventory	49,454	1,525	-	49,022	1,512	-
Unrealized loss on physical inventory and slow-moving inventories	30,585	943	-	14,281	440	-
Loss on disposal of property and idle assets	30,456	939	-	106,908	3,296	-
Valuation loss on financial instruments, net	22,688	700	-	-	-	-
Impairment loss on financial assets carried at cost (Notes 2, 4 and 10)	-	-	-	46,886	1,446	-
Other expenses (Notes 2, 16, 26, 30 and 32)	<u>170,228</u>	<u>5,249</u>	<u>-</u>	<u>712,313</u>	<u>21,965</u>	<u>1</u>
Total nonoperating expenses and losses	<u>1,019,121</u>	<u>31,425</u>	<u>1</u>	<u>1,716,543</u>	<u>52,931</u>	<u>2</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands, Except Per Share Amounts)

	2007			2006		
	New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%
INCOME BEFORE INCOME TAX	\$ 4,392,592	\$ 135,449	5	\$ 2,183,483	\$ 67,329	3
INCOME TAX (Notes 2 and 25)	1,161,416	35,813	1	847,572	26,135	1
SUBSIDIARIES' BONUS TO EMPLOYEES AND REMUNERATION TO DIRECTORS AND SUPERVISORS	<u>(39,034)</u>	<u>(1,204)</u>	-	<u>(26,488)</u>	<u>(817)</u>	-
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	3,192,142	98,432	4	1,309,423	40,377	2
CUMULATIVE EFFECT OF ACCOUNTING CHANGES (Notes 2 and 4)	<u>-</u>	<u>-</u>	-	<u>5,846</u>	<u>180</u>	-
NET INCOME	<u>\$ 3,192,142</u>	<u>\$ 98,432</u>	<u>4</u>	<u>\$ 1,315,269</u>	<u>\$ 40,557</u>	<u>2</u>
ATTRIBUTED TO:						
Stockholders of the parent	\$ 1,607,152	\$ 49,558	2	\$ 586,152	\$ 18,074	1
Minority interest	<u>1,584,990</u>	<u>48,874</u>	<u>2</u>	<u>729,117</u>	<u>22,483</u>	<u>1</u>
	<u>\$ 3,192,142</u>	<u>\$ 98,432</u>	<u>4</u>	<u>\$ 1,315,269</u>	<u>\$ 40,557</u>	<u>2</u>

	2007				2006			
	Before Tax		After Tax		Before Tax		After Tax	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
CONSOLIDATED EARNINGS PER SHARE (Note 28)								
Basic	<u>\$ 1.36</u>	<u>\$ 0.04</u>	<u>\$ 1.47</u>	<u>\$ 0.05</u>	<u>\$ 0.56</u>	<u>\$ 0.02</u>	<u>\$ 0.54</u>	<u>\$ 0.02</u>

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

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

	Capital Surplus (Notes 2, 23 and 24)				Retained Earnings (Notes 2, 23 and 25)			Other Equity Adjustments					Total Stockholders' Equity	
	Capital Stock Issued and Outstanding	Additional Paid-in Capital	Treasury Stock Transactions	Long-term Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized as Pension Cost (Notes 2 and 29)	Unrealized Valuation Gain or Loss on Financial Instrument (Notes 2, 4 and 7)	Reserve for Asset Revaluation Increment (Notes 2 and 12)	Treasury Stock (Notes 2 and 24)		Minority Interests
BALANCE, JANUARY 1, 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)	\$ 5,086,189	\$ 23,369,522
Effect of accounting change adjustments	-	-	-	-	-	-	-	-	-	523,659	-	-	-	523,659
Appropriation of prior year's earnings:														
Legal reserve	-	-	-	-	97,942	-	(97,942)	-	-	-	-	-	-	-
Stock dividends - 4%	414,559	-	-	-	-	-	(414,559)	-	-	-	-	-	-	-
Cash dividends - NT\$0.5 per share	-	-	-	-	-	-	(518,198)	-	-	-	-	-	-	(518,198)
Employee bonuses	-	-	-	-	-	-	(40,119)	-	-	-	-	-	-	(40,119)
Remuneration to directors and supervisors	-	-	-	-	-	-	(30,089)	-	-	-	-	-	-	(30,089)
Adjustment due to subsidiaries' disposal of parent's shares	-	-	63,197	-	-	-	-	-	-	-	-	28,429	-	91,626
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(1,780)	-	-	-	-	-	(1,780)
Adjustment due to nonproportional subscription for additional shares issued by investees	-	-	-	22,579	-	-	-	-	-	-	-	-	-	22,579
Adjustments reported by equity-method investees	-	-	-	(1,597)	-	-	-	1,301	(1,991)	347,313	-	-	-	345,026
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	1,600,081	-	-	-	1,600,081
Net income in 2006	-	-	-	-	-	-	586,152	-	-	-	-	-	729,117	1,315,269
Changes in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	156,438	156,438
BALANCE, DECEMBER 31, 2006	10,778,529	2,606,859	267,469	345,117	1,277,311	2,159,977	634,461	(19,354)	(11,660)	2,121,567	883,944	(181,950)	5,971,744	26,834,014
Appropriation of prior year's earnings:														
Legal reserve	-	-	-	-	58,615	-	(58,615)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(3,389)	3,389	-	-	-	-	-	-	-
Cash dividends - NT\$0.5 per share	-	-	-	-	-	-	(538,926)	-	-	-	-	-	-	(538,926)
Employee bonuses	-	-	-	-	-	-	(23,034)	-	-	-	-	-	-	(23,034)
Remuneration to directors and supervisors	-	-	-	-	-	-	(17,275)	-	-	-	-	-	-	(17,275)
Capital surplus transferred to common stock	431,141	(431,141)	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment due to subsidiaries' disposal of parent's stocks	-	-	45,213	-	-	-	-	-	-	-	-	16,458	-	61,671
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(5,349)	-	-	-	-	-	(5,349)
Adjustments reported by equity-method investees	-	-	-	(21,222)	-	-	-	8,541	(691)	1,287,362	-	-	-	1,273,990
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	1,057,070	-	-	-	1,057,070
Net income in 2007	-	-	-	-	-	-	1,607,152	-	-	-	-	-	1,584,990	3,192,142
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,513,846)	(1,513,846)
BALANCE, DECEMBER 31, 2007	<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>\$ 6,042,888</u>	<u>\$ 30,320,457</u>

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of U.S. Dollars, Except Amounts Per Share)

	Capital Surplus (Notes 2, 23 and 24)				Retained Earnings (Notes 2, 23 and 25)			Other Equity Adjustments					Total Stockholders' Equity	
	Capital Stock Issued and Outstanding	Additional Paid-in Capital	Treasury Stock Transactions	Long-term Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized as Pension Cost (Notes 2 and 29)	Unrealized Valuation Gain or Loss on Financial Instrument (Notes 2, 4 and 7)	Reserve for Asset Revaluation Increment (Notes 2 and 12)	Treasury Stock (Notes 2 and 24)		Minority Interests
BALANCE, JANUARY 1, 2006	\$ 319,580	\$ 80,384	\$ 6,299	\$ 9,995	\$ 36,367	\$ 66,604	\$ 35,437	\$ (582)	\$(298)	\$ (10,777)	\$ 27,257	\$ (6,487)	\$ 156,836	\$ 720,615
Effect of accounting change adjustments	-	-	-	-	-	-	-	-	-	16,147	-	-	-	16,147
Appropriation of prior year's earnings:														
Legal reserve	-	-	-	-	3,020	-	(3,020)	-	-	-	-	-	-	-
Stock dividends - 4%	12,783	-	-	-	-	-	(12,783)	-	-	-	-	-	-	-
Cash dividends - NT\$0.5 per share	-	-	-	-	-	-	(15,979)	-	-	-	-	-	-	(15,979)
Employee bonuses	-	-	-	-	-	-	(1,237)	-	-	-	-	-	-	(1,237)
Remuneration to directors and supervisors	-	-	-	-	-	-	(928)	-	-	-	-	-	-	(928)
Adjustment due to subsidiaries' disposal of parent's shares	-	-	1,949	-	-	-	-	-	-	-	-	877	-	2,826
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(55)	-	-	-	-	-	(55)
Adjustment due to nonproportional subscription for additional shares issued by investees	-	-	-	696	-	-	-	-	-	-	-	-	-	696
Adjustments reported by equity-method investees	-	-	-	(49)	-	-	-	40	(61)	10,710	-	-	-	10,640
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	49,339	-	-	-	49,339
Net income in 2006	-	-	-	-	-	-	18,074	-	-	-	-	-	22,482	40,556
Changes in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	4,824	4,824
BALANCE, DECEMBER 31, 2006	332,363	80,384	8,248	10,642	39,387	66,604	19,564	(597)	(359)	65,419	27,257	(5,610)	184,142	827,444
Appropriation of prior year's earnings:														
Legal reserve	-	-	-	-	1,807	-	(1,807)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(104)	104	-	-	-	-	-	-	-
Cash dividends - NT\$0.5 per share	-	-	-	-	-	-	(16,618)	-	-	-	-	-	-	(16,618)
Employee bonuses	-	-	-	-	-	-	(710)	-	-	-	-	-	-	(710)
Remuneration to directors and supervisors	-	-	-	-	-	-	(533)	-	-	-	-	-	-	(533)
Capital surplus transferred to common stock	13,295	(13,295)	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment due to subsidiaries' disposal of parent's stocks	-	-	1,394	-	-	-	-	-	-	-	-	507	-	1,901
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(165)	-	-	-	-	-	(165)
Adjustments reported by equity-method investees	-	-	-	(654)	-	-	-	263	(21)	39,697	-	-	-	39,285
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	32,595	-	-	-	32,595
Net income in 2007	-	-	-	-	-	-	49,558	-	-	-	-	-	48,874	98,432
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(46,680)	(46,680)
BALANCE, DECEMBER 31, 2007	<u>\$ 345,658</u>	<u>\$ 67,089</u>	<u>\$ 9,642</u>	<u>\$ 9,988</u>	<u>\$ 41,194</u>	<u>\$ 66,500</u>	<u>\$ 49,558</u>	<u>\$ (499)</u>	<u>\$(380)</u>	<u>\$ 137,711</u>	<u>\$ 27,257</u>	<u>\$ (5,103)</u>	<u>\$ 186,336</u>	<u>\$ 934,951</u>

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands)

	2007		2006	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 3,192,142	\$ 98,432	\$ 1,315,269	\$ 40,557
Cumulative effect of accounting changes	-	-	(5,846)	(180)
Depreciation	1,676,288	51,689	1,611,695	49,698
Amortization	23,046	711	31,847	982
Amortization of leasehold rights included in rental expenses	317,685	9,796	317,685	9,796
Valuation loss (gain) on financial instruments	22,688	700	(60,534)	(1,867)
Unrealized loss on physical inventory and slow-moving inventories	30,585	943	14,281	440
Equity in earnings of equity-method investees, net	(474,924)	(14,645)	(287,601)	(8,868)
Acquisition of financial assets carried at cost to repay a debt	-	-	(521)	(16)
Impairment loss on financial assets carried at cost	-	-	46,886	1,446
Cash dividends from equity-method investees	187,556	5,783	172,600	5,322
Gain on disposal of available-for-sale financial assets, net	(147,729)	(4,555)	(109,240)	(3,368)
Gain on disposal of equity-method investments	(98,099)	(3,025)	-	-
(Gain) loss on disposal of property and idle assets, net	(351,334)	(10,834)	106,927	3,297
Gain on write-off of accounts payable	-	-	(1,271)	(39)
Other expenses	10,000	308	483,863	14,920
Amortization of prepaid rent	198,464	6,120	200,148	6,172
Deferred income taxes	63,883	1,970	(88,465)	(2,728)
Increase in prepaid pension cost	(32,216)	(993)	(23,501)	(725)
Increase in accrued pension cost	10,295	317	27,797	857
Net changes in operating assets and liabilities				
Financial assets at fair value through profit or loss	1,169,097	36,050	1,304,796	40,234
Notes and accounts receivable	335,145	10,334	(250,127)	(7,713)
Other receivables	240,307	7,410	32,911	1,015
Inventories	7,898	244	40,464	1,248
Prepayments	146,372	4,513	(147,864)	(4,560)
Refundable deposits	293,975	9,065	-	-
Other current assets	3,415	105	21,268	656
Notes and accounts payable	219,805	6,778	796,478	24,560
Accrued expenses	(137,523)	(4,241)	183,122	5,647
Income tax payable	167,838	5,175	74,498	2,297
Other payables	(67,546)	(2,083)	1,134,770	34,991
Advance receipts	443,346	13,671	263,402	8,122
Other current liabilities	152,034	4,688	6,635	205
Net cash provided by operating activities	<u>7,602,493</u>	<u>234,426</u>	<u>7,212,372</u>	<u>222,398</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
(Increase) decrease in pledged time deposits	(2,160)	(67)	4,166	128
Acquisition of investments accounted for by the equity method	(120,000)	(3,700)	-	-
Return of capital due to subsidiary's capital reduction	102,820	3,171	-	-
Proceeds of the disposal of available-for-sale financial assets	241,950	7,461	365,427	11,268
Proceeds of the disposal of investments accounted for by the equity method	170,262	5,250	-	-
Acquisition of financial assets carried at cost	(145,936)	(4,500)	(65,200)	(2,010)
Acquisition of property	(2,242,027)	(69,134)	(3,032,616)	(93,512)
Proceeds of the disposal of property and land held for future construction	546,864	16,863	12,460	384
Increase in refundable deposits	(42,456)	(1,309)	(111,857)	(3,449)
(Increase) decrease in long-term prepayments	(648,860)	(20,008)	391,671	12,077
Decrease in pledged assets	179,972	5,550	181,063	5,583
Decrease (increase) in other assets	192,642	5,940	(189,637)	(5,847)
Net cash used in investing activities	<u>(1,766,929)</u>	<u>(54,483)</u>	<u>(2,444,523)</u>	<u>(75,378)</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands)

	2007		2006	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in short-term debts	\$ 312,939	\$ 9,650	\$ (684,680)	\$ (21,113)
(Decrease) increase in short-term notes and bills payable	(1,128,637)	(34,802)	1,185,350	36,551
Repayments of bonds issued	(2,000,000)	(61,671)	(2,675,000)	(82,485)
Increase in long-term borrowings	960,248	29,610	469,037	14,463
(Decrease) increase in deposits received	(8,550)	(264)	36,540	1,127
Decrease in other liabilities	(35)	(1)	(11,109)	(343)
Proceeds of subsidiaries' disposal of parent's shares	61,581	1,899	91,727	2,828
(Decrease) increase in minority interests	(709,384)	(21,874)	928,602	28,634
Dividends paid to minority interests	(439,413)	(13,550)	(709,336)	(21,873)
Cash dividends and payment of bonus to employees and remuneration to supervisors and directors	<u>(595,985)</u>	<u>(18,378)</u>	<u>(588,406)</u>	<u>(18,144)</u>
Net cash used in financing activities	<u>(3,547,236)</u>	<u>(109,381)</u>	<u>(1,957,275)</u>	<u>(60,355)</u>
EFFECT ON EXCHANGE RATE CHANGES	<u>13,580</u>	<u>419</u>	<u>(293,473)</u>	<u>(9,049)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,301,908	70,981	2,517,101	77,616
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>10,444,283</u>	<u>322,056</u>	<u>7,927,182</u>	<u>244,440</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 12,746,191</u>	<u>\$ 393,037</u>	<u>\$ 10,444,283</u>	<u>\$ 322,056</u>
SUPPLEMENTARY CASH FLOW INFORMATION				
Interest paid	\$ 693,697	\$ 21,391	\$ 780,049	\$ 24,053
Less: Capitalized interest	<u>140,978</u>	<u>4,347</u>	<u>137,622</u>	<u>4,244</u>
Interest paid, excluding capitalized interest	<u>\$ 552,719</u>	<u>\$ 17,044</u>	<u>\$ 642,427</u>	<u>\$ 19,809</u>
Income tax paid	<u>\$ 973,685</u>	<u>\$ 30,024</u>	<u>\$ 836,430</u>	<u>\$ 25,792</u>
NONCASH INVESTING AND FINANCING ACTIVITIES				
Financial assets carried at cost	<u>\$ 99</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>
Idle assets reclassified into construction in progress	<u>\$ 68,247</u>	<u>\$ 2,104</u>	<u>\$ -</u>	<u>\$ -</u>
Adjustment to advance receipts and depreciation	<u>\$ 128,317</u>	<u>\$ 3,957</u>	<u>\$ 133,363</u>	<u>\$ 4,112</u>
Adjustment to advance receipts and loss on disposal of property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,455</u>	<u>\$ 754</u>
Current portion of bonds issued	<u>\$ 1,200,000</u>	<u>\$ 37,003</u>	<u>\$ 2,000,000</u>	<u>\$ 61,671</u>
Current portion of long-term borrowings	<u>\$ 2,477,133</u>	<u>\$ 76,384</u>	<u>\$ 1,805,609</u>	<u>\$ 55,677</u>
Current portion of franchise liabilities	<u>\$ 298,588</u>	<u>\$ 9,207</u>	<u>\$ 302,694</u>	<u>\$ 9,334</u>
Dividends payable to minority interest shown under notes payable	<u>\$ 400,218</u>	<u>\$ 12,341</u>	<u>\$ -</u>	<u>\$ -</u>
CASH PAID FOR ACQUISITION OF PROPERTY				
Acquisition of property	\$ 1,075,262	\$ 33,156	\$ 2,796,562	\$ 86,234
Decrease in construction in progress	(3,041)	(94)	(4,395)	(136)
Increase (decrease) in balance payable - property	867,112	26,738	(219,836)	(6,779)
Decrease in franchise liabilities	<u>302,694</u>	<u>9,334</u>	<u>460,285</u>	<u>14,193</u>
	<u>\$ 2,242,027</u>	<u>\$ 69,134</u>	<u>\$ 3,032,616</u>	<u>\$ 93,512</u>

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

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

1. ORGANIZATION AND OPERATIONS

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

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

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

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

Bai Ding Investment Co., Ltd. (BDIC), Bai Yang Investment Co., Ltd. (“Bai Yang”), Pacific Liu Tong Investment Co., Ltd. (“Pacific Liu Tong Investment”), Bai Chin (Singapore) Pte. Ltd., FEDS Development Ltd. (BVI), Pacific China Holdings (HK) Co., Ltd. and Pacific China Holdings Co., Ltd. operate investing and holding business. Bai Chin (Singapore) Pte. Ltd., went into liquidation and transferred its investment in December 2006. The liquidation of Bai Chin (Singapore) Pte. Ltd., is completed on September 2007. Chongqing Pacific Consultant and Management Co., Ltd. and Shanghai Bai Ding Business Management Consulting Co., Ltd. render consulting services.

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

The diagram of the Company-subsidiary relationship (including unconsolidated subsidiaries) as of December 31, 2007 is shown in Table 1.

As of December 31, 2007 and 2006, the Company and its subsidiaries had 9,161 and 9,333 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Consolidation

As required by the revised ROC Statement of Financial Accounting Standards (SFAS) No. 7 - “Consolidated Financial Statements,” starting from January 2007 and 2006, consolidated financial statements should include the accounts of the Company and its direct and indirect subsidiaries and other investees in which the Company has controlling interests. However, the investment in Pacific Sogo Investment Co., Ltd. and Lian Ching Investment Co., Ltd. had been written off to zero, and their liabilities would not be undertaken by the Group. Therefore, their accounts are excluded from the consolidated financial statements.

The account of Bai Chin (Singapore) Pte. Ltd. was included only in the consolidated financial statements for the year ended December 31, 2006 because this subsidiary’s liquidation was completed in September 2006.

Based on the revised SFAS No. 7, the consolidated financial statements as of and for the year ended December 31, 2007 and 2006 included the accounts of FEDS and of Far Eastern Geant Co., Ltd., FEDS New Century Development, FEDS Asia Pacific Development, Bai Yang Investment Co., Ya Tung Department Stores, Bai Ding Investment Co., Far Eastern Hon Li Do Co., Ltd., Asians Merchandise Co., Yu Ming Advertising Agency Co., FEDS Development (BVI) Ltd., Far Eastern CitySuper Ltd., Pacific Liu Tong Investment, Shanghai Bai Ding Business Management Consulting Co., Ltd., Tianjin FEDS Limits, Co., Pacific Sogo Department Stores Co., Ltd., Pacific China Holdings (HK) Co., Ltd., Pacific China Holdings Co., Shanghai Pacific Department Store Co., Ltd., Chengdu Shangxia Pacific Department Store Co., Ltd., Chengdu Quanxing Mansion Pacific Department Store Co., Ltd., Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd., Beijing Xidan Pacific Department Store Co., Ltd. and Chongqing Pacific Consultant and Management Co., Ltd. All significant intercompany transactions and accounts have been eliminated. Except those of Bai Chin (Singapore) Pte. Ltd. and Shanghai Bai Ding Consultant and Management Co., Ltd. in 2006, the financial statements of all subsidiaries had been audited. Had these two investees’ financial statements been audited, there would have been no significant effect on the consolidated financial statements.

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

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

Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Instruments at Fair Value through Profit or Loss

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

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

Available-for-sale Financial Assets

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

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

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

Allowances for Doubtful Accounts

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

Inventories

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

Investments Accounted for Using Equity Method

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

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

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

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

Financial Assets Carried at Cost

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

Properties, Properties Leased to Others and Investments in Real Estate

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

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

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

the estimation of the building's service lives, 55 years. The carrying value of properties and properties leased to others, which were fully depreciated using the foregoing service lives, but are still being used by the Group are depreciated over their newly estimated service lives.

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

Leasehold Rights

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

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

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

Idle Properties

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

When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized.

Goodwill

The Group appraises properties and intangible assets by adopting the Statement of Financial Accounting Standards No. 35 - "Accounting for Asset Impairment" in 2005. An impairment loss should be recognized if the carrying value of properties and intangible assets exceeds their recoverable amount, and this impairment loss is deducted from the carrying value of the intangible assets (goodwill). If the carrying value of intangible assets is not enough for deduction purposes, the difference is deducted from the carrying value of other assets proportionately. If the recoverable amount increases, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized. An impairment loss recognized on goodwill cannot be reversed.

Pension Costs

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

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

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

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

Revenue Recognition

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

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

Concessionaires' Sales

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

Treasury Stock

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

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

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

Income Tax

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

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

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

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

Income tax on subsidiaries overseas is based on local regulations.

Foreign-currency Transactions

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

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

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

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

Reclassifications

Certain 2006 accounts have been reclassified to conform to the 2007 consolidated financial statement presentation.

3. TRANSLATION INTO U.S. DOLLARS

The financial statements are stated in New Taiwan dollars. The translations of the 2007 and 2006 New Taiwan dollar amounts into U.S. dollar amounts are included solely for the convenience of readers, using the rate of NT\$32.43 to US\$1.00 as of December 31, 2007, as published by the Bank of Taiwan. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could be, converted into U.S. dollars at this or any other exchange rate.

4. ACCOUNTING CHANGES

On January 1, 2007, the Company and its subsidiaries adopted the newly released Statements of Financial Accounting Standards ("Statements" or SFAS) 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 effects on the accounts of the Company and its subsidiaries.

On January 1, 2006, the Company and its subsidiaries 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:

a. Reclassification of financial assets and liabilities

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

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

	Recognized as Cumulative Effect of Changes in Accounting Principles (After Taxes)		Recognized as Adjustment to Stockholders' Equity (After Taxes)	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Financial assets or liabilities at fair value through profit or loss	\$ 5,846	\$ 180	\$ -	\$ -
Available-for-sale financial assets	-	-	523,659	16,147
	<u>\$ 5,846</u>	<u>\$ 180</u>	<u>\$ 523,659</u>	<u>\$ 16,147</u>

The accounting changes also resulted in increases of NT\$60,534 thousand (US\$1,867 thousand) in net income before the cumulative effect of accounting changes and of NT\$66,380 thousand (US\$2,047 thousand) in net income in 2006.

The Company and its subsidiaries also adopted, effective January 1, 2006, the newly revised ROC SFAS No. 1 - "Conceptual Framework of Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investments in Equity Securities," and SFAS No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method." These revisions stated that investment premiums, representing goodwill, be assessed for impairment at least annually instead of being amortized. This accounting change resulted in increases of NT\$513,645 thousand (US\$15,839 thousand) in net income before income tax expense without any cumulative changes in accounting principles in 2006.

5. CASH AND CASH EQUIVALENTS

	2007		2006	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Cash				
Cash on hand and petty cash	\$ 165,583	\$ 5,106	\$ 261,903	\$ 8,076
Checking and savings accounts	4,254,047	131,176	4,571,903	140,978
Time deposits - interest of 1.80% to 4.40% in 2007 and 1.00% to 5.35% in 2006	7,064,744	217,846	5,338,806	164,626
Cash equivalents				
Commercial paper - interest of 1.90% to 1.95% in 2007 and 1.58% to 1.65% in 2006	1,008,521	31,098	249,171	7,683
Repurchase bond - interest of 1.90% to 2.00%	253,296	7,811	-	-
Exchequer bill - interest of 1.605% to 1.625%	-	-	22,500	694
	<u>\$ 12,746,191</u>	<u>\$ 393,037</u>	<u>\$ 10,444,283</u>	<u>\$ 322,057</u>

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2007</u>		<u>2006</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
<u>Trading-purpose financial assets</u>				
Mutual funds	\$ 381,466	\$ 11,763	\$ 1,550,564	\$ 47,813
Common stock - listed and OTC	<u>132,353</u>	<u>4,081</u>	<u>137,856</u>	<u>4,251</u>
	513,819	15,844	1,688,420	52,064
Less: Valuation adjustment	<u>(50,943)</u>	<u>(1,571)</u>	<u>(33,759)</u>	<u>(1,041)</u>
	<u>\$ 462,876</u>	<u>\$ 14,273</u>	<u>\$ 1,654,661</u>	<u>\$ 51,023</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>2007</u>				<u>2006</u>			
	<u>Current</u>		<u>Noncurrent</u>		<u>Current</u>		<u>Noncurrent</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Listed and OTC stocks	\$ 470,246	\$ 14,500	\$ 2,593,245	\$ 79,964	\$ 470,147	\$ 14,497	\$ 2,687,468	\$ 82,870
Add (deduct): Valuation adjustment	<u>(31,626)</u>	<u>(975)</u>	<u>4,393,257</u>	<u>135,469</u>	<u>184,316</u>	<u>5,684</u>	<u>1,936,696</u>	<u>59,719</u>
	<u>\$ 438,620</u>	<u>\$ 13,525</u>	<u>\$ 6,986,502</u>	<u>\$ 215,433</u>	<u>\$ 654,463</u>	<u>\$ 20,181</u>	<u>\$ 4,624,164</u>	<u>\$ 142,589</u>

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

8. INVENTORIES

	<u>2007</u>		<u>2006</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Merchandise	\$ 2,232,078	\$ 68,828	\$ 2,229,745	\$ 68,756
Others	<u>9,452</u>	<u>291</u>	<u>14,598</u>	<u>450</u>
	2,241,530	69,119	2,244,343	69,206
Less: Allowance for slow-moving inventories	79,064	2,438	55,678	1,717
Allowance for purchase discount	54,000	1,665	55,000	1,696
Allowance for losses on physical inventory	<u>27,458</u>	<u>847</u>	<u>14,174</u>	<u>437</u>
	<u>\$ 2,081,008</u>	<u>\$ 64,169</u>	<u>\$ 2,119,491</u>	<u>\$ 65,356</u>

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

	2007			2006		
	New Taiwan Dollars	U.S. Dollars (Note 3)	% of Ownership	New Taiwan Dollars	U.S. Dollars (Note 3)	% of Ownership
Stocks with no quoted market prices:						
Oriental Securities Corporation	\$ 4,026,004	\$ 124,144	34	\$ 3,756,969	\$ 115,849	34
Far Eastern International Leasing Corp.	1,918,775	59,167	34	1,733,510	53,454	36
Pacific Department Store	239,477	7,384	26	239,812	7,395	26
Yu Ming Commerce	68,900	2,125	47	37,070	1,143	47
Ding Ding Integrated Marketing Service Co., Ltd.	24,094	743	20	35,155	1,084	20
Shanghai Pacific Consultant & Management	6,662	205	49	6,570	202	49
Pacific United Consultant	-	-	-	72,125	2,224	39
Pacific 88	-	-	24	658	20	28
Pacific Sogo Investment	-	-	100	-	-	100
Lian Cing Investment	-	-	50	-	-	50
Sogo Department Store	-	-	34	-	-	34
Pacific Venture Investment Ltd.	-	-	48	-	-	48
	<u>\$ 6,283,912</u>	<u>\$ 193,768</u>		<u>\$ 5,881,869</u>	<u>\$ 181,371</u>	

The balance as of January 1, 2006 of the investments premium on Far Eastern International Leasing Corp. by the Company and its subsidiaries was NT\$121,902 thousand (US\$3,759 thousand), classified as goodwill, which ceased to be amortized when the Company and its subsidiaries adopted the newly revised ROC SFAS No. 5 - "Long-term Investments in Equity Securities" and SFAS No. 25 - "Business Combinations - Accounting Treatment for Merger under Purchase Method" on January 1, 2006.

On January 10, 2007, SOGO sold its entire holding in Pacific United Consultant Co., Ltd. Deducted from the proceeds of this sale was a security transaction tax of NT\$170,262 thousand (US\$5,250 thousand), and the gain on this sale was NT\$98,099 thousand (US\$3,025 thousand), shown as gain on disposal of investments, net.

In February 2007, Far Eastern International Leasing Corp. (FEILC), an investee of both Bai Ding Investment Co., Ltd. ("Bai Ding") and Bai Yang Investment Co., Ltd. ("Bai Yang"), issued additional shares for cash. Bai Ding subscribed for 10,000 thousand shares of these newly issued shares at NT\$12.00, or a total of NT\$120,000 thousand (US\$3,700 thousand). However, Bai Yang did not subscribe for the shares. Thus, the Group's share ratio in FEILC decreased from 36% to 34%.

In June 2007, Pacific 88 Co., Ltd. ("Pacific 88") reduced its capital to offset a deficit and then issued an additional 55 thousand shares for cash in October. After considering its operating condition, the Group decided not to subscribe for these shares. Thus, the Group's equity in Pacific 88 decreased from 28% to 24%.

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

On October 18, 2007, the board of directors of Bai Yang passed a resolution to buy the shares of Pacific China Holdings (HK) Co., Ltd. (“Pacific China”) from the ABN AMRO bank to make an indirect investment in a China-based company, with the investment amount preliminarily set at US\$79,500 thousand. After this purchase, the Group’s equity in Pacific China reached 100%. As of February 27, 2008, the date of the accompanying auditors’ report, this investment had not been approved by the Investment Commission. Bai Yang and ABN AMRO both agreed that the share purchase price and payment day can be adjusted after the Investment Commission approves this investment.

The financial statements used as basis for calculating the carrying values of equity-method investments had all been audited, except those of Pacific Department Store for 2007 and 2006. Had this investee’s financial statements been audited, any adjustments would not have had a significant impact on the Group’s consolidated financial statements.

The carrying amounts of the investments in Pacific Sogo Investment Co., Ltd. and Lian Ching Investment Co., Ltd. had been written off to zero, and the Company and its subsidiaries did not commit to assume these investees’ liabilities. Thus, these investees’ accounts were not included in the consolidated financial statements for 2007 and 2006.

10. FINANCIAL ASSETS CARRIED AT COST

	<u>2007</u>		<u>2006</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Unlisted and non-OTC stocks	\$ 733,297	\$ 22,612	\$ 836,216	\$ 25,785
Unlisted and non-OTC stocks - overseas	<u>155,991</u>	<u>4,810</u>	<u>10,106</u>	<u>312</u>
	<u>\$ 889,288</u>	<u>\$ 27,422</u>	<u>\$ 846,322</u>	<u>\$ 26,097</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.

On July 2007, Pacific China Holdings (B.V.I.) invest in Taiwan Ocean Farming Corp. and Oversea Development Corp. for US\$2,250 thousand, respectively, and owned 15 percentage of equity interest.

The carrying amount of the investment in the stock of New Century Information Communication Technology (“New Century”) decreased in 2006, and this decrease reflected an other than temporary decline in the value of this investment. Thus, a loss of NT\$46,886 thousand (US\$1,446 thousand) on the investment in New Century was recognized for 2006. In August 2007, New Century reduced its capital and returned to the Company NT\$102,820 thousand (US\$3,171 thousand).

11. INVESTMENTS IN REAL ESTATE

	<u>2007</u>		<u>2006</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Cost				
Land	<u>\$ 93,600</u>	<u>\$ 2,886</u>	<u>\$ 93,600</u>	<u>\$ 2,886</u>

12. PROPERTIES

	2007		2006	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Cost	\$ 34,084,035	\$ 1,051,003	\$ 34,135,675	\$ 1,052,596
Revaluation increment				
Land	1,183,852	36,505	1,183,852	36,505
Buildings and equipment	9,646	297	10,919	337
	<u>1,193,498</u>	<u>36,802</u>	<u>1,194,771</u>	<u>36,842</u>
Total cost and appreciation	<u>35,277,533</u>	<u>1,087,805</u>	<u>35,330,446</u>	<u>1,089,438</u>
Less: Accumulated depreciation				
On cost				
Buildings and equipment	5,485,604	169,152	4,872,968	150,261
Furniture and equipment	3,761,875	116,000	3,373,722	104,031
Leasehold improvements	<u>1,557,915</u>	<u>48,039</u>	<u>1,354,295</u>	<u>41,761</u>
	10,805,394	333,191	9,600,985	296,053
On appreciation				
Buildings and equipment	<u>7,179</u>	<u>221</u>	<u>8,326</u>	<u>256</u>
Total accumulated depreciation	<u>10,812,573</u>	<u>333,412</u>	<u>9,609,311</u>	<u>296,309</u>
	24,464,960	754,393	25,721,135	793,128
Unfinished construction	5,500,893	169,624	5,031,541	155,151
Leasehold rights (Note 13)	8,392,695	258,794	8,654,693	266,873
Properties leased to others, net (Note14)	<u>1,028,045</u>	<u>31,700</u>	<u>1,043,994</u>	<u>32,192</u>
	<u>\$ 39,386,593</u>	<u>\$ 1,214,511</u>	<u>\$ 40,451,363</u>	<u>\$ 1,247,344</u>

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

Depreciation expenses were NT\$1,673,199 thousand (US\$51,594 thousand) in 2007 and NT\$1,608,173 thousand (US\$49,589 thousand) in 2006. Capitalized interests were NT\$140,978 thousand (US\$4,347 thousand) in 2007 and NT\$137,622 thousand (US\$4,244 thousand) in 2006. The interest rates used in computing the amounts capitalized ranged from 2.33% to 2.49% in 2007 and 2.21% to 3.54% 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 NT\$67,817 thousand (US\$2,091 thousand) of the related land and buildings and NT\$430 thousand (US\$13 thousand) of equipment were transferred from idle assets to construction in progress. As of December 31, 2007, the cost of this construction had reached NT\$87,777 thousand (US\$2,707 thousand).

In February 2005, FEDS entered into a contract with Far Eastern Construction Company (FECC) to build a mall on the land owned by FEDS and FECC for FEDS's customers in the Pan-Chiao City area. Under the contract, the cost of the construction would be paid on the basis of land ownership ratio. The construction cost as of December 31, 2007 consisted mainly of the acquisition cost for land located in Pan-Chiao City and architect's fee of NT\$5,376,452 thousand (US\$165,786 thousand).

On April 24, 2007, the board of directors of FE Geant approved the proposal to cooperate with FECC to exploit the market of Taichung District. Then, on May 2, 2007, FE Geant entered into a contract with FECC to sell a certain piece of land in the Guang-Ming Section of the Ci-Tuen District in Taichung City for NT\$411,500 thousand (US\$12,689). The gain on disposal of the land was NT\$370,131 thousand (US\$11,413), shown under nonoperating income and gains - gain on disposal of fixed assets. The rights to the land were transferred on June 15, 2007.

13. LEASEHOLD RIGHTS, NET

	2007		2006	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
FAPD	\$ 3,359,393	\$ 103,589	\$ 3,443,378	\$ 106,179
FEDS - Xinyi division A13	3,186,357	98,254	3,168,337	97,698
FEDS - Taoyuan	773,161	23,841	847,827	26,143
FE Geant - Fu Shin - Taichung	639,930	19,733	698,282	21,532
FE Geant - Ping Deng - Kaohsiung	288,215	8,887	336,700	10,382
FE Geant - Taoyuan	97,043	2,992	145,565	4,489
FEDS - Shiue Chan - Taichung	40,287	1,242	2,621	81
FE Geant - Yuanlin	8,309	256	11,983	370
	<u>\$ 8,392,695</u>	<u>\$ 258,794</u>	<u>\$ 8,654,693</u>	<u>\$ 266,873</u>

Amortization expenses of leasehold rights were NT\$317,685 thousand (US\$9,796 thousand) in 2007 and 2006, shown as operating expenses - rental.

- a. On January 1, 1998, FAPD signed a contract with Asia Cement and other related parties on the construction of the Kaohsiung Asian Business and Finance Building (Feds Asia Pacific Shopping Center) on land provided by Asia Cement. Under this contract, FAPD will own the leasehold rights for 50 years from the date of the contract and should pay Asia Cement NT\$1,073,000 thousand (US\$33,087 thousand) as premium for land use rights (shown as leasehold rights). The land use rights are amortized during the land use period. Annual land rent is payable in November of every year for 50 years at 5% of the government declared value of the land.

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

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

Company	Services Provided	Construction Cost	
		New Taiwan Dollars	U.S. Dollars (Note 3)
Far Eastern General Contractor Inc.	Undertaking construction jobs under a contract	\$ 1,628,056	\$ 50,202
Yuan Ding Co., Ltd.	Planning, consulting and management	294,600	9,084
Asia Cement Corp.	Providing construction materials	178,000	5,489
Asia Concrete Corporation	Providing prestressed concrete	<u>37,099</u>	<u>1,144</u>
		<u>\$ 2,137,755</u>	<u>\$ 65,919</u>

- b. In September 2003, FEDS acquired the land use rights for No. A13 in the Hsinyi district, which is owned by the Taipei City Government. The total amount of the land use rights was NT\$3,196,888 thousand (US\$98,578 thousand), and FEDS completed the registration of its acquisition of the land use right in October 2003. Under the contract, FEDS has the right to use the land for 50 years from the completion of the right registration. The initial monthly rent is NT\$3,771 thousand (US\$116 thousand), to be adjusted annually according to the land price announced on the contract date. The monthly rent has been adjusted to NT\$4,844 thousand (US\$149 thousand) since January 2007. The monthly rent were NT\$58,134 thousand (US\$1,793 thousand) in 2007 and NT\$54,429 thousand (US\$1,678 thousand) in 2006, shown as rent expense (under operating expense).

In September 2003, FEDS paid NT\$959,066 thousand (US\$29,573 thousand), or 30% of the total land use rights payment. The rest, amounting to NT\$2,237,822 thousand (US\$69,005 thousand), would be paid annually in five consecutive years at no interest. After the deduction of unrealized interest expenses of NT\$78,937 thousand (US\$2,434 thousand), the net value of the rights was NT\$2,158,885 thousand (US\$66,571 thousand), shown as accrued franchise liabilities. In 2007, the franchise liabilities amounted to NT\$298,588 thousand (US\$9,207 thousand), which will be settled in 2008.

- c. Under an agreement made in March 1997, FEDS built a commercial building on land owned by the Tao-Yuan Farmers' Association. FEDS paid a refundable deposit of NT\$150,000 thousand (US\$4,625 thousand) shown as a refundable deposit. The initial monthly rent is NT\$3,000 thousand (US\$93 thousand), to be adjusted according to increases in the consumer price index.

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

- d. On November 28, 2005, the Company won the bid to lease land (No.89 and 91) located in the West Tun district in Taichung city, which was being managed by the Ministry of Education. Under the related contract, the Company has leasing right for 20 years from April 6, 2007, in which one year, to be used for the Company's planning for constructing a building on the land, is rent free. On contract expiry, the Company has the right to extend the contract for another 20 years. The annual rent is NT\$140,288 thousand (US\$4,326 thousand), to be adjusted every three years. The Company used a guarantee amounting to NT\$280,576 thousand (US\$8,652 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 required the Company to register with the authorities any building impairment due to force majeure (e.g., earthquakes) or other reasons. As of December 31, 2007, the cost of building development was NT\$40,287 thousand (US\$1,242 thousand).
- e. FE Geant entered into agreements with several companies for the joint construction the branches of Fu Shin - Taichung, Ping Deng - Kaohsiung and Taoyuan hypermarkets. Under these agreements, the lessors will provide the land and FE Geant will be responsible for hypermarket construction. By the end of the lease term, the titles to the land and building should be transferred to the lessors.

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

14. PROPERTIES LEASED TO OTHERS, NET

	2007		2006	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Cost				
Land	\$ 421,052	\$ 12,983	\$ 421,051	\$ 12,983
Buildings and equipment	522,449	16,110	528,891	16,309
Furniture and equipment	255	8	9,732	300
	<u>943,756</u>	<u>29,101</u>	<u>959,674</u>	<u>29,592</u>

(Continued)

	<u>2007</u>		<u>2006</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Appraisal increase				
Land	\$ 211,744	\$ 6,529	\$ 211,744	\$ 6,529
Buildings and equipment	<u>3,027</u>	<u>93</u>	<u>3,027</u>	<u>93</u>
	<u>214,771</u>	<u>6,622</u>	<u>214,771</u>	<u>6,622</u>
Accumulated depreciation				
Buildings and equipment	128,182	3,953	118,732	3,661
Furniture and equipment	<u>242</u>	<u>7</u>	<u>9,703</u>	<u>299</u>
	<u>128,424</u>	<u>3,960</u>	<u>128,435</u>	<u>3,960</u>
Appraisal increase				
Buildings and equipment	<u>2,058</u>	<u>63</u>	<u>2,016</u>	<u>62</u>
	<u>130,482</u>	<u>4,023</u>	<u>130,451</u>	<u>4,022</u>
	<u>\$ 1,028,045</u>	<u>\$ 31,700</u>	<u>\$ 1,043,994</u>	<u>\$ 32,192</u>

(Concluded)

- FEDS leases the site located in Kaohsiung City to two related parties, Far Eastern International Bank and Oriental Securities Co., for their office building; the lease terms will end in February 2010.
- FEDS leases sections of sites separately located at the Taiwan branch and the Hsin-Chu branch to Warner Village Movies Co. for its movie theatres in July and November 2002, respectively. Both lease terms are 15 years each, and the monthly rent for Taiwan branch has been adjusted to NT\$3,188 thousand (US\$98 thousand) since 2007 and for the Hsin-Chu branch adjusted to NT\$4,313 thousand (US\$133 thousand) since November 2007. Under the contract, the Company obtained NT\$33,000 thousand (US\$1,018 thousand) and classified as deposits received.
- FEDS leases the site located in Ren-Ai road Taipei City to Wellcome Department Store Co., for their office building, the lease term will end in August 2008.

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

Year	<u>Rental Income</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
2008	\$ 189,188	\$ 5,834
2009	172,194	5,310
2010	172,897	5,331
2011	176,092	5,430
2012	180,100	5,553

15. REFUNDABLE DEPOSITS

	<u>2007</u>				<u>2006</u>			
	<u>Current</u>		<u>Noncurrent</u>		<u>Current</u>		<u>Noncurrent</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Deposits on leases	\$ -	\$ -	\$ 632,489	\$ 19,503	\$ -	\$ -	\$ 1,204,910	\$ 37,154
Others	-	-	<u>726,901</u>	<u>22,414</u>	<u>293,975</u>	<u>9,065</u>	<u>112,024</u>	<u>3,454</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,359,390</u>	<u>\$ 41,917</u>	<u>\$ 293,975</u>	<u>\$ 9,065</u>	<u>\$ 1,316,934</u>	<u>\$ 40,609</u>

16. IDLE PROPERTIES

	2007		2006	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Cost				
Land	\$ 85,430	\$ 2,634	\$ 153,247	\$ 4,725
Buildings and equipment	223,645	6,896	231,624	7,142
Furniture and equipment	8,151	252	21,162	653
	<u>317,226</u>	<u>9,782</u>	<u>406,033</u>	<u>12,520</u>
Appraisal increase				
Land	255,291	7,872	255,291	7,872
Buildings and equipment	16,058	495	16,470	508
	<u>271,349</u>	<u>8,367</u>	<u>271,761</u>	<u>8,380</u>
	<u>588,575</u>	<u>18,149</u>	<u>677,794</u>	<u>20,900</u>
Accumulated depreciation				
Buildings and equipment	178,996	5,519	183,572	5,660
Furniture and equipment	7,772	240	20,648	637
Appraisal increase				
Buildings and equipment	14,171	437	14,489	447
	<u>200,939</u>	<u>6,196</u>	<u>218,709</u>	<u>6,744</u>
	<u>\$ 387,636</u>	<u>\$ 11,953</u>	<u>\$ 459,085</u>	<u>\$ 14,156</u>

Depreciation expenses, classified as nonoperating expenses and losses - others, were NT\$3,089 thousand (US\$95 thousand) in 2007 and NT\$3,522 thousand (US\$109 thousand) in 2006.

17. LONG-TERM PREPAYMENT

	2007		2006	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Long-term rent prepayment				
a. FE Geant - Hsin-Chu	\$ 348,502	\$ 10,746	\$ 371,736	\$ 11,463
b. FE Geant - Dajhih	79,355	2,447	203,992	6,290
c. SOGO - Dunhua	150,000	4,625	200,000	6,167
d. SOGO - BR4	3,553,612	109,578	2,898,818	89,387
	<u>4,131,469</u>	<u>127,396</u>	<u>3,674,546</u>	<u>113,307</u>
Less: Current portion (included in prepayments)	<u>411,263</u>	<u>12,681</u>	<u>450,612</u>	<u>13,895</u>
	<u>3,720,206</u>	<u>114,715</u>	<u>3,223,934</u>	<u>99,412</u>
Other prepayment	-	-	331	10
	<u>\$ 3,720,206</u>	<u>\$ 114,715</u>	<u>\$ 3,224,265</u>	<u>\$ 99,422</u>

The amortization expense, classified as operating expense - rental, were NT\$198,464 thousand (US\$6,120 thousand) in 2007 and NT\$200,148 thousand (US\$6,172 thousand) in 2006.

- a. SOGO constructed a building within the Zhongxiao-Fuxing Station (land BR4) of the Taipei Rapid Transit System Muzha line under a lease agreement with the Department of Rapid Transit Systems (DRTS) of the Taipei City Government (TCG), Bureau of Finance - TCG and Hong-Tong Comprehensive Commercial Developing Co., Ltd. The lease term is 20 years from the opening of Sogo's Branch BR4. SOGO pays a monthly fixed rental of NT\$12,701 thousand (US\$392 thousand) to DRTS-TCG and the Bureau of Finance-TCG. In addition, SOGO pays a rental premium at a certain percentage of annual net sales.

SOGO recognized rental expenses of NT\$152,408 thousand (US\$4,700 thousand) for 2007 and NT\$1,253 thousand (US\$39 thousand) for 2006 based on its operating days. In 2006, SOGO paid deposits of NT\$14,363 thousand (US\$443 thousand) to DRTS and NT\$24,423 thousand (US\$753 thousand) to TCG. Also in 2006, SOGO also paid DRTS operating deposits of NT\$95,962 thousand (US\$2,959 thousand) and warranty deposit of NT\$33,439 thousand (US\$1,031 thousand). Refundable deposits were NT\$168,187 thousand (US\$5,186 thousand) as of December 31, 2007.

SOGO paid other prepayment as of December 31, 2005, to a development rights owner - Hong-Tong Comprehensive Commercial Developing Co., Ltd. ("Hong-Tong") - to obtain the right to lease the building housing SOGO's Branch BR4. On December 8, 2006, SOGO entered into a 15-year lease agreement with Hong-Tong. Under this agreement, when the amount paid by SOGO exceeds the rent payable, the premium will be deemed as prepaid rent to be deducted from future rental expenses. SOGO recognized a rental expense of NT\$283,905 thousand (US\$8,754 thousand) and NT\$1,912 thousand (US\$59 thousand) based on its operating days in 2007 and 2006. A prepaid amount of NT\$3,553,612 thousand (US\$109,578 thousand) was shown as a prepayment of NT\$258,675 thousand (US\$7,976 thousand) as of December 31, 2007.

- b. Under an agreement, FE Geant will lease a hypermarket from the Hsin-Chu Chemical Industry, Ltd. (HCCI). HCCI will provide the land and build the hypermarket. The related construction expenses, except for the previous development expenses paid by FE Geant, will be paid by HCCI and FE Geant at the ratio of 1:2 ("1" refers to HCCI). The payment by FE Geant will be regarded as prepaid rent and amortized over the rent period upon the completion of the building (19 years and 3 months). The Hsin-Chu branch of FE Geant was opened in October 2003.
- c. FE Geant entered into an operating lease agreement with Liang Ji Company and three other companies to lease a hypermarket under construction for the Dajhieh branch in September 2003. Upon the completion of the hypermarket, FE Geant is authorized to use the hypermarket for 20 years. Starting from the opening day of the hypermarket, FE Geant will pay NT\$13,750 thousand (US\$424 thousand) for rental expenses monthly, plus a certain percentage of the sale that exceeds a specific amount yearly. In addition to the payments of NT\$55,000 thousand (US\$1,696 thousand) as deposit upon the signing of the agreement and another NT\$27,500 thousand (US\$848 thousand) upon the use of the hypermarket, FE Geant should pay NT\$165,000 thousand (US\$5,088 thousand) in advance upon receiving the construction license (in 2004) and usage license (in 2005), respectively. Under the contract, FE Geant had to provide a credit letter guaranteed by a bank and its own promissory note. The amount of the credit letter and the note is calculated at a certain percentage of the total building cost (approximately NT\$837,623 thousand (US\$25,829 thousand)). In January 2006, FE Geant issued another promissory note for NT\$592,647 thousand (US\$18,275 thousand) to replace the bonds of NT\$700,000 thousand (US\$21,585 thousand) issued by a bank and FE Geant's own promissory note for NT\$85,147 thousand (US\$2,626 thousand). The Dajhieh Branch started operations on December 29, 2005.
- d. For operating purposes, SOGO rents a building located in Taipei City from Min-Yang Development Co. The renewable lease is up to December 31, 2004. In July 2003, SOGO extend the lease contract up to December 23, 2009 and prepaid NT\$300,000 thousand (US\$9,251 thousand) for rent. Prepaid rent will be deducted NT\$50,000 thousand (US\$1,542 thousand) for rent expense between 2005 and 2010. The long-term prepaid expenses were NT\$100,000 thousand (US\$3,084 thousand) and NT\$150,000 thousand (US\$4,625 thousand) as of December 31, 2007 and 2006, respectively. Under the extended contract, SOGO may renew the lease contract under the same terms for one year. The rent was NT\$206,000 thousand (US\$6,352 thousand) in 2007 and 2006. The refundable deposit was NT\$350,000 thousand (US\$10,792 thousand) as of December 31, 2007 and 2006, respectively.

18. CONSOLIDATED DEBIT

The Company's equity in the subsidiaries' net assets on acquisition is amortized by the straight-line method over 20 years. The accounting treatment for investment premiums on acquisitions made before January 1, 2006 is the same as that for goodwill, which is no longer being amortized.

For investment impairment tests, Pacific Sogo Department Stores Co., Ltd. and Pacific China Holdings (HK) Co., Ltd. are regarded as two cash flow units. Operating assets (including goodwill), equity-method investments, and other assets are evaluated according to the assumption that the estimated operating revenue of SOGO and Pacific China Holdings (HK) Co., Ltd. of department is the basis for estimating future cash flows, taking into consideration past business data and growth prospects of the department store industry. Under the going concern assumption, the estimated future cash inflow is discounted by the equity capital cost rate. Impairment tests showed there was no impairment loss on these two investments as of December 31, 2007.

19. SHORT-TERM DEBTS

	<u>2007</u>		<u>2006</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Unsecured bank loans: Interest - 1.84% to 6.156% in 2007 and 1.72% to 3.52% in 2006	\$ 4,170,939	\$ 128,614	\$ 4,273,000	\$ 131,761
Secured bank loans: Interest - 2.259% to 2.70% in 2007 and 1.72% in 2006	<u>765,000</u>	<u>23,589</u>	<u>350,000</u>	<u>10,792</u>
	<u>\$ 4,935,939</u>	<u>\$ 152,203</u>	<u>\$ 4,623,000</u>	<u>\$ 142,553</u>

20. SHORT-TERM NOTES AND BILLS PAYABLE

Commercial paper were issued at discounts ranging from 1.92% to 3.10% in 2007 and from 1.40% to 2.71% in 2006.

21. BONDS ISSUED

	<u>December 31, 2007</u>					
	<u>Current</u>		<u>Long-term</u>		<u>Total</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
<u>FEDS</u>						
Domestic secured bonds issued on:						
August 25, 26, 27 and 28, 2003	\$ 1,200,000	\$ 37,003	\$ -	\$ -	\$ 1,200,000	\$ 37,003
August 12, 2005	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>15,418</u>	<u>500,000</u>	<u>15,418</u>
	<u>\$ 1,200,000</u>	<u>\$ 37,003</u>	<u>\$ 500,000</u>	<u>\$ 15,418</u>	<u>\$ 1,700,000</u>	<u>\$ 52,421</u>

	December 31, 2006					
	Current		Long-term		Total	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
FEDS						
Domestic secured bonds issued on:						
August 7 and 8, 2002	\$ 500,000	\$ 15,418	\$ -	\$ -	\$ 500,000	\$ 15,418
November 25, 26, 27, 28 and 29, 2002	1,500,000	46,253	-	-	1,500,000	46,253
August 25, 26, 27 and 28, 2003	-	-	1,200,000	37,003	1,200,000	37,003
August 12, 2005	-	-	500,000	15,418	500,000	15,418
	<u>\$ 2,000,000</u>	<u>\$ 61,671</u>	<u>\$ 1,700,000</u>	<u>\$ 52,421</u>	<u>\$ 3,700,000</u>	<u>\$ 114,092</u>

- a. The aggregate face value of FEDS domestic secured bonds issued on August 7 and 8, 2002 was NT\$500,000 thousand (US\$15,418 thousand). These instruments consisted of Type A bonds with face value of NT\$300,000 thousand (US\$9,251 thousand) and Type B bonds with face value of NT\$200,000 thousand (US\$6,167 thousand). The bonds will mature on August 7 and 8, 2007. Interest on both bonds is 3.7%, payable annually.
- b. The aggregate face value of FEDS domestic secured bonds issued on November 25 to 29, 2002 was NT\$1,500,000 thousand (US\$46,253 thousand). These instruments consisted of Types A, B, C, D and E bonds with face value of NT\$300,000 thousand (US\$9,251 thousand) each. The bonds will all mature on November 25 and 29, 2007. Interest on all bonds is 2.588%, payable annually.
- c. The average face value of FEDS domestic secured bonds issued on August 25 to 28, 2003 was NT\$1,200,000 thousand (US\$37,003 thousand). These instruments consisted of Types A, B, C and D bonds with face value of NT\$300,000 thousand (US\$9,251 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 FEDS domestic secured bonds issued on August 12, 2005 was NT\$500,000 thousand (US\$15,418 thousand). The bond will all mature on August 12, 2010. Interest on all bond is 1.81%, payable annually.

22. LONG-TERM BORROWINGS

	2007		2006	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Syndicate loans - interest of 2.6374% to 4.0539% in 2007 and 2.1956% to 3.0624% in 2006				
a. Taiwan Cooperative Bank, First Bank and Chang Hwa Bank	\$ 3,150,000	\$ 97,132	\$ 4,050,000	\$ 124,885
b. Hua Nan Bank, First Bank and Sunny Bank	<u>1,750,000</u>	<u>53,963</u>	<u>2,030,000</u>	<u>62,596</u>
	4,900,000	151,095	6,080,000	187,481
Secured loans - interest of 2.13% to 2.409% in 2007 and 2.10% to 2.90% in 2006	2,300,000	70,922	555,700	17,135
Unsecured loans - interest of 1.81% to 2.95% in 2007 and 1.80% to 3.43% in 2006	2,335,000	72,001	2,688,333	82,896

(Continued)

	<u>2007</u>		<u>2006</u>	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Commercial paper issued- discount rates of 1.609% to 2.262% in 2007 and 1.470% to 2.262% in 2006	<u>\$ 6,577,004</u>	<u>\$ 202,806</u>	<u>\$ 5,827,723</u>	<u>\$ 179,702</u>
	16,112,004	496,824	15,151,756	467,214
Less - due in one year	<u>2,477,133</u>	<u>76,384</u>	<u>1,805,609</u>	<u>55,677</u>
	<u>\$ 13,634,871</u>	<u>\$ 420,440</u>	<u>\$ 13,346,147</u>	<u>\$ 411,537</u> (Concluded)

- a. SOGO obtained an NT\$6,000,000 thousand (US\$185,014 thousand) syndicated loan from the Cooperative Bank, First Bank and Chang Hwa Bank, consisting of Types A and B. Type A is an NT\$1,500,000 thousand (US\$46,253 thousand) long-term secured loan obtained in October 2003 and maturing in October 2013. The principal is repayable every six months in 10 installments of NT\$150,000 thousand (US\$4,625 thousand) each from April 2009 to October 2013. The interest is payable monthly. Type B is an NT\$4,500,000 thousand (US\$138,760 thousand) medium-term unsecured loan obtained in October 2003 and maturing in October 2008. The interest is payable monthly. The principal is repayable every six month in 7 installments. Each installment is NT\$450,000 thousand (US\$13,876 thousand), and the last installment is NT\$1,800,000 thousand (US\$55,504 thousand).

On the Type B loan, NT\$600,000 thousand (US\$18,501 thousand), a part of the last installment, was repaid early in 2005.

- b. In November 2006, FEDS and five of its subsidiaries - FAPD, Bai-Ding Investment (“Bai-Ding”), Bai-Yang Investment (“Bai-Yang”), Far Eastern Hon Li Do Co., Ltd. and Yu Ming - jointly signed an unsecured syndicated loan contract with Sunny Bank (lead bank), Hua Nan Commercial Bank (HNCB), First Bank and other banks. Under this contract, FEDS and these five subsidiaries obtained a NT\$2,500,000 thousand (US\$77,089 thousand) credit, with floating interest by floating rate, and a term of three years ending November 2009.
- c. Some secured bank loans repayable within one year but with repayment deadlines that the Group may extend, were classified as long-term liabilities. Of these loans, there was a balance of NT\$150,000 thousand (US\$4,625 thousand) as of December 31, 2006 on a loan obtained by FE Geant from Far Eastern Bank, which had a floating interest rate of 2.10% plus 0.80%. This loan is repayable quarterly in 4 installments from the first installment payment due after 24 months from the date of the first drawdown on the loan. Each installment payment is NT\$37,500 thousand (US\$1,156 thousand). FEDS obtained a secured loan of NT\$285,700 thousand (US\$8,810 thousand) from the International Commercial Bank of China, repayable every six months in five installments until October 2007. This loan had been fully repaid as of December 31, 2007.
- d. For the unsecured loans amounting to NT\$1,200,000 thousand (US\$37,003 thousand) and NT\$1,000,000 thousand (US\$30,836 thousand), the Company negotiated medium-term and long-term loan contracts, and the Group allowed the extension of the repayment deadlines for these loans. Thus, these obligations were classified as long-term liabilities. The unsecured loans with the following banks as of December 31, 2007 were as follows:

- 1) Chinatrust Bank: Credit loan of NT\$50,000 thousand (US\$1,542 thousand); 2.83% interest rate, and maturity in 2009;

- 2) China Development Industrial Bank: Credit loan of NT\$100,000 thousand (US\$3,084 thousand); interest at the fixed rate for 90 days' commercial paper as quoted in Reuter's secondary market plus 0.7%; and maturity in 2009;
 - 3) Bank of Kaohsiung: Credit loan of NT\$100,000 thousand (US\$3,084 thousand); fixed regular time deposit interest rate as of December 31, 2007; maturity in 2009;
 - 4) Hua Nan Bank: Credit loan of NT\$200,000 thousand (US\$6,167 thousand) floating interest rate, which was 2.18% plus 0.77% as of December 31, 2006; first installment payment due after 24 months; final installment due six months after the first installment, each installment is NT\$100,000 thousand (US\$3,084 thousand);
 - 5) Taipei Fubon Bank: Credit loan of NT\$200,000 thousand (US\$6,167 thousand); 2.81% interest rate; repayable every six months in 4 installments after the first installment due after 18 months from December 26, 2006; each installment is NT\$50,000 thousand (US\$1,542 thousand);
 - 6) First Bank: Credit loan of NT\$300,000 thousand (US\$9,251 thousand); floating interest rate, based on regular time deposit rate plus 0.6% as of December 31, 2007; repayable every six months in 4 installments after the first installment due after 18 months from February 14, 2007; each installment is NT\$75,000 thousand (US\$2,313 thousand);
 - 7) Shin Kong Bank credit loan of NT\$70,000 thousand (US\$2,158 thousand); floating interest rate, based on fixed regular time deposit rate plus 0.42%; repayable on maturity in December 2009;
 - 8) Hua Nan Bank: Credit loan of NT\$98,333 thousand (US\$3,032 thousand); repayable monthly from 2006 as follows: NT\$18,889 thousand (US\$582 thousand) repayable in 34 installments, NT\$19,444 thousand (US\$600 thousand) repayable in 35 installments, and NT\$60,000 thousand repayable in 36 installments; this loans was fully repaid in August 2007;
 - 9) First Bank: Credit loan of NT\$60,000 thousand (US\$1,850 thousand); floating interest rate, based on two years' fixed regular time deposit rate plus 0.465% as of December 31, 2007; repayable three months in 12 installments; each installment is NT\$5,000 thousand (US\$154 thousand); loan balance of NT\$55,000 thousand (US\$1,696 thousand) as of December 31, 2007; NT\$20,000 thousand (US\$617 thousand) is repayable in 2008.
 - 10) Mega International Commercial Bank (originally the Chiao Tung Bank): Credit loan of NT\$600,000 thousand (US\$18,501 thousand) obtained in November 2003; repayable quarterly from May 2005 to November 2008 in 15 installments of NT\$40,000 thousand (US\$1,233 thousand) each; loan balances of NT\$160,000 thousand (US\$4,934 thousand) in 2007 and NT\$320,000 thousand (US\$9,867 thousand) in 2006.
- e. The Company negotiated other medium-term and long-term loan contracts, and the Group allowed the extension of the repayment deadlines for these loans. Thus, these obligations were classified as long-term liabilities.

23. STOCKHOLDERS' EQUITY

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

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

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

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

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

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

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

On June 15, 2007 and June 2, 2006, FEDS'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:

	Earnings Appropriation				Dividend Per Shares			
	2006		2005		2006		2005	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Legal reserve	\$ 58,615	\$ 1,807	\$ 97,942	\$ 3,020				
Stock dividend - common stock	-	-	414,559	12,783	\$ -	\$ -	\$ 0.40	\$ 0.01
Cash dividend - common stock	538,926	16,618	518,198	15,979	0.50	0.02	0.50	0.02
Bonus to employees - cash paid	23,034	710	40,119	1,237				
Remuneration to directors and supervisors - cash paid	17,275	533	30,089	928				
	<u>\$ 637,850</u>	<u>\$ 19,668</u>	<u>\$ 1,100,907</u>	<u>\$ 33,947</u>				

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

The stock issuance in the year of 2006 and 2005 for the above appropriation of stock dividends was approved by the Securities and Futures Bureau (SFB), and the board of directors resolved that the effective date of stock dividend appropriation was August 18, 2007 and August 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 (US\$0.02) to NT\$0.50 (US\$0.02) in 2006 and from NT\$0.95 (US\$0.03) to NT\$0.88 (US\$0.03) 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>).

24. 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:

Subsidiary	Shares in Thousands	Carrying Value		Market Value	
		New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<u>2007</u>					
BDIC	28,770	<u>\$ 165,492</u>	<u>\$ 5,103</u>	<u>\$1,129,225</u>	<u>\$ 34,820</u>
<u>2006</u>					
BDIC	27,663	<u>\$ 165,492</u>	<u>\$ 5,103</u>	<u>\$ 575,344</u>	<u>\$ 17,741</u>
Bai Yang	2,751	<u>16,458</u>	<u>507</u>	<u>57,218</u>	<u>1,764</u>
		<u>\$ 181,950</u>	<u>\$ 5,610</u>	<u>\$ 632,562</u>	<u>\$ 19,505</u>

The treasury stocks held by subsidiaries increased by 1,107 thousand shares in 2007 and 1,303 thousand shares in 2006 because of the Company's stock dividend distribution in 2007 and 2006. In 2007 and 2006, the subsidiaries disposed of 2,751 thousand treasury shares and 4,719 treasury shares, respectively, with proceeds amounting to NT\$61,581 thousand (US\$1,899 thousand) and NT\$91,727 thousand (US\$2,828 thousand), respectively. After deducting the treasury stock acquisition cost of NT\$16,368 thousand (US\$505 thousand) for 2007 and NT\$28,529 thousand (US\$880 thousand) for 2006 from the foregoing proceeds, the Company credited NT\$45,213 thousand (US\$1,394 thousand) and NT\$63,197 thousand (US\$1,949 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.

25. INCOME TAX

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

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

	<u>2007</u>		<u>2006</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Income tax expense at statutory income tax rate (25%)	\$ 1,102,048	\$ 33,982	\$ 924,000	\$ 28,492
Income tax expenses - deferred	63,883	1,970	(88,465)	(2,728)
Income tax expense on short-term negotiable instruments taxed at 20%	135	4	66	2
Prior year's adjustment	(6,100)	(188)	11,971	369
Investment tax credit	<u>1,450</u>	<u>45</u>	<u>-</u>	<u>-</u>
Income tax expenses	<u>\$ 1,161,416</u>	<u>\$ 35,813</u>	<u>\$ 847,572</u>	<u>\$ 26,135</u>

- b. Deferred income tax consisted of the following:

	<u>2007</u>		<u>2006</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Current				
Deferred income tax assets				
Loss carryforward	\$ 225,159	\$ 6,943	\$ 197,356	\$ 6,086
Allowance for losses on lawsuit	79,249	2,444	68,676	2,118
Allowance for doubtful accounts	64,986	2,004	63,472	1,957
Allowance for doubtful prepayments	56,250	1,735	56,250	1,735
Allowance for losses on obsolescent inventory	35,147	1,084	30,952	954
Unrealized rent expense	7,680	237	-	-
Unrealized foreign exchange loss	4,660	143	-	-
Investment tax credits	1,341	41	1,200	37
Others	<u>5,456</u>	<u>168</u>	<u>814</u>	<u>25</u>
	479,928	14,799	418,720	12,912
Less: Valuation allowance	<u>(238,730)</u>	<u>(7,361)</u>	<u>(210,786)</u>	<u>(6,500)</u>
Deferred income tax liability	<u>241,198</u>	<u>7,438</u>	<u>207,934</u>	<u>6,412</u>
Others	<u>(121)</u>	<u>(4)</u>	<u>(1,979)</u>	<u>(61)</u>
Net deferred income tax assets	<u>\$ 241,077</u>	<u>\$ 7,434</u>	<u>\$ 205,955</u>	<u>\$ 6,351</u>

(Continued)

	<u>2007</u>		<u>2006</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Noncurrent				
Deferred income tax assets				
Loss carryforward	\$ 1,175,368	\$ 36,243	\$ 1,174,884	\$ 36,228
Cumulative equity in net loss of investees	600,984	18,532	803,017	24,762
Unrealized loss on investment in shares of stock	-	-	36,425	1,123
Difference of pension cost between financial reporting and tax reporting	35,376	1,091	41,379	1,276
Investment tax credits	1,243	38	2,627	81
Others	<u>12,298</u>	<u>379</u>	<u>386</u>	<u>12</u>
	<u>1,825,269</u>	<u>56,283</u>	<u>2,058,718</u>	<u>63,482</u>
Less: Valuation allowance	<u>(1,345,606)</u>	<u>(41,492)</u>	<u>(1,510,613)</u>	<u>(46,581)</u>
	<u>479,663</u>	<u>14,791</u>	<u>548,105</u>	<u>16,901</u>
Deferred income tax liabilities				
Difference of depreciation expense between financial reporting and tax reporting	(248,930)	(7,676)	(195,409)	(6,025)
Cumulative equity in net income of foreign-domiciled investees	-	-	(22,958)	(708)
	<u>(248,930)</u>	<u>(7,676)</u>	<u>(218,367)</u>	<u>(6,733)</u>
Net deferred income tax assets	<u>\$ 230,733</u>	<u>\$ 7,115</u>	<u>\$ 329,738</u>	<u>\$ 10,168</u> (Concluded)

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

	<u>2007</u>		<u>2006</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Balance of imputation credit account - FEDS	<u>\$ 175,077</u>	<u>\$ 5,399</u>	<u>\$ 36,066</u>	<u>\$ 1,112</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 1999 were used to offset deficit in 2002.

Unused investment tax credits as of December 31, 2007 were as follows:

<u>Items</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>Year of Expiry</u>	<u>Examination Status</u>
<u>FE Geant</u>				
Investment tax credits and training expense tax credit	\$ 344	\$ 11	2011	Unexamined
	461	14	2010	Examined
	438	14	2009	Examined
	1,341	41	2008	Examined

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

Company Name	Year of Loss	New Taiwan Dollars	U.S. Dollars (Note 3)	Year of Expiry
FE Geant	2007 (Unexamined)	\$ 163,391	\$ 5,038	2012
	2006 (Unexamined)	264,017	8,141	2011
	2005 (Examined)	239,962	7,399	2010
	2004 (Examined)	161,503	4,980	2009
	2003 (Examined)	224,917	6,935	2008
YTDS	2007 (Unexamined)	17,504	540	2012
	2006 (Unexamined)	19,685	607	2011
	2005 (Examined)	19,487	601	2010
	2004 (Examined)	13,000	401	2009
	2003 (Examined)	5,379	166	2008
FNCD	2003 (Examined)	76	2	2008
FEHLD	2007 (Unexamined)	50,106	1,545	2012
	2004 (Examined)	42,662	1,316	2009
FECS	2007 (Unexamined)	47,528	1,466	2012
	2006 (Unexamined)	34,406	1,061	2011
	2005 (Unexamined)	35,700	1,101	2010
	2004 (Unexamined)	5,124	158	2009
Yu Ming	2007 (Unexamined)	2,205	68	2012
	2006 (Unexamined)	1,260	39	2011
	2005 (Unexamined)	9,418	290	2010
Sidan of Beijing Pacific Department Store Co.	2005 (Examined)	1,896	58	2010
	2004 (Examined)	29,657	914	2009
	2003 (Examined)	11,644	359	2008

Except for the income tax return of SOGO for 2005, the income tax returns through 2005 of FECS and its subsidiaries had been examined and cleared by the tax authorities. In addition, SOGO did not agree with the tax authorities' assessment of a the tax payable on its returns for years 2001 to 2004 and filed an administrative appeal.

After examining SOGO's 2003 and 2002 income tax returns in November 2005 and December 2005, respectively, the tax authorities decided to subtract NT\$16,407 thousand (US\$506 thousand) from the income tax refund receivable on the 2003 return and to add NT\$11,902 thousand (US\$367 thousand) to the 2002 income tax payable. However, after paying NT\$998 thousand (US\$31 thousand), SOGO declined to pay the surtax balance of NT\$10,904 thousand (US\$336 thousand) and filed an administrative appeal. Nevertheless, it recognized income tax expenses of NT\$28,309 thousand (US\$873 thousand) in 2006.

In May 2006, the tax authorities reexamined SOGO's 2001 income tax return and assessed a surtax of NT\$6,233 thousand (US\$192 thousand).

In November 2006, the tax authorities decided not to recognize a portion of the withheld tax on the accrued interest on a long-term account receivable and interest and thus added NT\$12,847 thousand (US\$396 thousand) to the 2004 income tax payable.

26. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	2007							
	Included in Operating Cost		Included in Operating Expense		Included in Nonoperating Expense		Total	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Personnel expenses								
Salary	\$ 6,846	\$ 211	\$ 3,319,498	\$ 102,359	\$ -	\$ -	\$ 3,326,344	\$ 102,570
Insurance	325	10	277,894	8,569	-	-	278,219	8,579
Pension	642	20	214,818	6,624	-	-	215,460	6,644
Other	-	-	150,723	4,648	-	-	150,723	4,648
	<u>\$ 7,813</u>	<u>\$ 241</u>	<u>\$ 3,962,933</u>	<u>\$ 122,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,970,746</u>	<u>\$ 122,441</u>
Depreciation expenses	<u>\$ 15,881</u>	<u>\$ 490</u>	<u>\$ 1,657,318</u>	<u>\$ 51,104</u>	<u>\$ 3,089</u>	<u>\$ 95</u>	<u>\$ 1,676,288</u>	<u>\$ 51,689</u>
Amortization expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 333,981</u>	<u>\$ 10,299</u>	<u>\$ 6,750</u>	<u>\$ 208</u>	<u>\$ 340,731</u>	<u>\$ 10,507</u>

	2006							
	Included in Operating Cost		Included in Operating Expense		Included in Nonoperating Expense		Total	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Personnel expenses								
Salary	\$ 7,576	\$ 234	\$ 3,199,756	\$ 98,667	\$ -	\$ -	\$ 3,207,332	\$ 98,900
Insurance	596	18	271,535	8,373	-	-	272,131	8,391
Pension	558	17	206,477	6,367	-	-	207,035	6,384
Other	-	-	156,010	4,811	-	-	156,010	4,811
	<u>\$ 8,730</u>	<u>\$ 269</u>	<u>\$ 3,833,778</u>	<u>\$ 118,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,842,508</u>	<u>\$ 118,486</u>
Depreciation expenses	<u>\$ 17,110</u>	<u>\$ 528</u>	<u>\$ 1,576,037</u>	<u>\$ 48,598</u>	<u>\$ 18,548</u>	<u>\$ 572</u>	<u>\$ 1,611,695</u>	<u>\$ 49,698</u>
Amortization expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,335</u>	<u>\$ 10,402</u>	<u>\$ 12,197</u>	<u>\$ 376</u>	<u>\$ 349,532</u>	<u>\$ 10,778</u>

27. CONSOLIDATED EARNINGS PER SHARE

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

	Amount (Numerator)				Shares (Denominator) (Thousands)	Earnings Per Share			
	Before Tax		After Tax			Before Tax		After Tax	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)		New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
2007									
Consolidated net income	\$ 4,392,592	\$ 135,448							
Add: Minority interest and subsidiary employee benefits and directors' and supervisors' remuneration effect	(2,908,412)	(89,683)							
	<u>\$ 1,484,180</u>	<u>\$ 45,765</u>	<u>\$ 1,607,152</u>	<u>\$ 49,558</u>	<u>1,091,653</u>	<u>\$ 1.36</u>	<u>\$ 0.04</u>	<u>\$ 1.47</u>	<u>\$ 0.05</u>
2006									
Consolidated net income	\$ 632,335	\$ 19,498							
Add: Minority interest and subsidiary employee benefits and directors' and supervisors' remuneration effect	(26,488)	(817)							
Income before cumulative effect of changes in accounting principle	605,847	18,681	\$ 580,306	\$ 17,894		\$ 0.58	\$ 0.02	\$ 0.55	\$ 0.02
Cumulative effect of changes in accounting principle	5,846	180	5,846	180		0.01	-	0.01	-
	<u>\$ 611,693</u>	<u>\$ 18,861</u>	<u>\$ 586,152</u>	<u>\$ 18,074</u>	<u>1,044,166</u>	<u>\$ 0.59</u>	<u>\$ 0.02</u>	<u>\$ 0.54</u>	<u>\$ 0.02</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 (see Note 23). This adjustment caused the basic EPS in 2006 before and after tax to decrease from NT\$0.59 (US\$0.02 thousand) to NT\$0.56 (US\$0.02 thousand) and from NT\$0.56 (US\$0.02 thousand) to NT\$0.54 (US\$0.02 thousand), respectively.

28. PENSION PLAN

The Labor Pension Act (the "Act"), which took effect from July 1, 2005 and the pension mechanism under the Act is deemed a defined contribution plan in ROC of FEDS and its subsidiaries. The employees who were subject to the Labor Standards Law before July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Act or continue to be subject to the pension mechanism under the Labor Standards Law. For the employees who were subject to the Labor Standards Law before July 1, 2005 and chose to be subject instead to the pension mechanism under the Act, their service years as of June 30, 2005 were retained. Based on the Act, the rate of monthly contributions to employees' individual pension accounts is at 6% of monthly salaries and wages starting on July 1, 2005. Thus, the Group monthly contributions to employees' pension accounts, which were recognized as pension costs, amounted to NT\$111,503 thousand (US\$3,438 thousand) and NT\$107,093 thousand (US\$3,302 thousand) in 2007 and 2006.

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

FEHLD closed its wholesale business in July 1, 2000 and transferred its employees to FE Great. The pension liabilities were accrued on the basis of length of service in FEHLD and FE Great. As of December 31 2007 and 2006, the balance of the accrued pension liabilities of FEHLD were NT\$6,534 thousand (US\$201 thousand) and NT\$6,837 thousand (US\$211 thousand).

For the overseas subsidiaries, pension costs under defined contribution plans were NT\$46,748 thousand (US\$1,442 thousand) in 2007 and NT\$37,355 thousand (US\$1,152 thousand) in 2006.

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

a. Net periodic pension cost

	2007									
	FEDS		FE Geant		YTDS		Yu Ming		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Service cost	\$ 13,108	\$ 404	\$ 10,242	\$ 316	\$ 64	\$ 2	\$ 165	\$ 5	\$ 17,080	\$ 527
Interest cost	10,700	329	5,081	157	394	12	-	-	11,814	364
Projected return on plan assets	(14,709)	(453)	(2,572)	(79)	(136)	(4)	-	-	(3,160)	(97)
Amortization	(13,108)	(404)	2,764	85	39	1	-	-	11,982	369
	<u>\$ (4,009)</u>	<u>\$ (124)</u>	<u>\$ 15,515</u>	<u>\$ 479</u>	<u>\$ 361</u>	<u>\$ 11</u>	<u>\$ 165</u>	<u>\$ 5</u>	<u>\$ 37,716</u>	<u>\$ 1,163</u>

	2006									
	FEDS		FE Geant		YTDS		Yu Ming		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Service cost	\$ 13,794	\$ 425	\$ 10,844	\$ 334	\$ 116	\$ 4	\$ 165	\$ 5	\$ 16,533	\$ 510
Interest cost	12,968	400	4,638	143	379	12	-	-	12,516	386
Projected return on plan assets	(16,198)	(499)	(2,196)	(68)	(104)	(3)	-	-	(3,232)	(100)
Amortization	(10,212)	(315)	1,708	53	43	1	-	-	11,982	369
	<u>\$ 352</u>	<u>\$ 11</u>	<u>\$ 14,994</u>	<u>\$ 462</u>	<u>\$ 434</u>	<u>\$ 14</u>	<u>\$ 165</u>	<u>\$ 5</u>	<u>\$ 37,799</u>	<u>\$ 1,165</u>

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

	FEDS		FE Geant		YTDS		Yu Ming		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<u>2007</u>										
Present value of benefit obligation:										
Vested	\$ (139,171)	\$ (4,291)	\$ (82,483)	\$ (2,543)	\$ -	\$ -	\$ -	\$ -	\$ (48,489)	\$ (1,495)
Non-vested	(277,405)	(8,554)	(76,667)	(2,364)	(6,326)	(195)	(685)	(21)	(258,116)	(7,959)
Accumulated	(416,576)	(12,845)	(159,150)	(4,907)	(6,326)	(195)	(685)	(21)	(306,605)	(9,454)
Additional benefits based on future salaries	(93,279)	(2,876)	(12,169)	(375)	(1,645)	(51)	(172)	(5)	(128,004)	(3,947)
Projected	(509,855)	(15,722)	(171,319)	(5,283)	(7,971)	(246)	(857)	(26)	(434,609)	(13,402)
Fair value of plan assets	989,436	30,510	80,364	2,478	5,379	166	227	7	121,760	3,755
Funded status	479,581	14,788	(90,955)	(2,805)	(2,592)	(80)	(630)	(19)	(312,849)	(9,647)
Unrecognized net transition obligation (assets)	(134,550)	(4,149)	(979)	(30)	44	1	(402)	(12)	167,749	5,173
Unrecognized prior service cost	(15,043)	(464)	-	-	20	1	-	-	-	-
Unrecognized net actuarial loss	(186,674)	(5,756)	37,919	1,169	(2,616)	(81)	54	2	7,731	238
Additional pension cost	-	-	(24,771)	(764)	-	-	-	-	(47,476)	(1,464)
Prepaid pension cost (accrued pension liabilities)	<u>\$ 143,314</u>	<u>\$ 4,419</u>	<u>\$ (78,786)</u>	<u>\$ (2,429)</u>	<u>\$ (5,144)</u>	<u>\$ (159)</u>	<u>\$ (978)</u>	<u>\$ (30)</u>	<u>\$ (184,845)</u>	<u>\$ (5,700)</u>
<u>2006</u>										
Present value of benefit obligation:										
Vested	\$ (107,975)	\$ (3,329)	\$ (72,240)	\$ (2,227)	\$ (4,083)	\$ (126)	\$ -	\$ -	\$ (21,922)	\$ (676)
Non-vested	(220,903)	(6,812)	(85,510)	(2,637)	(5,202)	(160)	(731)	(23)	(257,280)	(7,933)
Accumulated	(328,878)	(10,141)	(157,750)	(4,864)	(9,285)	(286)	(731)	(23)	(279,202)	(8,609)
Additional benefits based on future salaries	(65,235)	(2,012)	(14,112)	(435)	(2,133)	(66)	(168)	(5)	(150,414)	(4,638)
Projected	(394,113)	(12,153)	(171,862)	(5,299)	(11,418)	(352)	(899)	(28)	(429,616)	(13,247)
Fair value of plan assets	525,580	16,207	82,264	2,537	4,660	144	96	3	107,609	3,318
Funded status	131,467	4,054	(89,598)	(2,762)	(6,758)	(208)	(803)	(25)	(322,007)	(9,929)
Unrecognized net transition obligation (assets)	(153,772)	(4,742)	(1,306)	(40)	55	2	(473)	(15)	179,731	5,542
Unrecognized prior service cost	(16,410)	(506)	-	-	39	1	-	-	-	-
Unrecognized net actuarial loss	149,813	4,620	40,189	1,239	1,298	40	-	-	13,089	404
Additional pension cost	-	-	(24,771)	(764)	-	-	-	-	(42,407)	(1,308)
Prepaid pension cost (accrued pension liabilities)	<u>\$ 111,098</u>	<u>\$ 3,426</u>	<u>\$ (75,486)</u>	<u>\$ (2,327)</u>	<u>\$ (5,366)</u>	<u>\$ (165)</u>	<u>\$ (1,276)</u>	<u>\$ (40)</u>	<u>\$ (171,594)</u>	<u>\$ (5,291)</u>

c. Vested benefits - undiscounted

	FEDS		FE Geant		YTDS		Yu Ming		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
2007	<u>\$ 176,306</u>	<u>\$ 5,437</u>	<u>\$ 82,483</u>	<u>\$ 2,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,192</u>	<u>\$ 1,733</u>
2006	<u>\$ 132,796</u>	<u>\$ 4,095</u>	<u>\$ 72,240</u>	<u>\$ 2,228</u>	<u>\$ 4,476</u>	<u>\$ 138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,239</u>	<u>\$ 778</u>

d. Actuarial assumptions

	FEDS	FE Geant	YTDS	Yu Ming	SOGO
<u>2007</u>					
Discount rate used in determining present value	2.75%	3.00%	3.50%	2.75%	2.75%
Future salary increase rate	2.00%	1.50%	2.00%	2.00%	3.00%
Expected rate of return on plan assets	2.75%	3.00%	2.50%	2.75%	2.75%
<u>2006</u>					
Discount rate used in determining present value	2.75%	3.00%	3.50%	2.75%	2.75%
Future salary increase rate	2.00%	1.50%	2.00%	2.00%	3.50%
Expected rate of return on plan assets	2.75%	3.00%	2.50%	2.75%	2.75%

e. Contributions to and payments from the fund

	FEDS		FE Geant		YTDS		Yu Ming		SOGO	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
<u>2007</u>										
Contributions	\$ 28,207	\$ 870	\$ 10,917	\$ 337	\$ 583	\$ 18	\$ 96	\$ 3	\$ 13,693	\$ 422
Payments	\$ 36,122	\$ 1,114	\$ 22,516	\$ 694	\$ -	\$ -	\$ -	\$ -	\$ 2,683	\$ 83
<u>2006</u>										
Contributions	\$ 23,852	\$ 735	\$ 12,831	\$ 396	\$ 580	\$ 18	\$ 96	\$ 3	\$ 14,418	\$ 445
Payments	\$ 53,679	\$ 1,655	\$ 15,550	\$ 479	\$ -	\$ -	\$ -	\$ -	\$ 4,012	\$ 124

29. RELATED-PARTY TRANSACTIONS

Significant related-party transactions, in addition to those shown in Notes 12, 13 to 14, 17 and 31, are summarized in the accompanying Tables 2 and 3.

The Group's related parties were as follows:

<u>Related Party</u>	<u>Relationship with the Group</u>
Far Eastern Textile Co., Ltd. (FET)	Equity-method investor of FEDS
DFI Casino B.V.	Equity-method investor of FE Geant
City Super (Labuan) Ltd.	Equity-method investee of Far Eastern CitySuper Ltd.
City Super (Hong Kong)	Parent of City Super (Labuan) Ltd.
Oriental Securities Corporation	Equity-method investee
Ding Ding Integrated Marketing Service	Equity-method investee
Far Eastern International Leasing Corp.	Equity-method investee
Pacific Department Store Co., Ltd.	Equity-method investee
Sogo Department Store Co., Ltd.	Equity-method investee
Pacific 88 Co., Ltd.	Equity-method investee
Pacific Sogo Investment Co., Ltd.	Equity-method investee
ISS Facility Services Ltd. (IFS)	Equity-method investee
Lian Ching Investment Co., Ltd.	Equity-method investee
Asia Cement Corp. (ACC)	ACC and FEDS have the same chairman
Yuan Ding Co., Ltd. (YDCL)	YDCL and FEDS have the same chairman
Far Eastern International Bank (FEIB)	FEIB and FEDS have the same chairman
Far EasTone Telecom Co., Ltd. (FETCL)	FETCL and FEDS have the same chairman
Far Eastern Resource Development Ltd., Corp. (FERDL)	FERDL and FEDS have the same chairman
New Century Information Communication Technology Co., Ltd. (NCICT)	NCICT and FEDS have the same chairman
Yuan Ding Investment Co., Ltd. (YDIC)	A director of YDIC was FEDS's chairman
Far Eastern Construction Company (FECC)	A director of FECC was FEDS's chairman
Hong-Tong Comprehensive Commercial Developing Co., Ltd. (HTCCD)	A director of HTCCD was FEDS's chairman
Asia Concrete Corporation (ACC)	A director of ACC was FEDS's chairman
Far Eastern Apparel Co., Ltd.	Indirect subsidiary of FET
Far Eastern General Contractor Inc. (FEGC)	A director of FEGC was FEDS's chairman
Far Eastern Industry	Indirect subsidiary of FET
Yuan Bo Asset Management Company	Indirect subsidiary of Far Eastern International Leasing Corp.
ISS Security Co., Ltd. (ISC)	Equity-method investee of IFS
Pacific Department Management & Maintenance Co., Ltd.	Equity-method investee of PSC

(Continued)

<u>Related Party</u>	<u>Relationship with the Group</u>
Shanghai Xuijiahui Centre Holdings Co., Ltd.	Joint venture partner of SOGO
Chengdu People's Department Store (Group) Co., Ltd.	Joint venture partner of SOGO
Quanxing Wine Factory	Joint venture partner of SOGO
Hutchison Enterprises (Chongqing) Co., Ltd.	Joint venture partner of SOGO
Chongqing Far East Department Store	Authorizing to manage
Chengdu Pacific Department Store	Authorizing to manage
Others	Others (no transactions; Table 11)

(Concluded)

30. ASSETS PLEDGED OR MORTGAGED

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

	<u>2007</u>		<u>2006</u>	
	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Pledged time deposits	\$ 13,092	\$ 404	\$ 10,932	\$ 337
Investments accounted for by the equity method	1,787,766	55,127	1,746,025	53,840
Available-for-sale financial assets - noncurrent	838,980	25,870	3,445,700	106,250
Financial assets carried at cost	203,470	6,274	414,029	12,767
Properties, net	16,539,674	510,012	13,553,061	417,917
Idle properties, net	276,091	8,513	277,243	8,549
Pledged assets, net	<u>30,526</u>	<u>941</u>	<u>210,498</u>	<u>6,491</u>
	<u>\$ 19,689,599</u>	<u>\$ 607,141</u>	<u>\$ 19,657,488</u>	<u>\$ 606,151</u>

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

Significant commitments and contingent liabilities as of December 31, 2007, in addition those mentioned in Note 22, are summarized as follows:

- a. Unused letters of credit aggregated NT\$29,129 thousand (US\$898 thousand).
- b. Outstanding construction contracts aggregated NT\$1,985,911 thousand (US\$61,237 thousand).
- c. Guarantees on the loans of related parties and others were as follows:

	<u>New Taiwan Dollars</u>	<u>U.S. Dollars (Note 3)</u>
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	\$ 4,000,000	\$ 123,343
Taiwan Chong-Guang Ltd.	<u>164,297</u>	<u>5,066</u>
	<u>\$ 4,164,297</u>	<u>\$ 128,409</u>

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

- 1) FEDS leases from Asia Cement Corporation (a related party) the site of its store in Taipei. The lease agreement will expire on December 31, 2012, but the lessor allowed FEDS to renew the lease upon its expiry. The monthly rent is NT\$6,562 thousand (US\$202 thousand).
- 2) SOGO leases from Taiwan Cooperative Bank (original lessor) a lot and building at Zhong Yang Xi S. 1Rd, Zhong Li City, Taoyuan for the Zhong Li branch. In July 2006, Taiwan Cooperative Bank subjected this land and building to public building, which Far Eastern International Leasing Corp. won. The lease agreement will expire in June 2011, but the new lessor allowed SOGO to receive precedence over others and renew the lease agreement upon expiry. The monthly rent is NT\$5,000 thousand (US\$154 thousand), and the refundable guarantee note amounted to NT\$100,000 thousand (US\$3,084 thousand). The rents paid were NT\$60,000 thousand (US\$1,850 thousand) in 2007 and NT\$64,835 thousand (US\$1,999 thousand) in 2006.
- 3) Under a contract, Taipei Liu-Gong Soil and Water Resources Institute agreed to transfer land use rights on a property located in Taipei City from Pacific Construction Co. to SOGO. The annual rent is 10% of the government-declared land value. The rent paid was NT\$90,535 thousand (US\$2,792 thousand) in 2007 and NT\$78,365 thousand (US\$2,416 thousand) in 2006. The refundable guarantee note was NT\$200,000 thousand (US\$6,167 thousand) as of December 31, 2007 and 2006.
- 4) For operating purposes, SOGO rents a building located in Chongli City from Liuhe Fextile Factory Co. and Haihua Construction Co. The renewable lease is up to December 2016, and SOGO receives preference over others in leasing the building. Monthly rent for the first three years is NT\$22,750 thousand (US\$702 thousand), and would be the higher of the basic rent or 6% of the sales revenue every year from 2002. The rent was NT\$388,100 thousand (US\$8,884 thousand) in 2007 and NT\$377,119 thousand (US\$11,629 thousand) in 2006. The refundable deposit was NT\$65,001 thousand (US\$2,004 thousand) in 2007 and 2006, and the refundable guarantee notes were NT\$253,041 thousand (US\$7,803) as of December 31, 2007 and 2006.

In 2004, Liuhe Textile Factory Co. (“Liuhe”) and Haihua Construction Co. (“Haihua”) could not agree with SOGO on a rent decrease. With the approval of the court, Liuhe and Haihua carried out a provisional seizure from SOGO of rent of NT\$6,735 thousand (US\$207 thousand) on January 15, 2004 and of court fees of NT\$55 thousand (US\$2 thousand) on February 11, 2004. To resolve the seizure, SOGO placed with the court two pledged amounts of NT\$6,735 thousand (US\$208 thousand) each on January 20, 2004 and February 18, 2004, for a total of NT\$13,470 thousand (US\$413 thousand), shown as refundable deposits. In the first trial, SOGO lost the lawsuit, and, under court approval, Liuhe and Haihua carried out a provisional seizure of SOGO’s assets. When SOGO provided the equivalent negotiable certificate of deposit of NT\$179,500 thousand (US\$5,535 thousand) to stop the provisional seizure, the Civil Compulsory Execution of Taiwan Taipei District Court rescinded the seizure order.

On July 9, 2007, SOGO, Liuhe and Haihua reached an agreement for SOGO to pay the shortfall on the rental plus interest, or a total of NT\$390,537 thousand (US\$12,042 thousand). This total was paid on July 31, 2007. As a result, SOGO got back from Liuhe and Haihua its deposits as well as the cash placed with the court as pledge.

- 5) SOGO rents a building located in Hsinchu City from Hsinchu Bus Co. for operating purposes. The renewable lease is up to September 2019, and SOGO receives preference over others in renting the building. Quarterly rent is the higher of the basic rent or 6% of the sales revenue. The rent was NT\$220,084 thousand (US\$6,786 thousand) in 2007 and NT\$221,322 thousand (US\$6,825 thousand) in 2006. The refundable deposit was NT\$96,040 thousand (US\$6,825 thousand) in 2007 and 2006, and the refundable guarantee note was NT\$336,876 thousand (US\$10,388 thousand) as of December 31, 2007 and 2006, respectively.

- 6) For operating purposes, SOGO rents a building located in Taipei City from Pacific Department Stores Co., Ltd. The renewable lease is up to December 31, 2004. The contract, renewed in July 2003, will expire on December 23, 2009. The monthly rent is NT\$8,500 thousand (US\$262 thousand). After the expiry date, SOGO may extend the contract for one year under the same terms. The rent was NT\$102,000 thousand (US\$3,145 thousand) in 2007 and 2006.
- 7) In November 2005, Tianjin FEDS Limits, Co. signed a house leasing contract with Tianjin Long Qiao Real Estate Development Co., Ltd. The lease term is from April 2006 to March 2026, with a total rent of NT\$3,492,916 thousand (US\$107,706 thousand) till the end of the lease. FEDS provided a guarantee amount of NT\$519,475 thousand (US\$16,018 thousand) for this lease.

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

Year	Rental Expense	
	New Taiwan Dollars	U.S. Dollars (Note 3)
2008	\$ 1,703,293	\$ 52,522
2009	1,730,295	53,355
2010	1,551,376	47,838
2011	1,570,911	48,440
2012	1,587,461	48,950

- e. In 1997, FEDS and Taiwan Development and Trust Corporation (TDTC) entered into an agreement for FEDS to buy land and building located in Hsin-Chu. The cost of this property was NT\$4,046,030 thousand (US\$124,762 thousand) after deducting the public funds and discounts of NT\$68,426 thousand (US\$2,110 thousand) from NT\$4,114,456 thousand (US\$126,872 thousand) (total cost of property - pretax). The building construction was completed on November 2002. FEDS transferred the net amount of NT\$4,046,030 thousand (US\$124,762 thousand) from unfinished construction to the cost of property. However, as of December 31, 2002, FEDS had not paid the construction final payment of NT\$457,819 thousand (US\$14,117 thousand), shown as part of payable on properties.

On January 23, 2003, TDTC sued FEDS for not making the final payment of NT\$1,020,367 thousand (US\$31,464 thousand) (the final payment for the sales contract and additional payment for the change of design) and demanded that FEDS make this payment plus interest. Later, TDTC asked the Taiwan High Court to issue an order for the provisional seizure of the Company's assets.

On May 25, 2006, the Company pledged a time deposit of NT\$725,000 thousand (US\$22,356) to the Taiwan High Court for a stay of the asset seizure order. On November 27, 2006, the Company replaced the time deposit with 37,000 thousand shares of Asia Cement Corporation (ACC) held by the Company and 35,500 thousand ACC shares held by Bai Ding Investment Company (a total of 72,500 thousand ACC shares). TDTC also placed certain pledges with the court in line with the seizure order against the Company.

Taking into account the possible result of the lawsuit, the Company recorded a payment of NT\$266,292 thousand (US\$8,211 thousand), classified as payable - property, and recognized a relevant depreciation expense of NT\$17,463 thousand (US\$538 thousand) in the second quarter of 2006. Later, however, the Company and TDTC made an agreement that the Company should pay TDTC NT\$715,906 thousand (US\$22,075 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 NT\$715,906 thousand (US\$22,075 thousand) plus interests of (a) NT\$686,596 thousand (US\$21,172 thousand) based on the 0.03% daily interest rate from June 5, 2002 to the full-repayment date; (b) NT\$26,365 thousand (US\$813 thousand) based on the 0.03% daily interest rate; and (c) NT\$2,945 thousand (US\$91 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 NT\$103,745 thousand (US\$3,199 thousand) as accrued expense.

As of December 31, 2007, the company estimated the deferred interest payable NT\$103,745 thousand (US\$3,199 thousand) according to postal saving's interest rate, shown 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. In December 2003 and January 2004, Pacific Liu Tong Investment Company (PLTIC) paid Cathay Leasing Ltd. ("Cathay") NT\$138,545 thousand (US\$4,272 thousand) and NT\$5,000 thousand (US\$154 thousand), respectively, the balance of a secured loan due on October 1, 2006. However, Cathay, believing that PLTIC had broken the terms of the loan contract, cashed in 2006 PLTIC's guarantee check for NT\$20,000 thousand (US\$617 thousand), shown as other receivable. In addition, in October 2007, Cathay sent PLTIC a mail showing that PLTIC still owed Cathay NT\$3,905 thousand (US\$120 thousand) as of September 2007. Thus, from Cathay's payment to PLTIC of guarantee notes amounting to NT\$5,000 thousand (US\$154 thousand), Cathay deducted PLTIC's debt and refunded NT\$1,095 thousand (US\$34 thousand) to PLTIC. The payment of the guarantee notes net of the refund totaled NT\$23,905 thousand (US\$737 thousand), shown as other payment receivable. As of December 31, 2007, PLTIC was still negotiating this matter with Cathay. Nevertheless, PLTIC recognized a bad-debt expense for the cashed check for NT\$20,000 thousand (US\$617 thousand). Management believes the likelihood of significant loss on this case is remote.
- h. 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 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 NT\$5,000 thousand (US\$154 thousand) plus interest as board member remuneration. Later, Zhang withdrew the lawsuit on the ownership of PLTIC, but his other lawsuits remained pending before the Taipei District Civil Court as of December 31, 2007.

After examining the possible outcome of this lawsuit, the Company considered that loss on this case was unlikely.

- i. On March 19, 2004, Cathay United Bank (CUB) sued SOGO for a dispute on SOGO's compliance with a credit card contract with CUB and asked the court to (a) issue a restraining order to prevent SOGO from accessing its deposit in CUB of about NT\$1,650,000 thousand (US\$50,879 thousand) and (b) require SOGO to pay NT\$13,200 thousand (US\$407 thousand), the court fee paid by CUB for this case. On April 20, 2004, the Taipei District Court permitted SOGO to provide the court with certain stock securities in line with its plea to revoke the restraining order. Thus, SOGO provided 165,000 thousand common shares of common stocks (with an aggregate par value of NT\$1,650,000 thousand (US\$50,879 thousand) of Far Eastone Telecommunications Co., Ltd. which was owned by Yuan Ding (a related party), to the court to revoke the restraining order. SOGO also provided Yuan Ding Investment Co. a bank note of NT\$1,665,000 thousand (US\$51,341 thousand) endorsed individually by Pacific Liu Tong Investment and other stockholders of SOGO on the basis of their percentages of ownership of SOGO.

On December 31, 2004, SOGO made a negotiation with CUB on an amendment of a strategic alliance. However, on June 23, 2005, CUB filed a suit against SOGO for the violation of the unfinished negotiation and requested the court to issue a restraining order to prevent SOGO from accessing the NT\$900,000 thousand (US\$27,752 thousand) deposited by SOGO for this case. However, under a decision reached by the court on August 19, 2005, SOGO's holdings of 90,000 thousand common shares of Far Eastone Telecom Co., Ltd. were distrained instead. SOGO would take other legal procedures to protect its own interests even though the appeals filed against the distraint had been rejected twice.

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

CUB sued SOGO for allegedly serious breaches of related contracts and claimed a compensation of NT\$900,000 thousand (US\$27,752 thousand) plus interest. On September 14, 2006, the Taipei District Court ruled in favor of CUB. Dissatisfied with the court decision in terms of the debtor and creditor's rights, SOGO filed an appeal. SOGO's appeal was pending before the Taiwan High Court as of December 31, 2006. Nevertheless, SOGO recognized a loss on this case of NT\$200,000 thousand (US\$6,167 thousand) under other expense and other payable.

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

- j. SOGO had a refundable guarantee deposit of NT\$192,000 thousand (US\$5,920 thousand) payable to Pacific Department Store (PDS). However, SOGO and PDS disagreed on the debtor and creditor's rights. On May 10, 2004, Pacific Department Store got court approval to seize SOGO's property amounting to the refundable deposit of NT\$192,000 thousand (US\$5,920 thousand), interest expenses and the execution fee of NT\$1,536 thousand (US\$47 thousand).

The interest expense calculation is for the period from July 31, 2003 to the payoff date at 6% interest rate. The total amount seized was NT\$202,500 thousand (US\$6,244 thousand), shown as restricted assets. On May 26, 2004, SOGO provided 19,200 thousand common shares (aggregate par value of NT\$192,000 thousand or US\$5,920 thousand) of Far Eastern Textile Ltd. owned by Bai Ding Investment Co. as collaterals pledge to the court for SOGO's appeal to stop the seizure of NT\$202,500 thousand (US\$6,244 thousand). SOGO recognized probable losses of NT\$128,000 thousand (US\$3,947 thousand) in 2005 and NT\$64,000 thousand (US\$1,973 thousand) in the first half of 2006, shown as nonoperating expenses and losses - other expenses as well as other payable. In addition, because SOGO accepted its loss on this lawsuit in terms of the debtor and creditor's rights, it did not file an appeal. On the other hand, when PDS asked SOGO, through the Taipei District Court, to pay capital, interest and executive expenses of NT\$231,347 thousand (US\$7,134 thousand), the Taipei District Court ruled in favor of SOGO and ordered PDS to return to SOGO the pledged 19,200 thousand common shares in 2006. (SOGO received these 19,200 thousand common shares on February 13, 2007.)

- k. As of December 31, 2007, SOGO had provided a guarantee to issue commercial paper amounting to NT\$164,297 thousand (US\$5,066 thousand) for Taiwan Chong-Guang Ltd. to pay Pacific Sogo Department Stores (Japan) Co., Ltd.
- l. On December 31, 2007, FEDS had provided a guarantee for the repayment of bills amounting to NT\$100,000 thousand (US\$3,084 thousand), which had been issued by Hong-Tong Comprehensive Commercial Developing Co., Ltd. ("Hong-Tong").

32. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments: The Group had no derivative transactions in 2007 and 2006.

	December 31							
	2007				2006			
	Carrying Value		Fair Value		Carrying Value		Fair Value	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
Nondervivative Financial Instruments								
Assets								
Cash and cash equivalents	\$ 12,746,191	393,037	\$ 12,746,191	393,037	\$ 10,444,283	322,056	\$ 10,444,283	322,056
Financial assets at fair value through profit or loss	462,876	14,273	462,876	14,273	1,654,661	51,023	1,654,661	51,023
Notes and accounts receivable, net	1,116,433	34,426	1,116,433	34,426	1,451,578	44,760	1,451,578	44,760
Other receivables	333,401	10,281	333,401	10,281	573,708	17,691	573,708	17,691
Pledged time deposits	13,092	404	13,092	404	10,932	337	10,932	337
Available-for-sale financial assets	7,425,122	228,958	7,425,122	228,958	5,278,627	162,770	5,278,627	162,770
Financial assets carried at cost	889,288	27,422	889,288	27,422	846,322	26,097	846,322	26,097
Refundable deposits	1,359,390	41,918	1,359,390	41,918	1,610,909	49,673	1,610,909	49,673
Restricted assets	30,526	941	30,526	941	210,498	6,491	210,498	6,491
Liabilities								
Short-term debts	4,935,939	152,203	4,935,939	152,203	4,623,000	142,553	4,623,000	142,553
Short-term notes and bills payable	3,608,945	111,284	3,608,945	111,284	4,737,582	146,086	4,737,582	146,086
Notes and accounts payable	15,926,022	491,089	15,926,022	491,089	15,544,141	479,314	15,544,141	479,314
Accrued expenses	1,664,292	51,320	1,664,292	51,320	1,791,815	55,252	1,791,815	55,252
Other payables	2,263,863	69,808	2,263,863	69,808	2,093,267	64,547	2,093,267	64,547
Balance payables - properties	134,498	4,147	134,498	4,147	1,001,610	30,885	1,001,610	30,885
Bonds issued	1,700,000	52,421	1,687,605	52,038	3,700,000	114,092	3,691,287	113,823
Long-term borrowings	16,112,004	496,824	16,112,004	496,824	15,151,756	467,214	15,151,756	467,214
Franchise liability	298,588	9,207	298,588	9,207	601,282	18,541	601,282	18,541
Deposits received	169,163	5,216	169,163	5,216	177,713	5,480	177,713	5,480

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

- b. Methods and assumptions used in the determination of fair values of financial instruments
- 1) The carrying values of financial instruments approximate fair values because of the short maturity of these instruments. This assumption was applied to cash and cash equivalents, notes receivable, accounts receivable, other receivable, short-term debts, short-term notes and bills payable, accounts payables, accrued expenses and balance payables - property.
 - 2) The fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on quoted market prices.
 - 3) The fair values of the financial assets carried at cost and long-term investments in non-publicly listed companies accounted for by the equity method cannot be estimated because they have no quoted market prices in an active market and determining their fair values entails an unreasonably high cost.
 - 4) The fair values of pledged time deposits, refundable deposits, and deposits received are based on book values because there is no big difference between the book values and the amounts of future cash flows.
 - 5) The fair value of the bonds issued are based on their market values on the balance sheet date.
 - 6) The fair value of long-term borrowings and the accrued franchise liability are based on the present values of expected cash outflows discounted at the rate of bank loans with similar maturities.
- c. As of December 31, 2007 and 2006, financial assets exposed to fair value interest rate risk amounted to NT\$7,073,699 thousand (US\$218,122 thousand) and NT\$5,529,306 thousand (US\$170,500 thousand), respectively, financial liabilities exposed to fair value interest rate risk amounted to NT\$3,635,931 thousand (US\$112,116 thousand) and NT\$12,601,083 thousand (US\$388,563 thousand), respectively, and financial liabilities exposed to cash flow interest rate risk amounted to NT\$22,904,106 thousand (US\$706,263 thousand) and NT\$16,212,538 thousand (US\$499,924 thousand), respectively.
- d. Information about financial risks
- 1) Market risk

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

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

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

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

4) Cash flow interest rate risk

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

33. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None
- b. Endorsement/guarantee provided: Table 4 (attached)
- c. Marketable securities held: Table 5 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- e. Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: Table 7 (attached)
- f. Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: Table 8 (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 9 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 10 (attached)
- i. Names, locations, and related information of investees on which FEDS exercises significant influence: Table 11 (attached)
- j. Derivative financial transactions: None.
- k. Investment in Mainland China
 - 1) Investee company name, the description of the primary business activity and products, issued capital, nature of the relationship, capital inflow or outflow, ownership interest, gain or loss on investment, amounts received on investment, and the limitation on investment: Table 12 (attached)
 - 2) Significant direct or indirect transactions with the investee company, prices, payment terms and unrealized gain or loss:
 - a) Amount and percentage of sales; the balance and percentage of related accounts payables: None
 - b) Amount and percentage of purchase; the balance and percentage of related accounts receivables: None
 - c) Gain (loss) on and amounts of asset: None

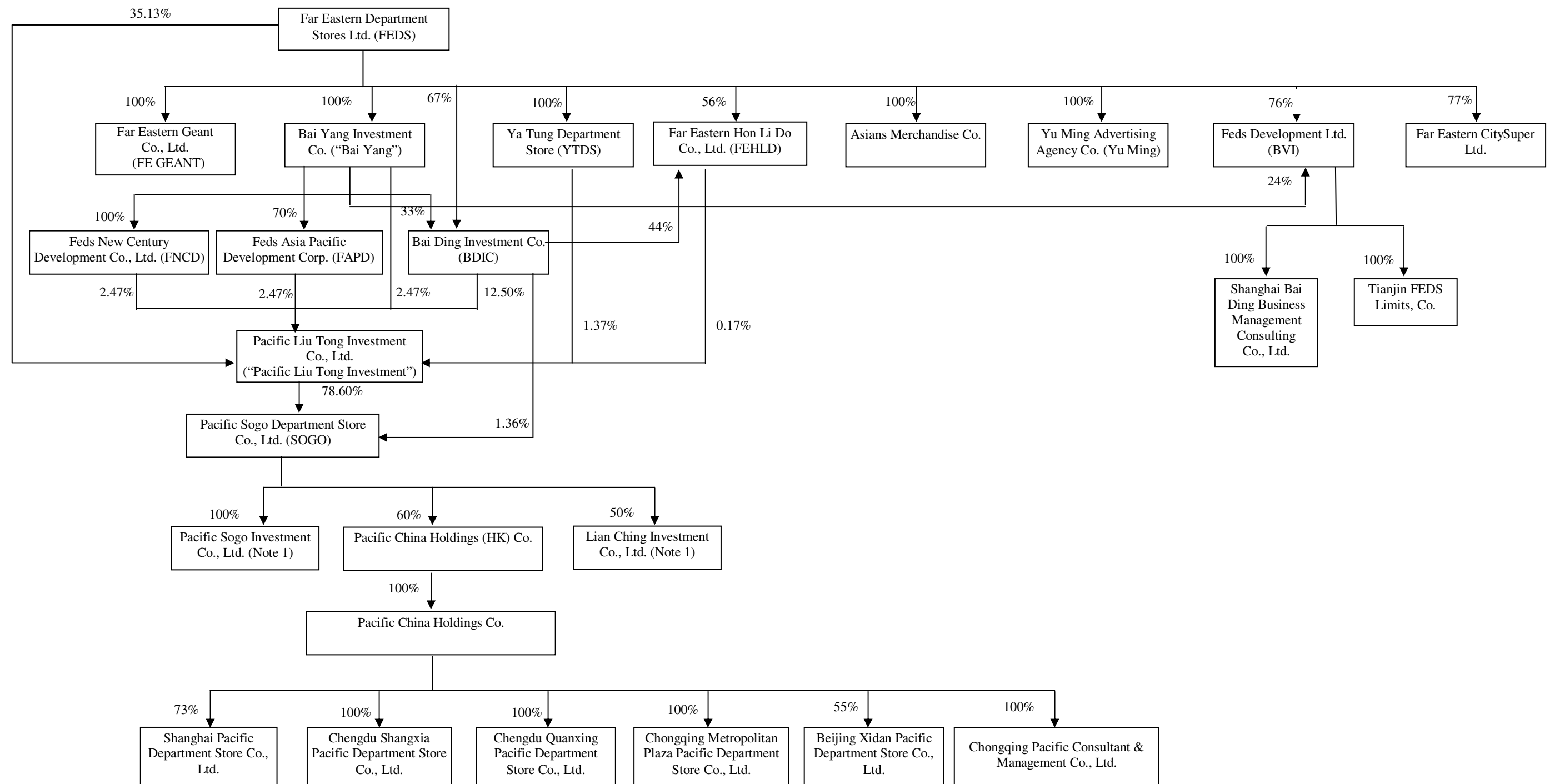
- d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: Table 4 (attached)
 - e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: None
 - f) Other transactions which have significant influence over current year's gain or loss or financial status: None
1. Significant transactions between FEDS and its subsidiaries and among subsidiaries: Table 13 (attached)

34. SEGMENT INFORMATION

- a. Industry information: The industry segment information is summarized in Table 14 (attached).
- b. Geographic information: The geographic information is summarized in Table 15 (attached).
- c. Export sales: There were no export sales in 2007 and 2006.
- d. Sales to major customers: In 2007 and 2006, no revenue from a single customer was at least 10% of the Group's total operating revenues.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

DIAGRAM OF INTERCOMPANY RELATIONSHIPS
YEAR ENDED DECEMBER 31, 2007



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

Related Party	Notes and Accounts Receivable, Net		Other Receivables		Prepayments		Constructions in Progress		Leasehold Rights		Refundable Deposits		Notes and Accounts Payable		Accrued Expenses		Payable on Properties		Other Liabilities - Other	
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total
DFI Casino B.V.	\$ -	-	\$ 56	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Far Eastern General Contractor Inc.	-	-	-	-	-	-	117,939	2	-	-	-	-	-	-	-	-	11,065	1	-	-
ISS Security Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	10,939	-	-	-	-	-	-	-
ISS Facility Services Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	16,082	-	-	-	-	-	-	-
Chengdu Pacific Department Store	-	-	-	-	-	-	-	-	83,513	5	-	-	-	-	-	-	-	-	-	-
Chengdu People's Department Store (Group) Co., Ltd.	-	-	4,623	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quanxing Wine Factory	-	-	5,089	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	9,026	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	-	-	21,184	4	252,741	26	-	-	-	-	2,646,077	82	-	-	-	-	-	-	-	-
City Super (Hong Kong)	145	-	-	-	-	-	-	-	-	-	-	-	23,395	-	938	-	-	-	-	-
Others	41	-	259	-	-	-	-	-	220	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 77,254</u>	<u>5</u>	<u>\$ 57,514</u>	<u>10</u>	<u>\$ 327,741</u>	<u>34</u>	<u>\$ 117,939</u>	<u>2</u>	<u>\$ 526,470</u>	<u>33</u>	<u>\$ 2,646,077</u>	<u>82</u>	<u>\$ 164,534</u>	<u>1</u>	<u>\$ 89,490</u>	<u>5</u>	<u>\$ 11,065</u>	<u>1</u>	<u>\$ 32,045</u>	<u>98</u>

Note 1: Sogo's receivables from Sogo Department Store Co., Ltd. were NT\$269,885 thousand and NT\$274,064 thousand as of December 31, 2007 and 2006, respectively. The allowance for bad debts was NT\$220,538 thousand as of December 31, 2007 and 2006.

Note 2: Sogo's receivables from Pacific Sogo Investment Co., Ltd. were NT\$534,424 thousand and NT\$534,137 thousand as of December 31, 2007 and 2006, respectively.

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

(Concluded)

Related Party	Notes and Accounts Receivable, Net		Other Receivables		Prepayments		Constructions in Progress		Leasehold Rights		Refundable Deposits		Notes and Accounts Payable		Accrued Expenses		Payable on Properties		Other Liabilities - Other	
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total
DFI Casino B.V.	\$ -	-	\$ 2	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Far Eastern General Contractor Inc.	-	-	-	-	-	-	3,637	2	-	-	-	-	-	-	-	-	341	1	-	-
ISS Security Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	337	-	-	-	-	-	-	-
ISS Facility Services Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	496	-	-	-	-	-	-	-
Chengdu Pacific Department Store	-	-	-	-	-	-	-	-	2,575	5	-	-	-	-	-	-	-	-	-	-
Chengdu People's Department Store (Group) Co., Ltd.	-	-	143	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quanxing Wine Factory	-	-	157	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	278	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	-	-	653	4	7,793	26	-	-	-	-	81,593	82	-	-	-	-	-	-	-	-
City Super (Hong Kong)	4	-	-	-	-	-	-	-	-	-	-	-	721	-	29	-	-	-	-	-
Others	1	-	8	-	-	-	-	-	7	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 2,382</u>	<u>5</u>	<u>\$ 1,774</u>	<u>10</u>	<u>\$ 10,106</u>	<u>34</u>	<u>\$ 3,637</u>	<u>2</u>	<u>\$ 16,235</u>	<u>33</u>	<u>\$ 81,593</u>	<u>82</u>	<u>\$ 5,074</u>	<u>1</u>	<u>\$ 2,760</u>	<u>5</u>	<u>\$ 341</u>	<u>1</u>	<u>\$ 988</u>	<u>98</u>

Note 1: Sogo's receivables from Sogo Department Store Co., Ltd. were US\$8,322 thousand and US\$8,451 thousand as of December 31, 2007 and 2006, respectively. The allowance for bad debts was US\$6,800 thousand as of December 31, 2007 and 2006.

Note 2: Sogo's receivables from Pacific Sogo Investment Co., Ltd. were US\$16,479 thousand and US\$16,470 thousand as of December 31, 2007 and 2006, respectively.

Note 3: Sogo prepaid the trademark right expenditure to Pacific Department Store Co., Ltd. amounting to US\$9,251 thousand. Because the process of using the trademark right was not completed, Sogo recognized the allowance for bad debts was US\$6,938 thousand, shown as other expense.

(Concluded)

TABLE 3 (A)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

Related Party	Sales (Note 1)		Other Operating Revenue		Purchases (Note 2)		Operating Expenses (Note 3)		Nonoperating Income and Gains - Other Income		Payable to Affiliates					
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Highest Balance During the Year	Date of Highest Balance	Year-end Amount	Rate (%)	Interest Expense	
															Amount	% to Total
<u>2007</u>																
Oriental Securities Corporation	\$ 802	-	\$ 2,198	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Ding Ding Integrated Marketing Service	70,913	-	-	-	-	-	158,306	1	10,104	3	-	-	-	-	-	-
Far Eastern International Leasing Corp.	-	-	-	-	-	-	61,933	-	-	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	157	-	-	-	-	-	99,254	1	-	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	15,419	-	2,452	-	263,810	-	102,609	1	-	-	-	-	-	-	-	-
CitySuper Ltd.	-	-	-	-	20,469	-	6,582	-	-	-	-	-	-	-	-	-
New Century Infocom Tech., Co., Ltd.	25	-	229	-	-	-	7,989	-	-	-	-	-	-	-	-	-
Pacific 88 Co., Ltd.	-	-	6,607	1	112,894	-	-	-	-	-	-	-	-	-	-	-
Pacific United Consultant Co., Ltd.	-	-	-	-	-	-	182,843	1	-	-	-	-	-	-	-	-
Yuan Ding Co., Ltd.	-	-	-	-	-	-	116,772	1	-	-	-	-	-	-	-	-
Changdu People's Department Store (Group) Co., Ltd.	-	-	-	-	-	-	105,665	1	-	-	-	-	-	-	-	-
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	-	-	-	-	128,765	1	-	-	-	-	-	-	-	-
Quanxing Wine Factory	-	-	-	-	-	-	73,883	-	-	-	-	-	-	-	-	-
Far Eastern Textile Co., Ltd.	1,774	-	-	-	-	-	40,017	-	12,500	3	-	-	-	-	-	-
Asia Cement Corp.	130	-	-	-	-	-	108,131	1	16,000	4	-	-	-	-	-	-
Far Eastern International Bank	2,891	-	5,412	-	-	-	-	-	2,845	1	500,000	2007.6.5-2007.7.13	415,000	1.85-2.90	5,471	1
Far EasTone Telecom Co., Ltd.	2,049	-	3,931	-	-	-	522	-	1,956	1	-	-	-	-	-	-
Pacific Securities Co., Ltd.	-	-	-	-	-	-	141,451	1	-	-	-	-	-	-	-	-
Far Eastern General Contractor Inc.	-	-	-	-	-	-	1,333	-	-	-	-	-	-	-	-	-
Yuan Ding Investment Co., Ltd.	-	-	-	-	-	-	9,370	-	-	-	-	-	-	-	-	-
Hong-Tong Comprehensive Commercial Developing Co. Ltd.	-	-	-	-	-	-	283,905	1	15,568	4	-	-	-	-	-	-
Others	-	-	585	-	-	-	13,184	-	241	-	-	-	-	-	-	-
	<u>\$ 94,160</u>	<u>-</u>	<u>\$ 21,414</u>	<u>1</u>	<u>\$ 397,173</u>	<u>-</u>	<u>\$ 1,642,514</u>	<u>10</u>	<u>\$ 59,214</u>	<u>16</u>			<u>\$ 415,000</u>		<u>\$ 5,471</u>	<u>1</u>

(Continued)

Related Party	Sales (Note 1)		Other Operating Revenue		Purchases (Note 2)		Operating Expenses (Note 3)		Nonoperating Income and Gains - Other Income		Payable to Affiliates					
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Highest Balance During the Year	Date of Highest Balance	Year-end Amount	Rate (%)	Interest Expense	
															Amount	% to Total
<u>2006</u>																
Oriental Securities Corporation	\$ 2,467	-	\$ 3,031	-	\$ -	-	\$ -	-	\$ 14,436	5	\$ -	-	\$ -	-	\$ -	-
Ding Ding Integrated Marketing Service	27	-	-	-	-	-	-	250,883	1	14,720	5	-	-	-	-	-
Far Eastern International Leasing Corp.	-	-	-	-	-	-	-	31,533	-	158	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	-	98,147	1	17	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	4,915	-	4,205	-	264,989	1	98,732	1	-	-	-	-	-	-	-	-
CitySuper Ltd.	-	-	-	-	13,899	-	72	-	-	-	-	-	-	-	-	-
New Century Infocom Tech., Co., Ltd.	56	-	190	-	-	-	6,905	-	38	-	-	-	-	-	-	-
Yuan Bo Asset Management Company	-	-	-	-	-	-	2,160	-	-	-	-	-	-	-	-	-
Pacific Department Store Co., Ltd.	-	-	-	-	-	-	102,000	1	-	-	-	-	-	-	-	-
Pacific 88 Co., Ltd.	-	-	7,691	1	153,535	-	-	-	-	-	-	-	-	-	-	-
Pacific United Consultant Co., Ltd.	-	-	-	-	-	-	148,866	1	-	-	-	-	-	-	-	-
Yuan Ding Co., Ltd.	171	-	-	-	-	-	155,033	1	-	-	-	-	-	-	-	-
Changdu People's Department Store (Group) Co., Ltd.	-	-	-	-	-	-	98,274	1	-	-	-	-	-	-	-	-
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	-	-	-	-	119,758	1	-	-	-	-	-	-	-	-
Quanxing Wine Factory	-	-	-	-	-	-	68,715	-	-	-	-	-	-	-	-	-
Far Eastern Textile Co., Ltd.	6,540	-	-	-	-	-	39,610	-	12,500	5	-	-	-	-	-	-
Asia Cement Corp.	-	-	-	-	-	-	106,788	1	12,000	5	-	-	-	-	-	-
Far Eastern International Bank	3,942	-	9,019	1	-	-	749	-	2,495	1	700,000	2006.9.12-2006.9.22	-	1.54-3.09	4,189	1
Far EastTone Telecom Co., Ltd.	4,454	-	3,387	-	-	-	884	-	1,820	1	-	-	-	-	-	-
Pacific Securities Co., Ltd.	-	-	-	-	-	-	107,691	1	-	-	-	-	-	-	-	-
Far Eastern General Contractor Inc.	-	-	-	-	-	-	1,333	-	-	-	-	-	-	-	-	-
Yuan Ding Investment Co., Ltd.	-	-	-	-	-	-	8,325	-	-	-	-	-	-	-	-	-
Others	154	-	569	-	-	-	9,690	-	-	-	-	-	-	-	-	-
	<u>\$ 22,726</u>	<u>-</u>	<u>\$ 28,092</u>	<u>2</u>	<u>\$ 432,423</u>	<u>1</u>	<u>\$ 1,456,148</u>	<u>10</u>	<u>\$ 58,184</u>	<u>22</u>			<u>\$ -</u>		<u>\$ 4,189</u>	<u>1</u>

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

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

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

Related Party	Sales (Note 1)		Other Operating Revenue		Purchases (Note 2)		Operating Expenses (Note 3)		Nonoperating Income and Gains - Other Income		Payable to Affiliates					
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Highest Balance During the Year	Date of Highest Balance	Year-end Amount	Rate (%)	Interest Expense Amount	% to Total
<u>2007</u>																
Oriental Securities Corporation	\$ 25	-	\$ 68	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Ding Ding Integrated Marketing Service	2,187	-	-	-	-	-	4,881	1	312	3	-	-	-	-	-	-
Far Eastern International Leasing Corp.	-	-	-	-	-	-	1,910	-	-	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	5	-	-	-	-	-	3,061	1	-	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	475	-	76	-	8,135	-	3,164	1	-	-	-	-	-	-	-	-
CitySuper Ltd.	-	-	-	-	631	-	203	-	-	-	-	-	-	-	-	-
New Century Infocom Tech., Co., Ltd.	1	-	7	-	-	-	246	-	-	-	-	-	-	-	-	-
Pacific 88 Co., Ltd.	-	-	204	1	3,481	-	-	-	-	-	-	-	-	-	-	-
Pacific United Consultant Co., Ltd.	-	-	-	-	-	-	5,638	1	-	-	-	-	-	-	-	-
Yuan Ding Co., Ltd.	-	-	-	-	-	-	3,602	1	-	-	-	-	-	-	-	-
Changdu People's Department Store (Group) Co., Ltd.	-	-	-	-	-	-	3,258	1	-	-	-	-	-	-	-	-
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	-	-	-	-	3,971	1	-	-	-	-	-	-	-	-
Quanxing Wine Factory	-	-	-	-	-	-	2,278	-	-	-	-	-	-	-	-	-
Far Eastern Textile Co., Ltd.	55	-	-	-	-	-	1,234	-	385	3	-	-	-	-	-	-
Asia Cement Corp.	4	-	-	-	-	-	3,334	1	493	4	-	-	-	-	-	-
Far Eastern International Bank	89	-	167	-	-	-	-	-	88	1	15,418	2007.6.5-2007.7.13	12,797	1.85-2.90	169	1
Far EasTone Telecom Co., Ltd.	63	-	121	-	-	-	16	-	60	1	-	-	-	-	-	-
Pacific Securities Co., Ltd.	-	-	-	-	-	-	4,362	1	-	-	-	-	-	-	-	-
Far Eastern General Contractor Inc.	-	-	-	-	-	-	41	-	-	-	-	-	-	-	-	-
Yuan Ding Investment Co., Ltd.	-	-	-	-	-	-	289	-	-	-	-	-	-	-	-	-
Hong-Tong Comprehensive Commercial Developing Co., Ltd.	-	-	-	-	-	-	8,754	1	480	4	-	-	-	-	-	-
Others	-	-	18	-	-	-	406	-	8	-	-	-	-	-	-	-
	<u>\$ 2,904</u>	<u>-</u>	<u>\$ 661</u>	<u>1</u>	<u>\$ 12,247</u>	<u>-</u>	<u>\$ 50,648</u>	<u>10</u>	<u>\$ 1,826</u>	<u>16</u>			<u>\$ 12,797</u>		<u>\$ 169</u>	<u>1</u>

(Continued)

Related Party	Sales (Note 1)		Other Operating Revenue		Purchases (Note 2)		Operating Expenses (Note 3)		Nonoperating Income and Gains - Other Income		Payable to Affiliates					
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total	Highest Balance During the Year	Date of Highest Balance	Year-end Amount	Rate (%)	Interest Expense	
															Amount	% to Total
<u>2006</u>																
Oriental Securities Corporation	\$ 76	-	\$ 93	-	\$ -	-	\$ -	-	\$ 445	5	\$ -	-	\$ -	-	\$ -	-
Ding Ding Integrated Marketing Service	1	-	-	-	-	-	7,736	1	454	5	-	-	-	-	-	-
Far Eastern International Leasing Corp.	-	-	-	-	-	-	972	-	5	-	-	-	-	-	-	-
Far Eastern Resource Development Ltd., Corp.	-	-	-	-	-	-	3,026	1	1	-	-	-	-	-	-	-
Far Eastern Apparel Co., Ltd.	151	-	130	-	8,171	1	3,044	1	-	-	-	-	-	-	-	-
CitySuper Ltd.	-	-	-	-	429	-	2	-	-	-	-	-	-	-	-	-
New Century Infocom Tech., Co., Ltd.	2	-	6	-	-	-	213	-	1	-	-	-	-	-	-	-
Yuan Bo Asset Management Company	-	-	-	-	-	-	67	-	-	-	-	-	-	-	-	-
Pacific Department Store Co., Ltd.	-	-	-	-	-	-	3,145	1	-	-	-	-	-	-	-	-
Sogo Department Store Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific 88 Co., Ltd.	-	-	237	1	4,734	-	-	-	-	-	-	-	-	-	-	-
Pacific United Consultant Co., Ltd.	-	-	-	-	-	-	4,590	1	-	-	-	-	-	-	-	-
Yuan Ding Co., Ltd.	5	-	-	-	-	-	4,781	1	-	-	-	-	-	-	-	-
Changdu People's Department Store (Group) Co., Ltd.	-	-	-	-	-	-	3,030	1	-	-	-	-	-	-	-	-
Hutchison Enterprises (Chongqing) Co., Ltd.	-	-	-	-	-	-	3,693	1	-	-	-	-	-	-	-	-
Quanxing Wine Factory	-	-	-	-	-	-	2,119	-	-	-	-	-	-	-	-	-
Far Eastern Textile Co., Ltd.	202	-	-	-	-	-	1,221	-	385	5	-	-	-	-	-	-
Asia Cement Corp.	-	-	-	-	-	-	3,294	1	370	5	-	-	-	-	-	-
Far Eastern International Bank	122	-	278	1	-	-	23	-	77	1	21,585	2006.9.12-2006.9.22	-	1.54-3.09	129	1
Far EasTone Telecom Co., Ltd.	137	-	104	-	-	-	27	-	56	1	-	-	-	-	-	-
Pacific Securities Co., Ltd.	-	-	-	-	-	-	3,321	1	-	-	-	-	-	-	-	-
Far Eastern General Contractor Inc.	-	-	-	-	-	-	41	-	-	-	-	-	-	-	-	-
Yuan Ding Investment Co., Ltd.	-	-	-	-	-	-	257	-	-	-	-	-	-	-	-	-
Others	5	-	18	-	-	-	299	-	-	-	-	-	-	-	-	-
	<u>\$ 701</u>	<u>-</u>	<u>\$ 866</u>	<u>2</u>	<u>\$ 13,334</u>	<u>1</u>	<u>\$ 44,901</u>	<u>10</u>	<u>\$ 1,794</u>	<u>22</u>			<u>\$ -</u>		<u>\$ 129</u>	<u>1</u>

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

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

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE 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 (Note B)	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 FEDS (Note A)							
0	Far Eastern Department Store Ltd.	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.	a.	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 thousand)	(RMB111,300 thousand)			
		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 thousand)	124,361 (RMB28,000 thousand)	-	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 Store Ltd.	f.	13,646,758 (Note D)	1,587,318	1,587,318	-	23	27,293,516 (Note G)	

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

(Continued)

Note B: The amount is 60% of net assets based on the latest financial statements of the endorser/guarantor.

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

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

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

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

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

Note H: The endorsements 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. Ltd., Bai Yang Investment Co. Ltd., 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. The stock has not been pledged since August 3, 2007.

Note J: Including 19,200 thousand shares of Far Eastern Textile Co., Ltd. and an endorsement of NT\$208,458 thousand. The stock has 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 FEDS's total assets or total revenues. Thus, their information was not disclosed.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2007

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

No.	Endorser/Guarantor	Counter-party		Limits on the Amount that can be Endorsed/ Guaranteed by Each (Note B)	Highest Balance for the Period (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 FEDS (Note A)							
0	Far Eastern Department Store Ltd.	Pacific Sogo Department Store Co.	d.	\$ 449,169 (Note B)	\$ 217,515	\$ 217,515	\$ -	29	\$ 748,615 (Note C)	
		Bai Ding Investment Co.	a.	449,169 (Note B)	129,510	120,259	-	16	748,615 (Note C)	
		Far Eastern Geant Co., Ltd.	a.	449,169 (Note B)	107,154	107,154	-	14	748,615 (Note C)	
		FEDS Asia Pacific Development Ltd.	a.	449,169 (Note B)	65,063	47,795	-	6	748,615 (Note C)	
		Tianjin FEDS Limits, Co.	d.	449,169 (Note B)	16,900	15,243	-	2	748,615 (Note C)	
						(RMB123,400 thousand)	(RMB111,300 thousand)			
		Far Eastern CitySuper Ltd.	a.	449,169 (Note B)	13,876	13,876	-	2	748,615 (Note C)	
		Yu Ming Advertising Agency Co.	a.	449,169 (Note B)	9,251	6,167	-	1	748,615 (Note C)	
		Far Eastern Hon Li Do Co., Ltd.	a.	449,169 (Note B)	10,176	2,467	-	-	748,615 (Note C)	
		Bai Yang Investment Co.	a.	449,169 (Note B)	4,009	2,467	-	-	748,615 (Note C)	
1	Yu Ming Advertising Agency Co.	Pacific Sogo Department Store Co.	c.	1,314 (Note B)	10	10	-	-	2,191 (Note C)	
2	Bai Ding Investment Co.	Far Eastern Department Stores, Ltd.	g.	97,553 (Note B)	10,947 (Note I)	-	-	-	162,588 (Note C)	
		Pacific Sogo Department Store Co.	c.	97,553 (Note B)	12,348 (Note J)	6,428	-	4	162,588 (Note C)	
3	Bai Yang Investment Co.	Pacific Sogo Department Store Co.	c.	156,199 (Note B)	1,273	1,273	-	-	260,332 (Note C)	
4	Feds Asia Pacific Development Ltd.	Pacific Sogo Department Store Co.	c.	40,840 (Note B)	1,273	1,273	-	2	68,067 (Note C)	
5	Feds New Century Development Co., Ltd.	Pacific Sogo Department Store Co.	c.	3,945 (Note B)	1,273	1,273	-	19	6,575 (Note C)	
6	Far Eastern Hon Li Do Co., Ltd.	Pacific Sogo Department Store Co.	c.	338 (Note B)	92	92	-	16	563 (Note C)	
7	Ya Tung Department Store Ltd.	Pacific Sogo Department Store Co.	c.	1,118 (Note C)	709	709	-	63	2,237 (Note D)	
8	Feds Development Ltd. (BVI)	Tianjin FEDS Limits, Co.	a.	6,350 (Note C)	4,109 (RMB30,000 thousand)	3,835 (RMB28,000 thousand)	-	60	12,699 (Note D)	
9	Pacific Liu Tong Investment Co.	Pacific Sogo Department Store Co.	a.	1,002,673 (Note E)	360,006	357,539	-	178	2,005,347 (Note F)	
10	Pacific Sogo Department Store Co.	Pacific Liu Tong Investment Co.	a.	420,807 (Note D)	21,585	21,585	-	10	841,613 (Note G)	
		Taiwan Chong-Guang Ltd.	e.	420,807 (Note D)	7,225	5,066	-	2	841,613 (Note G)	
		Hong-Tong Comprehensive Commercial Developing Co., Ltd.	e.	420,807 (Note D)	123,343	123,343	-	59	841,613 (Note G)	
		Far Eastern Department Store Ltd.	f.	420,807 (Note D)	48,946	48,946	-	23	841,613 (Note G)	

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

(Continued)

Note B: The amount is 60% of net assets based on the latest financial statements of the endorser/guarantor.

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

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

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

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

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

Note H: The endorsements 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. Ltd., Bai Yang Investment Co. Ltd., 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. The stock has not been pledged since August 3, 2007.

Note J: Including 19,200 thousand shares of Far Eastern Textile Co., Ltd. and an endorsement of NT\$208,458 thousand. The stock has 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 FEDS'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 Holding Company (Note A)	Financial Statement Account	December 31, 2007				Note	
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)		
Far Eastern Department Stores, Ltd.	<u>Stock</u>								
	Bai Yang Investment Co.	b.	Investments accounted for by the equity method	614,002	\$ 8,409,163 (Note I)	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 (Note I)	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 (Note I)	35	2,284,552 (Note D)		
	Far Eastern Geant Co., Ltd.	b.	Investments accounted for by the equity method	167,160	1,324,335 (Note I)	100	883,391 (Note D)		
	Feds Development Ltd. (BVI)	b.	Investments accounted for by the equity method	218	156,924 (Note I)	76	156,692 (Note D)		
	Yu Ming Advertising Agency Co.	b.	Investments accounted for by the equity method	6,500	71,048 (Note I)	100	71,048 (Note D)		
	Far Eastern CitySuper Ltd.	b.	Investments accounted for by the equity method	39,780	11,076 (Note I)	77	11,076 (Note D)		
	Ya Tung Department Stores	b.	Investments accounted for by the equity method	13,000	36,265 (Note I)	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 (Note I)	100	3,883 (Note D)		
	Far Eastern Hon Li Do Co., Ltd.	b.	Investments accounted for by the equity method	3,330	4,495 (Note I)	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	-	52 (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 (Note I)	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 Holding Company (Note A)	Financial Statement Account	December 31, 2007				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
	Pacific Sogo Department Stores Co., Ltd.	a.	Investments accounted for by the equity method	4,914	\$ 93,114 (Note I)	1	\$ 92,741 (Note D)	
	Yu Ming Advertising Agency Co.	a.	Investments accounted for by the equity method	1,102	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 (Note I)	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 commercial paper issued by 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 (Note I)	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 (Note I)	2	160,556 (Note D)	
	<u>Beneficiary certificate</u> 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) (Note I)	100	(210,579) (Note D)	
	Shanghai Bai Ding Business Management Consulting Co., Ltd.	a.	Investments accounted for by the equity method	-	21,274 (Note I)	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 (Note I)	70	1,545,200 (Note D)	
	Bai Ding Investment Co.	a.	Investments accounted for by the equity method	48,390	1,526,232 (Note I)	33	1,758,142 (Note D)	
	Feds New Century Development Co., Ltd.	a.	Investments accounted for by the equity method	13,800	212,901 (Note I)	100	213,212 (Note D)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2007				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
	Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	9,900	\$ 181,514 (Note I)	2	\$ 160,556 (Note D)	
	Feds Development Ltd. (BVI)	a.	Investments accounted for by the equity method	68	48,992 (Note I)	24	49,227 (Note D)	
	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 Infocom Tech., Co., Ltd.	i.	Financial assets carried at cost	17,314	125,438	-	115,775 (Note D)	Stocks of New Century Infocom Tech., Co., Ltd. pledged for loans of the 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 (Note I)	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 (Note I)	-	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 (Note I)	-	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 (Note I)	79	5,363,176 (Note D)	71,500 thousand shares of Pacific Sogo Department Stores Co., Ltd. pledged for loans and commercial papers 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	4,019 (Note I)	-	6,487 (Note D)	
	Pacific Securities Co., Ltd.	-	Financial assets carried at cost	20,279	81,116	5	155,841 (Note E)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2007				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
	Invenpec Besta Co., Ltd.	-	Financial assets carried at cost	3	\$ 99 (Note F)	-	\$ 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	-	-	- (Note E)	
	Pacific China Holdings (HK) Co., Ltd.	b.	Investments accounted for by the equity method	11,400	4,664,781 (Note I)	60	4,664,781 (Note D)	
	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 (Note I)	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 (Note I)	73	909,520 (Note D)	
	Chengdu Shangxia Pacific Department Store Co., Ltd.	b.	Investments accounted for by the equity method	-	516,929 (Note I)	100	516,929 (Note D)	
	Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	b.	Other liabilities	-	43,385 (Note I)	100	43,385 (Note D)	
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	b.	Investments accounted for by the equity method	-	343,915 (Note I)	100	343,915 (Note D)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2007				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
	Beijing Xidan Pacific Department Store Co., Ltd.	b.	Investments accounted for by the equity method	-	\$ 171,140 (Note I)	55	\$ 171,140 (Note D)	
	Chongqing Bai Ding Business Management Consulting Co., Ltd.	b.	Investments accounted for by the equity method	-	40,771 (Note I)	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)	

Note A:

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

Note B: The market values of the investment were determined at the closing price in December 31, 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 FEEDS's total assets or total revenues. Thus, their information was not disclosed.

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

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2007

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

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2007				Note	
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)		
Far Eastern Department Stores, Ltd.	<u>Stock</u> Bai Yang Investment Co.	b.	Investments accounted for by the equity method	614,002	\$ 259,302 (Note I)	100	\$ 260,332 (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	87,847 (Note I)	67	108,375 (Note D)		
	Oriental Securities Corporation	a.	Investments accounted for by the equity method	140,297	73,497	20	73,730 (Note D)		
	Pacific Liu Tong Investment Co., Ltd.	b.	Investments accounted for by the equity method	140,867	70,941 (Note I)	35	70,446 (Note D)		
	Far Eastern Geant Co., Ltd.	b.	Investments accounted for by the equity method	167,160	40,837 (Note I)	100	27,240 (Note D)		
	Feds Development Ltd. (BVI)	b.	Investments accounted for by the equity method	218	4,839 (Note I)	76	4,832 (Note D)		
	Yu Ming Advertising Agency Co.	b.	Investments accounted for by the equity method	6,500	2,191 (Note I)	100	2,191 (Note D)		
	Far Eastern CitySuper Ltd.	b.	Investments accounted for by the equity method	39,780	342 (Note I)	77	342 (Note D)		
	Ya Tung Department Stores	b.	Investments accounted for by the equity method	13,000	1,118 (Note I)	100	1,118 (Note D)		
	Ding Ding Integrated Marketing Service	a.	Investments accounted for by the equity method	3,000	371	10	371 (Note D)		
	Asian Merchandise Company	b.	Investments accounted for by the equity method	950	120 (Note I)	100	120 (Note D)		
	Far Eastern Hon Li Do Co., Ltd.	b.	Investments accounted for by the equity method	3,330	139 (Note I)	56	312 (Note D)		
	Asia Cement Corp.	c.	Available-for-sale financial assets - noncurrent	54,134	32,331 (Note F)	2	79,122 (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	3,814 (Note F)	-	19,606 (Note B)		
	Far Eastern International Bank	c.	Available-for-sale financial assets - current	23,099	5,543 (Note F)	1	7,443 (Note B)		
	Kaohsiung M.R.T.	-	Financial assets carried at cost	10,000	3,084	1	2,857 (Note E)		
	Far Eastern Finance & Leasing Corp.	-	Financial assets carried at cost	7,309	1,929	9	2,507 (Note D)		
	Yuan Ding Co., Ltd.	c.	Financial assets carried at cost	2	-	-	2 (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	50,876	14		51,038 (Note D)
Pacific Liu Tong Investment Co., Ltd.		a.	Investments accounted for by the equity method	50,125	25,672 (Note I)	13	25,067 (Note D)		
Far Eastern International Leasing Corp.		a.	Investments accounted for by the equity method	17,475	9,317	5	7,958 (Note D)		

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2007				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
	Pacific Sogo Department Stores Co., Ltd.	a.	Investments accounted for by the equity method	4,914	\$ 2,871 (Note I)	1	\$ 2,860 (Note D)	
	Yu Ming Advertising Agency Co.	a.	Investments accounted for by the equity method	1,102	2,125	47	2,125 (Note D)	
	Far Eastern Hon Li Do Co., Ltd.	a.	Investments accounted for by the equity method	2,670	250 (Note I)	44	250 (Note D)	
	Far Eastern Department Stores, Ltd.	e.	Available-for-sale financial assets - current	28,770	13,516 (Note F)	3	34,820 (Note B)	
	Asia Cement Corp.	c.	Available-for-sale financial assets - noncurrent	53,299	30,250 (Note F)	2	77,902 (Note B)	7,700 thousand shares of Asia Cement Corp. pledged for commercial paper issued by investor company
	Far Eastern Textile Co., Ltd.	c.	Available-for-sale financial assets - noncurrent	25,790	10,316 (Note F)	1	30,259 (Note B)	
	New Century Infocom Tech., Co., Ltd.	c.	Financial assets carried at cost	37,524	8,383	1	7,737 (Note D)	28,084 thousand shares of New Century Infocom Tech., Co., Ltd. pledged for loans of the investor company
	Chung-Nan Textile Co., Ltd.	-	Financial assets carried at cost	2,984	2,510	5	3,500 (Note E)	
	Ding Ding Management Consultants Co., Ltd.	-	Financial assets carried at cost	216	364	5	156 (Note D)	
	Yue Ding Industry Co., Ltd.	-	Financial assets carried at cost	1,000	308	2	271 (Note D)	
	Ya Tung Securities Investment Advisory Co., Ltd.	-	Financial assets carried at cost	1	-	-	- (Note D)	
Feds Asia Pacific Development Co., Ltd.	<u>Stock</u> Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	9,900	5,597 (Note I)	2	4,951 (Note D)	
Feds New Century Development Co., Ltd.	<u>Stock</u> Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	9,900	5,597 (Note I)	2	4,951 (Note D)	
	<u>Beneficiary certificate</u> Far Eastern Alliance Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	970	321 (Note F)	-	328 (Note C)	
Feds Development Ltd. (BVI)	<u>Stock</u> Tianjin FEDS Limits., Co.	a.	Other liabilities	-	(6,493) (Note I)	100	(6,493) (Note D)	
	Shanghai Bai Ding Business Management Consulting Co., Ltd.	a.	Investments accounted for by the equity method	-	656 (Note I)	100	656 (Note D)	
	Kowloon Cement Corp., Ltd.	-	Financial assets carried at cost	46	294	2	456 (Note E)	
	Millennium Microtech Holding Corporation	-	Financial assets carried at cost	43	16	-	- (Note E)	
Bai Yang Investment Co.	<u>Stock</u> Far Eastern International Leasing Corp.	a.	Investments accounted for by the equity method	104,196	47,462	29	47,450 (Note D)	
	Feds Asia Pacific Development Co., Ltd.	a.	Investments accounted for by the equity method	140,000	47,691 (Note I)	70	47,647 (Note D)	
	Bai Ding Investment Co.	a.	Investments accounted for by the equity method	48,390	47,062 (Note I)	33	54,213 (Note D)	
	Feds New Century Development Co., Ltd.	a.	Investments accounted for by the equity method	13,800	6,565 (Note I)	100	6,575 (Note D)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2007				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
	Pacific Liu Tong Investment Co., Ltd.	a.	Investments accounted for by the equity method	9,900	\$ 5,597 (Note I)	2	\$ 4,951 (Note D)	Stocks of New Century Infocom Tech., Co., Ltd. pledged for loans of the investor company
	Feds Development Ltd. (BVI)	a.	Investments accounted for by the equity method	68	1,511 (Note I)	24	1,518 (Note D)	
	Far Eastern International Bank	i.	Available-for-sale financial assets - current	18,854	8,954 (Note F)	1	6,075 (Note B)	
	Asia Cement Corp.	i.	Available-for-sale financial assets - noncurrent	3,132	1,777 (Note F)	-	4,577 (Note B)	
	Far Eastern Textile Co., Ltd.	i.	Available-for-sale financial assets - noncurrent	1,855	853 (Note F)	-	2,177 (Note B)	
	New Century Infocom Tech., Co., Ltd.	i.	Financial assets carried at cost	17,314	3,868	-	3,570 (Note D)	
	Ya Tung Securities Investment Advisory Co., Ltd.	-	Financial assets carried at cost	1	-	-	- (Note D)	
	<u>Beneficiary certificate</u> Far Eastern Alliance Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	26,136	8,697 (Note F)	-	8,840 (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	3,109 (Note I)	1	2,750 (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	19 (Note I)	-	50 (Note D)	
	Asia Cement Corp.	j.	Available-for-sale financial assets - noncurrent	1,225	622 (Note F)	-	1,790 (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	349 (Note I)	-	350 (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	215,030 (Note I)	79	165,377 (Note D)	
Pacific Sogo Department Stores Co., Ltd.	<u>Stock</u> ASUSTek Computer Inc.	-	Financial assets at fair value through profit or loss - current	344	1,530 (Note F)	-	1,033 (Note B)	
	CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss - current	510	907 (Note F)	-	178 (Note B)	
	China Development Financial Holding Co.	-	Financial assets at fair value through profit or loss - current	554	713 (Note F)	-	218 (Note B)	
	Quanta computer Inc.	-	Financial assets at fair value through profit or loss - current	190	460 (Note F)	-	270 (Note B)	
	Pacific Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	6,849	441 (Note F)	1	722 (Note B)	
	DBTEL Inc.	-	Financial assets at fair value through profit or loss - current	40	30 (Note F)	-	5 (Note B)	
	Pacific Liu Tong Investment Co., Ltd.	e.	Financial assets carried at cost	400	124 (Note I)	-	200 (Note D)	
	Pacific Securities Co., Ltd.	-	Financial assets carried at cost	20,279	2,501	5	4,805 (Note E)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2007				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
	Invenpec Besta Co., Ltd.	-	Financial assets carried at cost	3	\$ 3 (Note F)	-	\$ 7 (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	-	-	- (Note E)	
	Pacific China Holdings (HK) Co., Ltd.	b.	Investments accounted for by the equity method	11,400	143,842 (Note I)	60	143,842 (Note D)	
	Pacific Department Store Co., Ltd.	a.	Investments accounted for by the equity method	29,973	7,384	26	9,461 (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	371	10	371 (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	308 (Note F)	-	282 (Note C)	
	First Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	500	339 (Note F)	-	194 (Note C)	
	HSBC Taiwan MID & Small Cap Fund	-	Financial assets at fair value through profit or loss - current	726	224 (Note F)	-	186 (Note C)	
	Fubon Elite Fund	-	Financial assets at fair value through profit or loss - current	2,000	619 (Note F)	-	472 (Note C)	
	HSBC Taiwan Growth Fund	-	Financial assets at fair value through profit or loss - current	511	309 (Note F)	-	383 (Note C)	
	Far Eastern Alliance Taiwan Flagship Security Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	150	46 (Note F)	-	85 (Note C)	
	HSBC Trinity Balanced Fund	-	Financial assets at fair value through profit or loss - current	900	278 (Note F)	-	321 (Note C)	
	HSBC New Japan Fund of Funds	-	Financial assets at fair value through profit or loss - current	994	307 (Note F)	-	281 (Note C)	
	HSBC Global Emerging Markets Equity Fund	-	Financial assets at fair value through profit or loss - current	1,011	313 (Note F)	-	473 (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	239,736 (Note I)	100	63,456 (Note D)	
Pacific China Holdings Co.	<u>Stock</u> Shanghai Pacific Department Store Co., Ltd.	b.	Investments accounted for by the equity method	-	28,046 (Note I)	73	28,046 (Note D)	
	Chengdu Shangxia Pacific Department Store Co., Ltd.	b.	Investments accounted for by the equity method	-	15,940 (Note I)	100	15,940 (Note D)	
	Chengdu Quaxing Mansion Pacific Department Store Co., Ltd.	b.	Other liabilities	-	1,338 (Note I)	100	1,338 (Note D)	
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	b.	Investments accounted for by the equity method	-	10,605 (Note I)	100	10,605 (Note D)	

(Continued)

Holding Company	Securities Type and Issuer Name	Relationship with the Holding Company (Note A)	Financial Statement Account	December 31, 2007				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note B)	
	Beijing Xidan Pacific Department Store Co., Ltd.	b.	Investments accounted for by the equity method	-	\$ 5,277 (Note I)	55	\$ 5,277 (Note D)	
	Chongqing Bai Ding Business Management Consulting Co., Ltd.	b.	Investments accounted for by the equity method	-	1,257 (Note I)	100	1,257 (Note D)	
	Shanghai Pacific Business Management Consulting Co., Ltd.	a.	Investments accounted for by the equity method	-	205	49	205 (Note D)	
	Taiwan Ocean Farming Corp.	-	Financial assets carried at cost	2,250	2,250	15	2,250 (Note E)	
	Oversea Development Corp.	-	Financial assets carried at cost	2,250	2,250	15	2,250 (Note E)	

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

Note B: The market values of the investment were determined at the closing price in December 31, 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 FEEDS's total assets or total revenues. Thus, their information was not disclosed.

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

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 YEAR ENDED DECEMBER 31, 2007
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares (Thousands)	Amount
Far Eastern Department Stores, Ltd.	<u>Stock</u> Far Eastern Geant Co., Ltd.	Investments accounted for by the equity method	Group Casino	Subsidiary	163,579	\$ 279,994	263,580 (Note A)	\$ 1,044,341 (Note B)	259,999 (Note C)	\$ -	\$ -	\$ -	167,160	\$ 1,324,335 (Note H)
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 Corp.	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: The acquisition consisted of 163,580 thousand shares and subscription for 100,000 thousand additional shares.

Note B: The amount included (a) the payment of NT\$737,585 thousand for acquisition; (b) subscription for additional shares by cash amounting to NT\$1,000,000 thousand; (c) equity of NT\$692,916 thousand in losses; (d) unrecognized net losses on pension cost of NT\$328 thousand.

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

Note D: The amount included (a) a subscription for additional shares amounting to NT\$120,000 thousand; (b) equity of NT\$5,564 thousand in earnings; and (c) an increase of NT\$18,234 thousand to capital surplus because of the nonproportional subscription for an investee's newly issued shares; (d) unrealized valuation gain on financial instrument of NT\$6,469 thousand; (e) a decrease of NT\$13 thousand in cumulative translation adjustment; (f) unrecognized net losses on pension cost of NT\$55 thousand.

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

Note F: The shareholding increased because of stock dividends received.

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 YEAR ENDED DECEMBER 31, 2007
 (In Thousands of U.S. Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares (Thousands)	Amount
Far Eastern Department Stores, Ltd.	<u>Stock</u> Far Eastern Geant Co., Ltd.	Investments accounted for by the equity method	Group Casino	Subsidiary	163,579	\$ 8,634	263,580 (Note A)	\$ 32,203 (Note B)	259,999 (Note C)	\$ -	\$ -	\$ -	167,160	\$ 40,837 (Note H)
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	7,000	14,242	4,749	9,200	3,084	3,052	32	26,136	8,697
	Primasia Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	10,982	4,101	-	-	10,982	4,139	4,101	38	-	-
Bai Ding Investment Co.	<u>Stock</u> Far Eastern International Leasing Corp.	Investments accounted for by the equity method	-	Equity method investee	7,475	4,685	10,000	4,631 (Note D)	-	-	-	-	17,475	9,317
	Far Eastern Textile Co., Ltd.	Available-for-sale financial assets - noncurrent	-	Same director	30,612	12,613	773 (Note F)	-	5,595	5,798	2,296	3,502	25,790	10,316
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	6,167	-	-	18,583	6,191	6,167	23	-	-
	Polaris Di-Po Fund	Financial assets at fair value through profit or loss - current	-	-	13,539	4,625	-	-	13,539	4,628	4,625	3	-	-
	JiH Sun Bond Fund	Financial assets at fair value through profit or loss - current	-	-	7,330	3,084	-	-	7,330	3,085	3,084	2	-	-
	Fubon Chi-Hsiang Fund	Financial assets at fair value through profit or loss - current	-	-	10,309	4,625	-	-	10,309	4,629	4,625	3	-	-
	<u>Stock</u> Pacific United Consultant Co., Ltd.	Investments accounted for by the equity method	ISS Fealty Property Management Co., Ltd.		4,071	2,224	-	-	4,071	5,250	2,224	3,025 (Note G)	-	-

Note A: The acquisition consisted of 163,580 thousand shares and subscription for 100,000 thousand additional shares.

Note B: The amount included (a) the payment of NT\$22,744 thousand for acquisition; (b) subscription for additional shares by cash amounting to US\$30,836 thousand; (c) equity of US\$21,367 thousand in losses; (d) unrecognized net losses on pension cost of US\$10 thousand.

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

Note D: The amount included (a) a subscription for additional shares amounting to US\$3,700 thousand; (b) equity of US\$172 thousand in earnings; and (c) a increase of US\$562 thousand to capital surplus because of the nonproportional subscription for an investee's newly issued shares; (d) unrealized gain on financial instrument of US\$199 thousand; (e) a decrease of US\$0.4 thousand in cumulative translation adjustment; (f) unrecognized net losses on pension cost of US\$2 thousand.

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

Note F: The shareholding increased because of stock dividends received.

Note G: The amount included (a) a gain of US\$3,026 thousand on the disposal of equity-method investments in 2007 and (b) wrote off of the 2005 capital surplus and cumulative translation adjustment of \$1 thousand.

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

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 Disposal	Price Reference	Other Terms
Far Eastern Geant Co., Ltd.	Land Building	2007/4/2 2007/4/2	\$ 565,000 135,000	Paid Paid	Far Eastern Department Store Ltd. Far Eastern Hon Li Do Co., Ltd.	Parent company	To save the rental at cost To save the rental at cost	Professional appraisal report NT\$565,530 Professional appraisal report NT\$137,147	- -

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 U.S. Dollars, Unless Stated Otherwise)

Company Name	Types of Properties	Disposal Date	Disposal Price	Payment Terms	Counter-party	Nature of Relationship	Purpose of Disposal	Price Reference	Other Terms
Far Eastern Geant Co., Ltd.	Land	2007/4/2	\$ 17,422	Paid	Far Eastern Department Store Ltd.	Parent company	To save the rental at cost	Professional appraisal report US\$17,438	-
	Building	2007/4/2	4,163	Paid	Far Eastern Hon Li Do Co., Ltd.	Same final parent company	To save the rental at cost	Professional appraisal report US\$4,229	-

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	Acquisition Date	Book Value	Disposal Price	Payment Terms	Gain 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	Paid	\$ 5,919 (Note A)	Far Eastern Geant Co., Ltd.	Subsidiary	Service need	Appraisal price of the report is \$565,530	-
Far Eastern Hon Li Do Co., Ltd.	Building	2007.4.2	1994.9.8	124,803	135,000	Paid	10,150 (Note A)	Far Eastern Geant Co., Ltd.	The same final parent company	Service need	Appraisal price of the report is \$137,147	-
Far Eastern Geant Co., Ltd.	Land	2007.5.2	1997.7.7	394,620	411,500	Paid	6,492 (Note A)	Far Eastern Construction Company	The same chairman	To pay off debts, to save interest expenses	Appraisal price of the report is \$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.	-	Service need	Real estate agent	-

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

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

YEAR ENDED DECEMBER 31, 2007

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

Company Name	Types of Properties	Disposal Date	Acquisition Date	Book Value	Disposal Price	Payment Terms	Gain 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	\$ 16,804	\$ 17,422	Paid	\$ 183 (Note A)	Far Eastern Geant Co., Ltd.	Subsidiary	Service need	Appraisal price of the report is NT\$565,530	-
Far Eastern Hon Li Do Co., Ltd.	Building	2007.4.2	1994.9.8	3,848	4,163	Paid	313 (Note A)	Far Eastern Geant Co., Ltd.	The same final parent company	Service need	Appraisal price of the report is NT\$137,147	-
Far Eastern Geant Co., Ltd.	Land	2007.5.2	1997.7.7	12,168	12,689	Paid	200 (Note A)	Far Eastern Construction Company	The same chairman	To pay off debts, to save interest expenses	Appraisal price of the report is NT\$421,730	-
Pacific Sogo Department Store Co., Ltd.	Land and building	2007.12.25-2007.12.31	1999.3.31	3,548	4,305	(Note B)	757	Kai Hong Trading Company, etc.	-	Service need	Real estate agent	-

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

Note B: The amount of US\$3,107 thousand was received in 2007, and the remaining US\$1,198 thousand is expected to be received in January 2008.

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

YEAR ENDED DECEMBER 31, 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		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Far Eastern Department Stores, Ltd.	Far Eastern Apparel Co., Ltd.	Equity method investee's subsidiary	Purchase	\$ 174,502	1.00	45-60 days after the end of the month	\$ -	-	8,538	54	Notes receivable
									1,822	1	Accounts receivable
									(50,779)	2	
Pacific Sogo Department Store Co., Ltd.	Far Eastern CitySuper, Ltd.	The same final parent company	Purchase	405,113 (Note)	1.54	10 days	-	-	(14,487)	-	Notes payable
	Pacific 88 Co., Ltd.	Equity-method investee	Purchase	112,894	0.43	15-35 days after the end of the month	-	-	(1,113) (Note)	-	Accounts payable
Far Eastern CitySuper, Ltd.	Pacific Sogo Department Store Co., Ltd.	The same final parent company	Sales	405,113 (Note)	68.00	10 days	-	-	(2,484)	-	Accounts payable
									15,600 (Note)	56	Accounts receivable

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE CAPITAL STOCK
YEAR ENDED DECEMBER 31, 2007**

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

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts (Payable) or Receivable		Note	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total		
Far Eastern Department Stores, Ltd.	Far Eastern Apparel Co., Ltd.	Equity method investee's subsidiary	Purchase	\$ 5,381	1.00	45-60 days after the end of the month	\$ -	-	263	54	Notes receivable	
									56	1		Accounts receivable
									(1,566)	2		
Pacific Sogo Department Store Co., Ltd.	Far Eastern CitySuper, Ltd.	The same final parent company	Purchase	12,492 (Note)	1.54	10 days	-	-	(477)	-	Notes payable	
	Pacific 88 Co., Ltd.	Equity-method investee	Purchase	3,481	0.43	15-35 days after the end of the month	-	-	(34)	-	Accounts payable	
Far Eastern CitySuper, Ltd.	Pacific Sogo Department Store Co., Ltd.	The same final parent company	Sales	12,492 (Note)	68.00	10 days	-	-	(77)	-	Accounts payable	
									481	56	Accounts receivable	
									(Note)			

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

DECEMBER 31, 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 (Notes A and C)	-	\$ -	-	\$ 326,454	\$ -
Bai Ding Investment	Pacific Liu Tong Investment Co., Ltd.	Equity-method investee	116,232 (Notes A and C)	-	-	-	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.	Parent	238,383 (Note C)	-	-	-	238,383	-

Note A: Cash dividend.

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.

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

DECEMBER 31, 2007

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Far Eastern Development Store, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Equity-method investee	\$ 10,066 (Notes A and C)	-	\$ -	-	\$ 10,066	\$ -
Bai Ding Investment	Pacific Liu Tong Investment Co., Ltd.	Equity-method investee	3,584 (Notes A and C)	-	-	-	3,584	-
Pacific Sogo Department Stores Co., Ltd.	Pacific 88 Co., Ltd.	Equity-method investee	8,322	-	8,322	Collection expedited	-	6,800
	Pacific Sogo Investment Co., Ltd.	Equity- method investee	16,479	-	16,479	Collection expedited	-	16,479
	Pacific Liu Tong Investment Co., Ltd.	Parent	7,351 (Note C)	-	-	-	7,351	-

Note A: Cash dividend.

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.

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH FEDS 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 (Note F)	\$ 436,382 (Note F)	\$ 388,690 (Note F)	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 (Note F)	1,469,334 (Note F)	511,349 (Note F)	b	
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	33,357	33,357	96,735	67	2,848,885 (Note F)	535,255 (Note F)	348,928 (Note F)	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 (Note F)	(692,916) (Note F)	(692,916) (Note F)	b	
	Feds Development Ltd. (BVI)	British Virgin Island	Investment	125,058	26,190	218	76	156,924 (Note F)	(138,162) (Note F)	(105,291) (Note F)	b	
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	287,656	284,921	13,000	100	36,265 (Note F)	(49,936) (Note F)	(47,729) (Note F)	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 (Note F)	(9,867) (Note F)	(9,867) (Note F)	b	
	Far Eastern CitySuper Ltd.	Taipei City, R.O.C.	Shopping mall	397,800	306,000	39,780	77	11,076 (Note F)	(201,911) (Note F)	(154,622) (Note F)	b	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	40,278	40,191	3,330	56	4,495 (Note F)	(36,335) (Note F)	(25,614) (Note F)	b	
	Ding Ding Integrated Marketing Service Asian Merchandise Company	Taipei City, R.O.C. U.S.A.	Marketing Trading	30,000 5,316	30,000 5,316	3,000 950	10 100	12,047 3,883 (Note F)	(55,304) (916) (Note F)	(5,530) (916) (Note F)	a 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		a
Pacific Liu Tong Investment Co., Ltd.		Taipei City, R.O.C.	Investment	658,129	658,129	50,125	13	832,551 (Note F)	1,469,334 (Note F)		b	
Far Eastern International Leasing Corp.		Taipei City, R.O.C.	Leasing	255,000	135,000	17,475	5	302,147	114,907		d	
Pacific Sogo Department Stores Co., Ltd.		Taipei City, R.O.C.	Department store	33,490	33,490	4,914	1	93,114 (Note F)	1,918,981 (Note F)		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		d	
Far Eastern Hon Li Do Co., Ltd.		Taipei City, R.O.C.	Building rental	28,672	28,672	2,670	44	8,120 (Note F)	(36,335) (Note F)		b	
Ya Tung Department Stores		Taipei City, R.O.C.	Department store	-	52,754	-	-	-	(49,936) (Note F)		b	
Feds Asia Pacific Development Co., Ltd.		Taipei City, R.O.C.	Shopping mall	-	5,000	-	-	-	129,158 (Note F)		c	
Feds New Century Development Co., Ltd.		Taipei City, R.O.C.	Shopping mall	-	2	-	-	-	(692,916) (Note F)		b	
Far Eastern Geant Co., Ltd. Bai Chin (Singapore) Pte., Ltd.		Taipei City, R.O.C. Singapore	Shopping mall Investment	- -	191 20	- -	- -	- -	- 35,559 (Note F)	- -		b c
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 (Note F)	1,469,334 (Note F)		b	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	-	231	-	-	-	(36,335) (Note F)		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			
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 (Note F)	\$ 1,469,334 (Note F)	b	
Feds Development Ltd. (BVI)	Tianjin FEDS Limits., Co.	Mainland China	Department store	158,907	158,907	-	100	(210,579) (Note F)	(169,400) (Note F)	c	
	Shanghai Bai Ding Business Management Consulting Co., Ltd.	Mainland China	Consulting service	3,243	3,243	-	100	21,274 (Note F)	19,304 (Note F)	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 (Note F)	129,158 (Note F)	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	d	
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	577,457	577,225	48,390	33	1,526,232 (Note F)	535,255 (Note F)	b	
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	185,272	185,152	13,800	100	212,901 (Note F)	35,559 (Note F)	c	
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	99,000	99,000	9,900	2	181,514 (Note F)	1,469,334 (Note F)	b	
	Feds Development Ltd. (BVI)	British Virgin Island	Investment	123,778	92,556	68	24	48,992 (Note F)	(138,162) (Note F)	b	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	-	234	-	-	-	(36,335) (Note F)	b	
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	-	7	-	-	-	(49,936) (Note F)	b	
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	2	-	-	-	(692,916) (Note F)	b	
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 (Note F)	1,469,334 (Note F)	b	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	-	231	-	-	-	(36,335) (Note F)	b	
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	-	33	-	-	-	535,255 (Note F)	b	
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	20	-	-	-	35,559 (Note F)	c	
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	2	-	-	-	(692,916) (Note F)	b	
Yu Ming Advertising Agency Co.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	1,200	1,200	100	-	620 (Note F)	1,469,334 (Note F)	b	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	-	100	-	-	-	(36,335) (Note F)	b	
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	-	33	-	-	-	535,255 (Note F)	b	
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	20	-	-	-	35,559 (Note F)	c	
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	-	7	-	-	-	(49,936) (Note F)	b	
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	2	-	-	-	(692,916) (Note F)	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 (Note F)	1,469,334 (Note F)	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 (Note F)	1,918,981 (Note F)	c	

(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			
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	Taipei City, R.O.C.	Marketing	30,000	30,000	3,000	10	12,047	(55,304)	d	
	Pacific China Holdings (HK) Co., Ltd.	Hong Kong	Investment	4,000,000	4,000,000	11,400	60	4,664,781 (Note F)	768,986 (Note F)	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 (Note F)	759,236 (Note F)	c	
Pacific China Holdings Co.	Shanghai Pacific Department Store Co., Ltd.	Mainland China	Department store	416,158	416,158	-	73	909,520 (Note F)	604,033 (Note F)	c	
	Chengdu Shangxia Pacific Department Store Co., Ltd.	Mainland China	Department store	227,010	227,010	-	100	516,929 (Note F)	325,747 (Note F)	c	
	Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Mainland China	Department store	32,106	32,106	-	100	43,385 (Note F)	50,292 (Note F)	c	
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	Mainland China	Department store	97,290	97,290	-	100	343,915 (Note F)	199,633 (Note F)	c	
	Beijing Xidan Pacific Department Store Co., Ltd.	Mainland China	Department store	214,038	214,038	-	55	171,140 (Note F)	58,318 (Note F)	c	
	Chongqing Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	6,486	6,486	-	100	40,771 (Note F)	3,428 (Note F)	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 investees were 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. started dissolution procedures 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.

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH FEDS EXERCISES SIGNIFICANT INFLUENCE
 YEAR ENDED DECEMBER 31, 2007
 (In Thousands of U.S. Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products of the Investee Company	Investment Amount		Balance as of December 31, 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	\$ 167,196	\$ 167,196	614,002	100	\$ 259,302	\$ 13,456	\$ 11,986	b
	Oriental Securities Corporation	Taipei City, R.O.C.	Securities brokerage	4,430	4,430	140,297	20	73,497	43,926	8,320	a
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	54,401	54,401	140,867	35	70,941	45,308	15,768	b
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	1,029	1,029	96,735	67	87,847	16,505	10,759	b
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	102,177	48,597	167,160	100	40,837	(21,367)	(21,367)	b
	Feds Development Ltd. (BVI)	British Virgin Island	Investment	3,856	808	218	76	4,839	(4,260)	(3,247)	b
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	8,870	8,786	13,000	100	1,118	(1,540)	(1,472)	b
	Yu Ming Advertising Agency Co.	Taipei City, R.O.C.	Advertising and importation of certain merchandise	1,850	1,850	6,500	100	2,191	(304)	(304)	b
	Far Eastern CitySuper Ltd.	Taipei City, R.O.C.	Shopping mall	12,266	9,436	39,780	77	342	(6,226)	(4,768)	b
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	1,242	1,239	3,330	56	139	(1,120)	(790)	b
	Ding Ding Integrated Marketing Service	Taipei City, R.O.C.	Marketing	925	925	3,000	10	371	(1,705)	(171)	a
	Asian Merchandise Company	U.S.A.	Trading	164	164	950	100	120	(28)	(28)	b
	Bai Chin (Singapore) Pte., Ltd.	Singapore	Investment	-	53	-	-	-	-	-	-
Bai Ding Investment Co.	Oriental Securities Corporation	Taipei City, R.O.C.	Securities brokerage	5,044	5,044	97,116	14	50,876	43,926		a
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	20,294	20,294	50,125	13	25,672	45,308		b
	Far Eastern International Leasing Corp.	Taipei City, R.O.C.	Leasing	7,863	4,163	17,475	5	9,317	3,543		d
	Pacific Sogo Department Stores Co., Ltd.	Taipei City, R.O.C.	Department store	1,033	1,033	4,914	1	2,871	59,173		c
	Yu Ming Advertising Agency Co.	Taipei City, R.O.C.	Importation of certain merchandise	657	657	1,102	47	2,125	25		d
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	884	884	2,670	44	250	(1,120)		b
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	-	1,627	-	-	-	(1,540)		b
	Feds Asia Pacific Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	154	-	-	-	3,983		c
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	0.06	-	-	-	(21,367)		b
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	6	-	-	-	-		b
Bai Chin (Singapore) Pte., Ltd.	Singapore	Investment	-	1	-	-	-	1,096		c	
Feds Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	3,053	3,053	9,900	2	5,597	45,308		b
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	-	7	-	-	-	(1,120)		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			
Feds New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	\$ 3,053	\$ 3,053	9,900	2	\$ 5,597 (Note F)	\$ 45,308 (Note F)	b	
Feds Development Ltd. (BVI)	Tianjin FEDS Limits., Co.	Mainland China	Department store	4,900	4,900	-	100	(6,493) (Note F)	(5,224) (Note F)	c	
	Shanghai Bai Ding Business Management Consulting Co., Ltd.	Mainland China	Consulting service	100	100	-	100	656 (Note F)	595 (Note F)	c	
Bai Yang Investment Co.	Feds Asia Pacific Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	46,955	46,787	140,000	70	47,691 (Note F)	3,983 (Note F)	c	
	Far Eastern International Leasing Corp.	Taipei City, R.O.C.	Leasing	39,487	39,487	104,196	29	47,462	3,543	d	
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	17,806	17,799	48,390	33	47,062 (Note F)	16,505 (Note F)	b	
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	5,713	5,709	13,800	100	6,565 (Note F)	1,096 (Note F)	c	
	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	3,053	3,053	9,900	2	5,597 (Note F)	45,308 (Note F)	b	
	Feds Development Ltd. (BVI)	British Virgin Island	Investment	3,817	2,854	68	24	1,511 (Note F)	(4,260) (Note F)	b	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	-	7	-	-	-	(1,120) (Note F)	b	
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	-	0.22	-	-	-	(1,540) (Note F)	b	
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	0.06	-	-	-	(21,367) (Note F)	b	
Ya Tung Department Stores	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	1,696	1,696	5,500	1	3,109 (Note F)	45,308 (Note F)	b	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	-	7	-	-	-	(1,120) (Note F)	b	
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	-	1	-	-	-	16,505 (Note F)	b	
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	1	-	-	-	1,096 (Note F)	c	
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	0.06	-	-	-	(21,367) (Note F)	b	
Yu Ming Advertising Agency Co.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	37	37	100	-	19 (Note F)	45,308 (Note F)	b	
	Far Eastern Hon Li Do Co., Ltd.	Taipei City, R.O.C.	Building rental	-	3	-	-	-	(1,120) (Note F)	b	
	Bai Ding Investment Co.	Taipei City, R.O.C.	Investment	-	1	-	-	-	16,505 (Note F)	b	
	Feds New Century Development Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	1	-	-	-	1,096 (Note F)	c	
	Ya Tung Department Stores	Taipei City, R.O.C.	Department store	-	0.22	-	-	-	(1,540) (Note F)	b	
	Far Eastern Geant Co., Ltd.	Taipei City, R.O.C.	Shopping mall	-	0.06	-	-	-	(21,367) (Note F)	b	
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taipei City, R.O.C.	Investment	259	259	700	-	349 (Note F)	45,308 (Note F)	b	
Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Taipei City, R.O.C.	Department store	137,832	137,832	284,153	79	215,030 (Note F)	59,173 (Note F)	c	

(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			
Pacific Sogo Department Stores Co., Ltd.	Sogo Department Store Co., Ltd.	Taipei City, R.O.C.	Credit card business	\$ 1,017	\$ 1,017	7,120	34	\$ -	\$ -	d	
	Pacific Department Store Co., Ltd.	Taipei City, R.O.C.	Department store	16,189	16,189	29,973	26	7,384	3,689	d	
	Pacific United Consultant Co., Ltd.	Taipei City, R.O.C.	Security and cleaning	-	2,347	-	-	-	-	d	
	Pacific 88 Co., Ltd.	Taipei City, R.O.C.	Clothing, restaurant	614	614	85	24	-	(1,592)	d	
	Pacific Sogo Investment Co., Ltd.	Taipei City, R.O.C.	Investment	30,833	30,833	99,990	100	-	-	c	
	Pacific Venture Investment Ltd.	Hong Kong	Investment	11,010	11,010	100,000	48	-	-	d	
	Lian Ching Investment Co., Ltd.	Taipei City, R.O.C.	Investment	8,345	8,345	26,764	50	-	-	c	
	Ding Ding Integrated Marketing Service	Taipei City, R.O.C.	Marketing	925	925	3,000	10	371	(1,705)	d	
	Pacific China Holdings (HK) Co., Ltd.	Hong Kong	Investment	123,343	123,343	11,400	60	143,842 (Note F)	23,712 (Note F)	c	
Pacific China Holdings (HK) Co., Ltd.	Pacific China Holdings Co.	British Virgin Island	Investment	19,000	19,000	19,000	100	239,736 (Note F)	23,412 (Note F)	c	
Pacific China Holdings Co.	Shanghai Pacific Department Store Co., Ltd.	Mainland China	Department store	12,833	12,833	-	73	28,046 (Note F)	18,626 (Note F)	c	
	Chengdu Shangxia Pacific Department Store Co., Ltd.	Mainland China	Department store	7,000	7,000	-	100	15,940 (Note F)	10,045 (Note F)	c	
	Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Mainland China	Department store	990	990	-	100	1,338 (Note F)	1,551 (Note F)	c	
	Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	Mainland China	Department store	3,000	3,000	-	100	10,605 (Note F)	6,156 (Note F)	c	
	Beijing Xidan Pacific Department Store Co., Ltd.	Mainland China	Department store	6,600	6,600	-	55	5,277 (Note F)	1,798 (Note F)	c	
	Chongqing Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	200	200	-	100	1,257 (Note F)	106 (Note F)	c	
	Shanghai Pacific Business Management Consulting Co., Ltd.	Mainland China	Consulting service	172	172	-	49	205	-	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 investees were 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. started dissolution procedures 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.

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 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	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 (Note J)	\$ 242,817 (Note J)	\$ - (Note H)	\$ -	\$ 158,907 (Notes A and H)	\$ 6,355,514
Chengdu Shangxia Pacific Department Store Co., Ltd.	Department store	227,010	Note C	227,010 (Note F)	-	-	227,010 (Note F)	27	87,544 (Note J)	138,006 (Note J)				
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 (Note J)	11,583 (Note J)				
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 (Note J)	91,816 (Note J)				
Beijing Xidan Pacific Department Store Co., Ltd.	Department store	389,160	Note C	214,038 (Note F)	-	-	214,038 (Note F)	15	8,620 (Note J)	45,690 (Note J)				
Chongqing Pacific Business Management Consulting Co., Ltd.	Business management consulting	29,187	Notes C and I	6,486 (Note F)	-	-	6,486 (Note F)	27	921 (Note J)	10,885 (Note J)				
Shanghai Pacific Business Management Consulting Co., Ltd.	Business management consulting	11,351	Note C	5,562 (Note F)	-	-	5,562 (Note F)	13	32 (Note J)	1,776 (Note J)				
Chongqing Bai Ding Business Management Consulting Co., Ltd.	Business management consulting	3,243	Note D	-	-	-	-	100	19,304 (Note J)	21,274 (Note J)				
Tianjin FEDS Limits, Co.	Department store	158,907	Note E	94,047 (Note G)	-	-	94,047 (Note G)	100	(169,400) (Note J)	(210,579) (Note J)				

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 FEDS'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. was approved by the Investment Commission to remit additional capital to Choungqing Pacific Business Management Consulting Co., Ltd. ("Choungqing"; indirect subsidiary of Sogo) under Approval No. 0960210930 dated June 25, 2007. This remittance was due to Choungqing's capital increase of US\$700 thousand from retained earnings.

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2007
(In Thousands of U.S. Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note A)	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 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	Upper Limit on Investment Defined by Investment Commission, MOEA
					Outflow	Inflow								
Shanghai Pacific Department Store Co., Ltd.	Department store	\$ 17,700	Note C	\$ 12,833 (Note F)	\$ -	\$ -	\$ 12,833 (Note F)	19	\$ 3,018 (Note J)	\$ 7,487 (Note J)	\$ - (Note H)	\$ -	\$ 4,900 (Notes A and H)	\$ 195,976
Chengdu Shangxia Pacific Department Store Co., Ltd.	Department store	7,000	Note C	7,000 (Note F)	-	-	7,000 (Note F)	27	2,699 (Note J)	4,256 (Note J)				
Chengdu Quanxing Mansion Pacific Department Store Co., Ltd.	Department store	990	Note C	990 (Note F)	-	-	990 (Note F)	27	417 (Note J)	357 (Note J)				
Chongqing Mentropolitan Plaza Pacific Department Store Co., Ltd.	Department store	3,000	Note C	3,000 (Note F)	-	-	3,000 (Note F)	27	1,654 (Note J)	2,831 (Note J)				
Beijing Xidan Pacific Department Store Co., Ltd.	Department store	12,000	Note C	6,600 (Note F)	-	-	6,600 (Note F)	15	266 (Note J)	1,409 (Note J)				
Chongqing Pacific Business Management Consulting Co., Ltd.	Business management consulting	900	Notes C and I	200 (Note F)	-	-	200 (Note F)	27	28 (Note J)	336 (Note J)				
Shanghai Pacific Business Management Consulting Co., Ltd.	Business management consulting	350	Note C	172 (Note F)	-	-	172 (Note F)	13	1 (Note J)	55 (Note J)				
Chongqing Bai Ding Business Management Consulting Co., Ltd.	Business management consulting	100	Note D	-	-	-	-	100	595 (Note J)	656 (Note J)				
Tianjin FEDS Limits, Co.	Department store	4,900	Note E	2,900 (Note G)	-	-	2,900 (Note G)	100	(5,224) (Note J)	(6,493) (Note J)				

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 FEDS'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. was approved by the Investment Commission to remit additional capital to Choungqing Pacific Business Management Consulting Co., Ltd. ("Choungqing"; indirect subsidiary of Sogo) under Approval No. 0960210930 dated June 25, 2007. This remittance was due to Choungqing's capital increase of US\$700 thousand from retained earnings.

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

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

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

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

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

Note B: Flow of transaction:

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

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INTERCOMPANY TRANSACTIONS

YEAR ENDED DECEMBER 31, 2007

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

Number	Transacting Company (Note A)	Counter-party	Flow of Transaction (Note B)	Status			
				Account	Amount (Note D)	Condition	Ratio to Consolidated Operating Revenue or Asset (Note C)
0	Far Eastern Department Stores, Ltd.	Feds Asia Pacific Development Co., Ltd.	1	Operating expense	\$ 7,062	The rent is based on market rates	-
1	Feds Asia Pacific Development Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Other operating revenue	(7,062)	The rent is based on market rates and is received monthly	-
0	Far Eastern CitySuper Ltd.	Pacific Sogo Department Stores Co., Ltd.	3	Sales revenue	(12,492)	The same as non-related party	-
1	Pacific Sogo Department Stores Co., Ltd.	Far Eastern CitySuper Ltd.	3	Cost of goods sold	12,492	The same as non-related party	-

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

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

Note B: Flow of transaction:

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

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

Note D: The amount of an intercompany transaction more than one US\$3,084 thousand would be disclosed in this table.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

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

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

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

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

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

Note B: Flow of transaction:

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

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INTERCOMPANY TRANSACTIONS

YEAR ENDED DECEMBER 31, 2006

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

Number	Transacting Company (Note A)	Counter-party	Flow of Transaction (Note B)	Status			
				Account	Amount (Note D)	Condition	Ratio to Consolidated Operating Revenue or Asset (Note C)
0	Far Eastern Department Stores, Ltd.	Far Eastern Great Co., Ltd.	1	Deferred income	\$ (11,213)	-	-
1	Far Eastern Great Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Land	11,213	-	-
0	Far Eastern Department Stores, Ltd.	Far Eastern Great Co., Ltd.	1	Other operating revenue	(3,288)	The rent is based on market rates and is received monthly	-
1	Far Eastern Great Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Operating expense	3,288	The rent is based on market rates and is received monthly	-
2	Feds Asia Pacific Development Co., Ltd.	Far Eastern Department Stores, Ltd.	2	Other operating revenue	(7,034)	The rent is based on market rates and is received monthly	-
0	Far Eastern Department Stores, Ltd.	Feds Asia Pacific Development Co., Ltd.	1	Operating expense	7,034	The rent is based on market rates and is received monthly	-

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

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

Note B: Flow of transaction:

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

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

Note D: The amount of an intercompany transaction more than one US\$3,084 thousand would be disclosed in this table.

TABLE 14 (A)**FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES****INDUSTRY SEGMENT INFORMATION
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)**

	2007				2006			
	Retail Department Stores	Investment	Adjusted	Consolidated	Retail Department Stores	Investment	Adjusted	Consolidated
Revenues from customers excluding FEDS and subsidiaries	\$ 88,381,307	\$ 1,910,527	\$ (1,910,527)	\$ 88,381,307	\$ 79,419,027	\$ 1,817,959	\$ (1,817,959)	\$ 79,419,027
Revenues from FEDS and subsidiaries	47	-	(47)	-	24	-	(24)	-
	<u>\$ 88,381,354</u>	<u>\$ 1,910,527</u>	<u>\$ (1,910,574)</u>	<u>\$ 88,381,307</u>	<u>\$ 79,419,051</u>	<u>\$ 1,817,959</u>	<u>\$ (1,817,983)</u>	<u>\$ 79,419,027</u>
Segment operating income (loss) (Note A)	<u>\$ 3,510,660</u>	<u>\$ 86,797</u>	<u>\$ (137,947)</u>	\$ 3,459,510	<u>\$ 2,833,035</u>	<u>\$ 145,172</u>	<u>\$ (185,686)</u>	\$ 2,792,521
Equity in net income (loss)				474,924				287,601
Unallocated income				1,477,279				819,904
Unallocated expenses				(303,411)				(929,410)
Interest expenses				(715,710)				(787,133)
Income before income tax				<u>\$ 4,392,592</u>				<u>\$ 2,183,483</u>
Identifiable assets (Note B)	<u>\$ 67,542,852</u>	<u>\$ 9,665,649</u>	<u>\$ -</u>	\$ 77,208,501	<u>\$ 66,895,229</u>	<u>\$ 9,203,880</u>	<u>\$ -</u>	\$ 76,099,109
Investments in shares of stocks				6,283,912				5,881,869
Total assets				<u>\$ 83,492,413</u>				<u>\$ 81,980,978</u>
Depreciation expenses	<u>\$ 1,676,288</u>	<u>\$ -</u>			<u>\$ 1,611,695</u>	<u>\$ -</u>		
Capital expenditures	<u>\$ 2,242,027</u>	<u>\$ -</u>			<u>\$ 3,032,616</u>	<u>\$ -</u>		

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

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

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

TABLE 14 (B)**FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES****INDUSTRY SEGMENT INFORMATION
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of U.S. Dollars)**

	2007				2006			
	Retail Department Stores	Investment	Adjusted	Consolidated	Retail Department Stores	Investment	Adjusted	Consolidated
Revenues from customers excluding FEDS and subsidiaries	\$ 2,725,295	\$ 58,912	\$ (58,912)	\$ 2,725,295	\$ 2,448,937	\$ 56,058	\$ (56,058)	\$ 2,448,937
Revenues from FEDS and subsidiaries	<u>1</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
	<u>\$ 2,725,296</u>	<u>\$ 58,912</u>	<u>\$ (58,913)</u>	<u>\$ 2,725,295</u>	<u>\$ 2,448,938</u>	<u>\$ 56,058</u>	<u>\$ (56,059)</u>	<u>\$ 2,448,937</u>
Segment operating income (loss) (Note A)	<u>\$ 108,253</u>	<u>\$ 2,676</u>	<u>\$ (4,254)</u>	\$ 106,675	<u>\$ 87,358</u>	<u>\$ 4,476</u>	<u>\$ (5,726)</u>	\$ 86,108
Equity in net income (loss)				14,645				8,868
Unallocated income				45,553				25,282
Unallocated expenses				(9,356)				(28,659)
Interest expenses				<u>(22,069)</u>				<u>(24,272)</u>
Income before income tax				<u>\$ 135,448</u>				<u>\$ 67,327</u>
Identifiable assets (Note B)	<u>\$ 2,082,727</u>	<u>\$ 298,047</u>	<u>\$ -</u>	\$ 2,380,774	<u>\$ 2,062,758</u>	<u>\$ 283,808</u>	<u>\$ -</u>	\$ 2,346,566
Investments in shares of stocks				<u>193,768</u>				<u>181,371</u>
Total assets				<u>\$ 2,574,542</u>				<u>\$ 2,527,937</u>
Depreciation expenses	<u>\$ 51,689</u>	<u>\$ -</u>			<u>\$ 49,698</u>	<u>\$ -</u>		
Capital expenditures	<u>\$ 69,134</u>	<u>\$ -</u>			<u>\$ 93,513</u>	<u>\$ -</u>		

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

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

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

TABLE 15 (A)**FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES****GEOGRAPHIC SEGMENT INFORMATION
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)**

	2007				2006			
	R.O.C.	China	Adjusted	Total	R.O.C.	China	Adjusted	Total
Revenues from customers excluding FEDS and subsidiaries (Note A)	\$ 73,382,020	\$ 16,909,814	\$ (1,910,527)	\$ 88,381,307	\$ 66,207,789	\$ 15,029,197	\$ (1,817,959)	\$ 79,419,027
Segment operating income (Note B)	\$ 2,068,983	\$ 1,528,474	\$ (137,947)	\$ 3,459,510	\$ 1,625,175	\$ 1,323,649	\$ (185,686)	\$ 2,763,138
Equity in net loss				474,924				287,601
Unallocated income				1,477,279				849,287
Unallocated expenses				(303,411)				(929,410)
Interest expenses				(715,710)				(787,133)
Income before income tax				\$ 4,392,592				\$ 2,183,483
Identifiable assets (Note C)	\$ 67,995,303	\$ 9,214,278	\$ (1,080)	\$ 77,208,501	\$ 68,245,784	\$ 7,854,925	\$ (1,600)	\$ 76,099,109
Investments in shares of stocks				6,283,912				5,881,869
Total assets				\$ 83,492,413				\$ 81,980,978

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

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

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

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

TABLE 15 (B)**FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES****GEOGRAPHIC SEGMENT INFORMATION
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of U.S. Dollars)**

	2007				2006			
	R.O.C.	China	Adjusted	Total	R.O.C.	China	Adjusted	Total
Revenues from customers excluding FEDS and subsidiaries (Note A)	\$ 2,262,782	\$ 521,425	\$ (58,912)	\$ 2,725,295	\$ 2,041,560	\$ 463,435	\$ (56,058)	\$ 2,448,937
Segment operating income (Note B)	\$ 63,798	\$ 47,131	\$ (4,254)	\$ 106,676	\$ 50,113	\$ 40,816	\$ (5,726)	\$ 85,203
Equity in net loss				14,645				8,868
Unallocated income				45,553				26,188
Unallocated expenses				(9,356)				(28,659)
Interest expenses				(22,069)				(24,272)
Income before income tax				\$ 135,449				\$ 67,328
Identifiable assets (Note C)	\$ 2,096,679	\$ 284,128	\$ (33)	\$ 2,380,774	\$ 2,104,403	\$ 242,212	\$ (49)	\$ 2,346,566
Investments in shares of stocks				193,768				181,371
Total assets				\$ 2,574,542				\$ 2,527,937

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

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

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

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