



遠東紡織股份有限公司九十七年年報  
FAR EASTERN TEXTILE LTD. ANNUAL REPORT 2008



### 粉地滾邊花鳥緞滿州仕女襯袍

清末（佳士得提供）

清末粉地滾邊花鳥緞仕女襯袍，領圍及袖口黑絲錦緞滾邊繡工精緻、色彩生動，綴有各種孔雀、飛鳥、蝴蝶與昆蟲圖案，翩翩穿梭於蘭、菊、梅花之間。

特遴選此件由佳士得提供，製作精美典雅的滿州仕女袍服作為封面，期許遠東企業凝聚創新動力，以新力量面對新挑戰，不斷創造優勢，啟動新成長，登上新高峰。

### Manchu Woman's Pink Silk Informal Robe

Late Qing Dynasty (Courtesy of Christie's Hong Kong)

The pink silk damask woven with scattered flowers, black silk borders, collar and cuffs finely embroidered in vibrant colors with various kinds of birds, butterflies and insects flying amidst orchids, chrysanthemums and prunus. With this exquisite texture, courtesy of Christie's, the cover serves to imply the Far Eastern Group's ongoing commitment to innovation, to welcoming new challenge with new power, and to initiating new growth to remain its leadership position.

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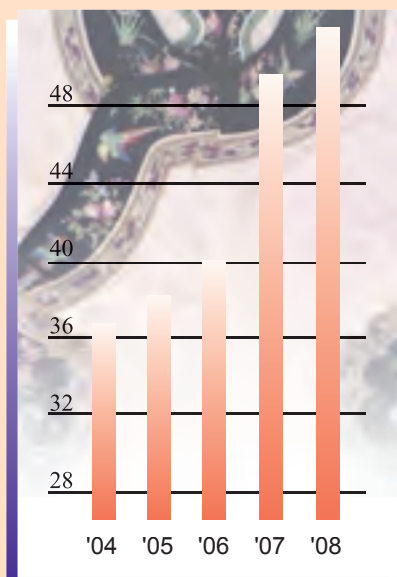
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# FINANCIAL HIGHLIGHTS 2008

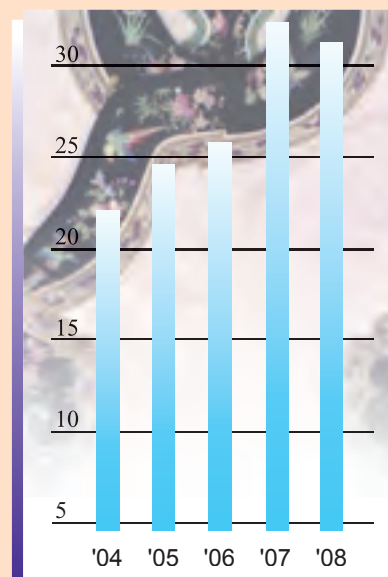
(NT\$/US\$ million dollars except per share)	2008		2007	
	NT\$	US\$	NT\$	US\$
Sales and processing revenues	50,618	1,605.4	49,154	1,515.7
Cost of sales and processing revenues	45,371	1,439.0	43,695	1,347.4
Operating expenses	4,843	153.6	4,422	136.3
Interest expense	1,217	38.6	964	29.7
Investment income	5,542	175.8	11,282	347.9
Net income	4,622	146.6	11,367	350.5
As a percentage of sales and processing revenues (%)	9	-	23	-
Earnings per share	1.01	0.032	2.49	0.080
Cash dividends declared per share	0.8	0.025	1.8	0.056
Stock dividends declared per share	0.2	0.006	0.2	0.006
Current assets	19,288	611.7	22,657	698.6
Current liabilities	13,786	437.2	13,364	412.1
Total assets	141,038	4,473.1	145,594	4,489.5
Stockholders' equity (after appropriation)	75,829	2,405.0	73,512	2,266.8
Plant and equipment additions (for the year)	1,600	50.7	1,458	44.0
Depreciation	1,983	62.9	1,938	59.8
Book value per share	18.49	0.59	20.52	0.63
Number of common stockholders	97,904	-	93,867	-

(Using the 2008 and 2007 yearend exchange rates of NT\$32.8=US\$1.0, and NT\$32.44=US\$1.0, respectively.)

Total Revenues (NT\$ billion)



Export Performance (NT\$ billion)



## 楔子

我們瞭解偉大絕非上天賜予，必須努力掙得。在旅程中我們從不取巧抄捷徑，也不輕易妥協…走在這條路上的是那些勇於冒險、做事和成事的人…更常見的是默默耕耘的無名英雄，他們走過這條漫長崎嶇的道路，支撐著我們邁向繁榮…。

— 摘錄自美國總統歐巴馬就職演說

We understand that greatness is never a given. It must be earned. Our journey has never been one of short-cuts or settling for less...it has been the risk-takers, the doers, the makers of things...more often men and women obscure in their labor, who have carried us up the long, rugged path towards prosperity...

— From U.S. President Barack Obama's Inaugural Speech

傑克·威爾許：「我深信如果企業內部改變的速度趕不上外在環境的變化，衰敗只是時間的問題。」

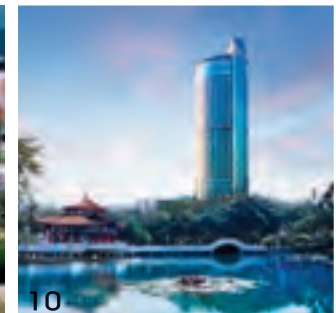
Jack Welch: "I am convinced that if the rate of change inside the institution is less than the rate of change outside, the end is in sight. The only question is the timing of the end."



# PANORAMA OF THE GROUP'S ACTIVITIES DURING THE PAST YEAR



1. Taipei Metro, the 41-story twin towers and Far Eastern Group's headquarters, consisting of a state-of-the-art office tower, an exquisite 5-star Hotel plus Taipei's first city Shopping Mall.
2. FETL's Hsinpu Fiber Plant is among the world's top three polyester producers. Annual synthetic fibers' production was 600,000 MT in 2008.
3. The Asia Cement Corp's 4-million MT Hualien Plant, Taiwan's largest cement plant, was cited by the Environmental Protection Administration (EPA) as one of the nation's 10 most outstanding environmentally friendly manufacturing facilities.
4. The newly opened Pacific SOGO Department Tianmu Store. The Far Eastern Retail Group registered consolidated revenues of US\$2.73 billion in 2008.
5. The 24-hectare, multi-billion U.S.-dollar Taipei T-park will be ready for Phase I occupation in Q2 2010.
6. Far Eastern Industries (Shanghai) Ltd., a vertically integrated polyester polymer plant manufacturing PET resin, filament yarns and staple fibers in Pudong, Shanghai. Sales revenues in 2008 were RMB5.3 billion.
7. Oriental Petrochemical (Shanghai) Corporation (OPC) formed by FETL and OUCC to operate a PTA plant with annual capacity of 600,000 tons. OPC commenced operation in April 2006.
8. The Alberta & Orient Glycol Plant in Red Deer, Alberta, Canada, Far Eastern's C\$400 million investment with Dow Chemical producing ethylene glycol.
9. Jiangxi Yadong Cement Plant in Ruichang of Jiangxi Province with annual clinker capacity of 5 million MT, which is expected to expand to 7 million MT in early 2010.
10. Long shot of the 336-room five-star Shangri-La's Far Eastern Plaza Hotel, Tainan which was opened on March 23, 2009.



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11.The 318,824-DWT very large crude carrier “Starlight Venture” of U-Ming Marine Transport Corp., the shipping arm of the Far Eastern Group with a 35-vessel fleet of 3.65 million DWT.

12.Philippine President Gloria Macapagal Arroyo takes a commemorative picture at Malacanang Palace with members attending Asia Business Council Spring Forum held in Manila.

13.Former U. S. Vice President Dick Cheney attends American Enterprise Institute World Forum with long-time friend Chairman Hsu and Dr. Szu-yin Ho (l), Deputy Secretary-General of National Security Council, R.O.C.

14.Meeting with President Nguyen Minh Triet of Vietnam at a gathering in Hanoi.

15.Welcoming the visiting HRH Prince Turki Al Faisal, Chairman, King Faisal Center for Research and Islamic Studies.

16.Luncheon with H. E. Secretary Peter B. Favila of the Philippine Dept. of Trade and Industry.



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17.Wang Yi, Director, Taiwan Affairs Office of the PRC State Council, greets Chairman Hsu during the first “Chongqing-Taiwan Week” aimed to enhance cross-Straits exchanges, cooperation and developments.

18.Mr. An Ming, Deputy Chairman, Association for Relations Across the Taiwan Straits, was greeted upon arrival by GM Ulf Bremer of Shangri-La Far Eastern Plaza Hotel, Taipei.



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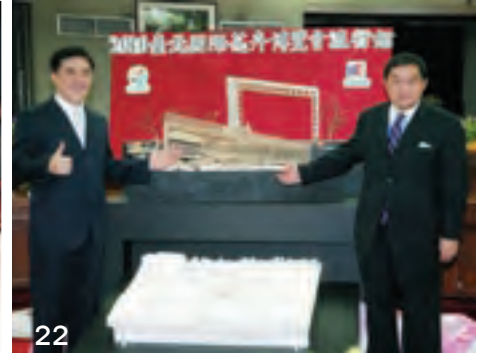
19.Fencing champion Mariel Zagunis, who won Olympic gold medals in the individual saber events in the 2004 and 2008 Summer Olympics, is seen here with Chairman Hsu at the 2008 Summer Olympics in Beijing.



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20. ROC President Ma Ying-jeou and 6 WiMax operators jointly announced at "2009 COMPUTEX Taipei" that Taiwan enters a new era of WiMax commercial launch.

21. ROC Vice President Vincent Siew (front central), then Vice Premier Paul Chiu (2nd r), and local entrepreneurs at a dinner gathering to welcome the visiting Dr. John R. Wells (2nd l), President of International Institute for Management Development (IMD).

22. Press conference with Taipei City Mayor Hau Lung-bin. FEG pledges to donate US\$6 Million, build and operate "Far Eastern EcoARK" for the 2010 International Flora Expo. The building is made from one million recycled PET bottles.

23. Bo Xilai, Secretary of the Chongqing Municipal Committee of the CPC, welcomes Chairman Hsu to Chongqing-Taiwan Week to promote cross-Straits economic cooperation and exchanges.

24. Delightful launching of "Martens 1758" beer in Shanghai and later in Taiwan to introduce innovative beer packaged in PET "CoolerPak" manufactured by Sino-Belgium Beer (Suzhou) Limited.

25. Mr. Wang Jian Zhou, Chairman and CEO of China Mobile Communications, and FarEasTone Telecommunication Chairman Douglas Hsu signed Strategic Cooperation and Share Subscription Agreement in Hong Kong to announce cooperation in joint procurement, roaming services, data and value-added services, and network and technology advancement.

26. Far Eastern Textile again being selected by the Commonwealth Magazine as "Most Admired Company in Taiwan" in 2008.

27. Asia Cement (China) Holding winning the Asset Triple A Regional Awards 2008 "Best mid-cap equity deal".





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28. Premier Liu Chao-shiuan (c) and Economic Minister Yiin Chii-ming (3rd r) invite business leaders to participate in post-typhoon Morakot reconstruction meeting.

29. Education Minister Cheng Jei-cheng (r of Mr. Hsu), Minister without Portfolio Dr. Ovid J. L. Tzeng (c) at "Education Dream Works-Building Top New Generation" Forum co-sponsored by the Far Eastern Group and Yuan Ze University.

30. U-Ming Marine Transport Corp. is awarded by Marine Money Week – the second place of 2008 Outstanding Financial Performance. U-Ming President C. K. Ong participated in the award ceremony held in New York.

31. Mr. Xu Kunyuan (l of Mr. Hsu), Vice President of China National Textile and Apparel Council, leads delegation to visit Far Eastern Group Chairman.

32. Messrs. Carl-Henric Svanberg (l), President & CEO of Ericsson, and Mats H Olsson (r), President, Ericsson Greater China, invite Chairman Hsu to participate in Ericsson Greater China Executive Seminar in conjunction with Volvo Ocean Race at the 2008 Olympic Sailing City, Qingdao.

33. Grand opening of Hubei Yadong Cement Co., the largest cement plant in Hubei, Wuhan. Current annual capacity of 2 million MT is expected to double.

34. Delightful launch of Tianmu New Life Store of Pacific SOGO Department Stores, now operating with 8 branches in Taiwan and 9 stores in Mainland China.

35. Far Eastern Group's service sector Far EasTone Telecommunications, Far Eastern International Bank, Far Eastern Department Stores, Pacific SOGO Department Stores and Far Eastern Ai Mai jointly sponsor Cirque du Soleil's "Alegria" in Taipei.



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36. ROC President Ma Ying-jeou arrives at FE21' MegA Kaohsiung Store to launch countdown march for the World Game 2009 in Kaohsiung.

37. Grand opening of the 336-room, five-star Shangri-La's Far Eastern Plaza Hotel, Tainan.

38. To celebrate Far Eastern International Bank's 17th Anniversary, the Bank's employees donated funds to help finance Taiwan's first ultrasonic medical checkup vehicle in support of the Mennonite Christian Hospital in Hualien.

39. Attending International Textile Manufacturers Federation Annual Conference on the island of Mauritius to analyze global developments in the textile and clothing industry in terms of investments, activity and trade.

40. Press conference to mark membership of Far Eastern Group HAPPYGO Cards reaching five million, current membership already exceed six million.



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41. Whirlwind flight with Far EasTone Telecommunications team to Hong Kong for announcing strategic alliance with China Mobile.

42. World-renowned architect Dr. Santiago Calatrava's first visit to Taiwan. Picture taken at Group Founder Y. Z. Hsu Memorial Hall of Yuan Ze University.

43. Yangzhou Mayor Wang Yan-wen presents "Honorary Citizenship" certificate to Chairman Hsu for the Group's cement and petrochemical investments in this city.



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44. Kaohsiung County Magistrate Chiu-hsing Yang (4th r) presents gratitude certificate to Chairman Hsu for the Group's joint efforts in relocating students of five primary and junior high schools in the Typhoon Morakot disaster area.

45. The 2008 Far Eastern Group's Annual Strategy Meeting with the theme of "New Power New Challenge" to enhance synergy and welcome challenge. Over 400 mid- and high-level executives attended the gathering held at Shangri-La's Far Eastern Plaza Hotel, Tainan.

46. FETL Stockholders' Meeting. The Group's eight other listed companies are: Asia Cement, Far Eastern Department Stores, U-Ming Marine Transport, Oriental Union Chemical, Everest Textile, Far Eastern International Bank, Far EastTone Telecommunications, and Asia Cement (China) Holdings.

47. Celebration marking the 27th anniversary of the 1,100-bed Far Eastern Memorial Hospital, upgraded to "Medical Center" in July 2006. FEMH will open a new wing with another 1,000 additional beds to serve the community.



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48. Joyful celebration of the 20th Anniversary of the 9,000-student Yuan Ze University with distinguished alumni.

49. Presenting the 7th "Y. Z. Hsu Scientific Award" sponsored by the Far Eastern Y. Z. Hsu Science and Technology Memorial Foundation.

50. Reviewing parade while attending the 39th founding anniversary of the Group's Yu Chang Vocational School.

51. Traditional Lighting Ceremony with the theme of "Far Eastern Green Life, Energy Saving and Environment Friendly", marking beginning of the Christmas Holiday Seasons.



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## 壹、前 言

一甲子的遠東，秉持「誠勤樸慎」及「創新」的企業精神，在2008年驚濤駭浪的金融海嘯中，因應變局，扭轉乾坤，展現真實力、高價值，逆勢中締造同業難以頂背的成績。

全球經營環境丕變，政治、經濟、自然環境急速轉變，已打破歷史經驗。政治上，國際新領導人重寫新頁：美國非裔總統歐巴馬上任，撼動百年人心；日本頻換領導人；韓國企業家當政；在在顯示人們對開展經濟新局的企盼。經濟上，次貸風暴引發金融海嘯、信用危機導致銀行崩壞、需求萎縮造成產業蕭條。一百五十八年歷史的雷曼應聲倒地，美國一向引以為傲的汽車產業及主要銀行紛紛要求紓困，日本以外銷為主的產業因日元升值而被迫減產裁員。企業如此，各國更遭逢前所未有的挑戰，冰島的破產震驚世人、全球金融中心英國在多家銀行陸續告急後也受到重創、韓國資本市場因外資撤離而重挫，金融風暴未歇，一波波打擊產業。考驗不僅如此，原物料價格遽變，石油在2008年價格創歷史新高，跌幅亦為史上最大，與紡織產業息息相關的原物料非理性的震盪，EG、棉花等暴起暴落，更考驗產業經營的能力。全球股、匯市大幅波動，韓圓、美元、人民幣、日幣等，急遽升貶的各國匯率挑戰內外銷的應變能力。而遽變的國際局勢除政經外，氣候變遷、能源耗損成為備受矚目的國際大事。各國展開能源保衛戰，不但提出節能方案，更積極投入綠色能源開發以投資未來。繼京都議定書後，聯合國於哥本哈根舉行環境會談，能源將是今年迫切的議題。

中國大陸牽動世界經濟的脈動，雖歷經雪災、地震等自然災害的考驗，在北京奧運擴大內需的政策下，帶動經濟成長，努力掙脫經濟困境的氣魄讓世界刮目相看。而出口導向的台灣，此刻也難敵全球經濟嚴峻的考驗，但樂觀的是，兩岸三通全面啟動，海空直航、雙向通郵正式實現，為兩岸在全球經濟冰封中，開啟新契機。兩岸一日生活圈實現，使我們能以大陸為腹地，發揮競爭優勢。

國際間的經貿合作愈發密切，「東協加一（中國）」、「東協加三（中、日、韓）」啟動國協間零關稅優惠，對台灣出口造成重大衝擊，然而，遠紡早已佈局中國大陸，完成上中下游一條龍生產體系，在若干東協國家也設有經營據點，相對的，也可降低東協經濟整合帶來的威脅。

度過了危機重重的2008年，挑戰更難預測的2009年，遠東紡織莊敬自強，處變不驚，六十年來以研發創新、人才優勢持續追求成長，面對景氣嚴冬，穩紮穩打，具備因應危機的實力，也再度獲得天下雜誌「2008年台灣最佳聲望標竿企業」的肯定。

## 貳、經營績效

紡織業在去年全球產業大衰退中，面臨嚴峻考驗，遠東紡織無畏景氣寒冬，堅守核心本業，建立上中下游一貫的機制，積極調整經營策略，多角化經營、活化資產，追求市場佔有率與獲利的成長。本公司財務體質健全，管理結構極具應變彈性，2008年營業收入506億元，較前一年增加3%，預算達成數為95%；2008年合併營收達1,729億元，較前一年成長6%，合併淨利為103.18億元。本公司淨利為46.22億元，稅後每股盈餘為新台幣1.01元。股利分派經第十九屆第十二次董事會議擬定，每股發放現金股利0.8元，盈餘配股0.2元，合計每股新台幣1.0元。

茲將經營績效分述於後：

### 紡織奠基 厚植企業實力

紡織本業建構一條龍的產業架構，優化產品結構，並於智慧型機能產品上突破，領先同業佈局。聚焦國際物資變化，掌握原料波動，因應市場環境進行組織改造，降低營運成本，提升生產效率。

為強化競爭力，持續擴增兩岸產能，台灣方面，取得穩定的原料供應來源，增加聚酯產品對上游原料的控制力，完成台灣觀音「英威達遠東石化」股權收購，2008年11月正式更名為「亞東石化」，擁有PTA產能100萬噸，與原有亞東石化（上海）60萬噸產能，合計PTA產能達到160萬噸。同時，取得「遠東英威達」股權，更名為「遠東先進纖維」，生產高單價的尼龍66纖維。因環保意識抬頭，綠色產業廣受全球注目，投資「亞東創新發展」，其再生事業群為回收寶特瓶的瓶片事業，2008年擴充第二線，成為國內最大廠，將進一步進行回收瓶片的生產，並加速往PET應用方向發展。本公司在台灣的紡織事業已佈建完整大格局。

中國大陸的佈局穩定，擴充效能發揮，投資成立的亞東石化（上海）、遠紡工業（上海）、武漢遠紡新材料、遠紡工業（無錫）、亞東工業（蘇州）、遠紡工業（蘇州）、中比啤酒（蘇州）、遠紡織染（蘇州）、遠東服裝（蘇州），均能發揮最高的效益。遠紡工業（上海）完成膠片廠擴充建設、長纖事業生產線汰舊整併；武漢遠紡新材料轉型膠片生產事業，規劃第五、六線擴建；遠紡工業（無錫）12萬錠全部投產；遠紡工業（蘇州）生產適用於工業絲及輪胎簾布的高級切片，具市場絕對優勢；亞東工業（蘇州）由上游聚合到中游工業用絲、工業用布，提升工業級紡織品的專業優勢；更積極開發固聚產品下游應用，將聚酯瓶應用擴大至啤酒產品，成立中比啤酒（蘇州），2008年4月建廠完成，10月在上海地區正式推出為比利時Martens啤酒廠代工生產的「麥氏1758」啤酒，並與青島啤酒進行代釀合作，除了在中國推動PET啤酒瓶的新型包裝外，也積極開拓國外客戶代工的外銷市場。遠紡織染（蘇州）擴廠二、三期計劃已實現規模量產；遠東服裝（蘇州）為大品牌客戶如NIKE、COLUMBIA、李寧等的主力供應商，實施TPM（豐田式生產管理）提高效能，加強設計中心的功能，由單一運動服裝走向多元品項生產。中國大陸完整佈局，並通過多項認證，榮獲許多獎勵：遠紡工業（無錫）名列中國海關進出口A類企業名單、通過ISO 9001 認證及CIQ出口免檢優惠；遠東服裝（蘇州）、遠紡工業（上海）均進入中國海關進出口企業AA類、亞東石化（上海）被授予CNAS（中國合格評定國家認可委員會）認可資格。

除大陸地區以外，為拓展海外經營據點，越南地區也將視景氣復甦時機，規劃拓展業務。

遠東紡織不斷致力具利基的新產品研發，整體營收結構超過四分之三來自於非紡織用產品，技術開發成果卓著。其中，耐衝擊聚乳酸生物可分解材料、高週波酯粒、聚酯熱縮膜酯粒、熱塑性聚酯彈性體、聚酯型防水透濕膜等，都是具高度競爭力之新產品。在專利申請方面，也提出各國專利申請，取得專利權者有19件，可謂卓然有成。

本公司重視風險管理，以分散市場來降低單一市場與景氣遽變的影響，並因應法令或環境改變，降低存貨風險，減少如新十號公報的衝擊，以更審慎的市場規劃，強化競爭優勢。

# 七 年 度 營 業 報 告 書

## 投資多元 推升企業獲利

本公司轉投資事業多元發展，石化紡織、水泥、百貨、航運、電信、金融各領域皆為業界佼佼者。認列豐富的轉投資收益是獲利關鍵，其中遠傳貢獻遠紡約42億元投資收益，是遠紡最重要獲利來源，集團三大通訊網路事業體（遠傳、新世紀資通、Seednet）整合成立遠東集團電信事業群，將使集團電信事業更強大；亞泥去年獲利能力位居台灣水泥股之首，同時在中國大陸投資有成，江西、湖北、四川陸續開新窯，亞泥（中國）順利在香港掛牌上市，也是本公司轉投資收益大宗；百貨零售橫跨兩岸的零售體系，連鎖拓展大陸六大都市，掌握市場優勢；航海運輸表現可圈可點，可收兩岸融冰之利；整合集團資源所發行的Happy Go快樂購聯合集點卡，目前會員已超過600萬，全面發揮集團綜效；網路購物的平台（Go Happy）在營業額及上線人數方面，皆快速成長，為e-commerce領域跨出一大步。多角化投資策略大放異彩，挹注本公司高收益，為股東創造更高的價值。

## 資產活化 發揮土地優勢

本公司擁有土地資產優勢，為活化資產成立的遠東資源開發公司，運籌特定專業區開發租售業及不動產租賃業等土地開發業務。目前資產開發的重點為板橋佔地24.4公頃的「台北遠東通訊園區」，已通過台北縣政府和經濟部核准設立及土地變更，為經濟部認定之重大投資案件及重大公共建設，全案已進入實質建設工程階段，主要項目為全區基礎工程施作及第一棟研發大樓新建，預計於2010年第二季正式開幕營運；遠紡宜蘭工商綜合區案，開發內容為休閒度假旅館及購物中心，全案已於2009年1月完成環境評估差異分析，預計於2009年取得開發許可。土地資源有效發揮，企業價值更上層樓。

## 參、營業目標及展望

遠東紡織以不斷突破的創新管理，在逆勢中挺進，在風暴中重新定位，持續創造企業價值，主要經營策略如下：

### 一、創新研發開新局

因應市場環境變化，重新規劃研發順序，研發方向調整為「聚焦聚酯」，以聚焦本業核心技術產品為主，致力發展環保、節能新產品，並持續開發功能性纖維，加速新產品商業化及支援大陸各事業部產品開發。以創新的研發策略，推升遠東紡織成為兩岸產業的領導者、品牌的領導者與創新的領導者。

### 二、節能環保展新機

鑑於能源短缺的危機，從管理、技術、投資方面，專業化推動節約能源全民運動。作法上，建立專責的能源管理組織，擬定短、中、長期的節能方案，定期召開能源會議，落實各項節能政策。短期在管理、技術操作方面進行立竿見影的節能措施，中長期則規劃節能的資本支出案，改善生產設備、產品結構與製程，並定期評估各單位節能績效，以收節能成效。

本公司以行動實踐環保概念，生產節能環保產品，如2008年10月在中國上市的PET「酷樂瓶」可大量降低污水排放，減少污染，是大陸首見重量輕、安全又環保的產品；聚酯膠片（APET）具有環保無毒性

且可回收再利用之優點、CPLA耐熱吸管與刀叉等，皆為具先進環保概念的新產品。現籌劃與台北市政府合作興建「2010年台北國際花卉博覽會—遠東環生方舟（Far Eastern EcoARK）」，設計符合環保概念的綠色概念建築，展覽館建築外牆規劃以「回收寶特瓶」為材料，回收再製後，製作成PET crystal寶特瓶水晶牆。本公司將持續關懷環境，全力推動環保運動。

### 三、人才資訊創優勢

發揮人才優勢，強化人力縱向與橫向交流，本公司重視人力資源的管理與開發，致力培養接班團隊。人才培育方面，由人力發展中心統籌規劃，持續推動「領導力躍升計劃」專案，達成領導力及管理素質提升之目標。並配合事業體在中國大陸的拓展，協助大陸地區建立培訓制度，完成大陸培訓中心建置。

為掌握創新管理優勢，透過資訊系統建置，整合、管理各項作業平台，台灣方面全面推動e-Business應用系統，如開發採購競標系統、出口運費線上報價系統等；大陸方面，專業資訊團隊「上海遠資信息公司」建置公司商業營運所需之IT應用及平台，協助大陸地區企業網路升級，已完成上海、蘇州出口作業系統整合、放帳額度管控系統化、上海電子帳冊核銷模式等，推動數位化資訊管理能力躍升。

### 四、公益責任立典範

本公司秉持「取之於社會，用之於社會」的信念，儘管景氣嚴寒，對於公益活動不遺餘力。為實踐企業的社會責任，建構之公益事業架構包括醫療、文教、科技等領域，贊助活動有急難救助、醫療救助、教育推廣、獎助科技活動、獎助藝文活動等。近年來捐助四川大地震物資醫療協助、徐有庠紀念基金會「有庠科技獎」、徐元智紀念基金會「遠東建築獎」等，持續以企業的力量，挹注社會「心」的力量。亞東醫院與元智大學等公益事業近年來更先後獲頒「國家品質獎」的最高肯定。今後本公司更將善盡企業公民的責任，全力回饋社會。

邁向第六十年，遠東紡織已凝聚創新的動力，從製造到創造，從立基到開展，蓄勢待發，以新的力量面對新的挑戰（New Power, New Challenge），逆勢中創造優勢，我們極具信心，掌握下一波成長動力，管理大未來！

董 事 長

徐旭東



With continuous emphasis on design, modern fabrics and fashion, we selected from our Far Eastern Department Stores' Donna Hsu and Jamei Chen 2009 A/W collections some representation of the movement direction.





# CHAIRMAN'S MESSAGE



Douglas Tong Hsu, Chairman & CEO

*Our journey has never been one of short-cuts or settling for less...it has been the risk-takers, the doers, the makers of things...more often men and women obscure in their labor, who have carried us up the long, rugged path towards prosperity....*

–From U.S. President Barack Obama's Inaugural Speech

*Jack Welch: "I am convinced that if the rate of change inside the institution is less than the rate of change outside, the end is in sight. The only question is the timing of the end."*

## Preface

Year 2008 marked the most extraordinary year in terms of the magnitude of instability. Never were there so many complex issues entwined together in a year like 2008; however, Far Eastern Textile Ltd. (FETL) managed to deliver to our shareholders a positive result, superior to most of peer companies. This credit belongs to employees and the management team, "the doers, the makers of things" in the Company, and we are confident they will carry us further, up the path towards prosperity. At the same time, we share the same opinion with Mr. President Obama, "Greatness is never a given. It must be earned." This is especially true after the unprecedented economic volatility we all experienced in the preceding year.

We change, we anticipate the change, and we have the courage to lead the change. We fully appreciate the concept of constant adaptation to the changes like Jack Welch rightfully pointed out "if the change inside the institution is less than the rate of change outside, the end is in sight." We have developed a concrete, feasible business plan for the future, after scrutinizing over important variables in the socio-economic environment. Those variables and details of our plan will be elaborated later. We believe these changes would pay the way to more success for the Company in the future.

## Macro Economics and Taiwan's Trade Performance

World gross domestic product (GDP) growth continued to slow down during 2008, falling to 2.3% from 4.0% in 2007. The slowdown was particularly pronounced in 2H08, with a growth rate of only 2.2% and 0.3% recorded in 3Q and 4Q, respectively. The matter was originated from the sub-prime mortgage issues in the US, and then exacerbated into a global credit shortage. A severe downward spiral followed, when companies were forced to downsize and reduce capital expenditures, while individual consumers cut back spending for less income. The consequence was a substantial decline in prices of assets, including equities and properties.

Taiwan was inevitably affected by the unfavorable global situation, as its economic activities relied heavily on exports. The GDP growth of Taiwan was down to only 0.06% in 2008, inferior to many Asian countries and below the global average. Trade surplus suffered a considerable decline of 45% YoY, from US\$27.4 billion in 2007 to US\$15.2 billion in 2008. Total imports, valued by US dollar, rose by 9.7%, as a result of weakening NT dollars. Total export value, US\$255.6 billion, showed a marginal growth of only 3.6% YoY, much lower than the growth in 2007. China, Hong Kong, US and Japan remained as the top four export markets, accounting for 26%, 13%, 12%, and 7% of the total export value, respectively.

As quite a number of textile/clothing producers relocated to offshore bases, especially to China and Vietnam, Taiwan's textile and apparel export value decreased 6.2% YoY to only US\$10.9 billion, or 4.3% of the national aggregated export value in 2008. The largest export item was fabrics with a total export value of US\$6.62 billion, representing 61% of all textile and apparel export. Yarn export ranked the second with a total export value of US\$1.97 billion. China and Hong Kong, made up 19% and 16% respectively of Taiwan's textile and apparel export, were the top two export markets. Other major markets were Vietnam (12%), US (11%) and Indonesia (4%).



Given the statistics above, we have to reiterate to our shareholders that relocation is an irreversible trend for textile producers on this island, as the downstream manufacturers had moved away, and that traditional fiber and fabrics produced on the island are less competitive, except for specialty and innovative products. One has to be proactive to outperform peers. FETL management team had clearly seen this trend, anticipated the change, modified and redirected our development accordingly. A new business model was created, and we have begun to see the results.

## Operations Review

Despite difficulties in the global market, FETL achieved a positive financial result in 2008. On the consolidated basis, the revenue reached NT\$172.9 billion (US\$5.27 billion using 2008 yearend exchange rate of NT\$32.8) and the operating profit NT\$15.5 billion (US\$473 million). On FETL corporate alone basis, the revenue was NT\$50.6 billion (US\$1.54 billion) and the operating profit NT\$0.4 billion (US\$12 million), not an easy achievement in such a difficult year. The net income was NT\$4.62 billion (US\$141 million), translating into an earnings per share of NT\$1.01 (US\$0.308). Total dividend payout for 2008 was NT\$1.0 (US\$0.305) per share, which included NT\$0.8 (US\$0.244) in cash and NT\$0.2 (US\$0.061) in stock dividends.

In addition to the positive financial results, FETL also improved in terms of several non-financial value drivers which will be discussed below. Also, the Company was recently awarded by Common Wealth Magazine as "Taiwan's Most Admired Company" again this year. We are honored to receive this award for three consecutive years so far.

We understand that success is never a given. To earn our own success, FETL has taken specific actions: 1) vertical integration and a comprehensive product family, through both M&A and internal efforts; 2) consistent product mix upgrade; 3) constant R&D efforts to create new applications, especially green applications.

The Company completed two acquisition activities in October 2008, taking advantage of the lower cost in the market. We believe, over the long term, both acquisitions will serve to support our strategic goals and yield satisfactory results.

First, FETL acquired a PTA production facility located at Quanyiin, Taiwan, with close proximity to the Company's polyester production base and a capacity of one million tons/year. The PTA facility was then renamed as Oriental Petrochemical (Taiwan) Corporation. Combined with the existing 600,000 tons/year Oriental Petrochemical (Shanghai), total PTA capacity controlled by the Company reached 1.6 million tons/year. This acquisition allows the Company to enjoy increased economy of scale in PTA supply, both in Taiwan and China. However, we maintain a large trading position in this business, as we desire multiple sources of raw material supply and wish to keep the relationship with the original external providers.

Second, a Nylon 6.6 plant is taken over at the same location, with a capacity of 100,000 tones/year. This acquired entity, named as Far Eastern Fibertech Company, mainly produces specialty nylon fibers for the high-end sports coats and outdoor casual wears. This acquisition allows FETL to provide its textile related customers a wider variety of fibers.

We also made consistent efforts in upgrading our product mix, in hopes of a better allocation of the Company's resources to high value-added applications, such as industrial fiber and fabrics, light weighted PET beer bottles, and PET sheets. Early 2008, we commenced a newly-built factory located in Suzhou, China, for the production of HDI, high denier industrial yarn. Applications of such specialty fiber are mainly conveyor belts, tire cords, and other industrial fabrics. This wholly-owned subsidiary had successfully received quality endorsements from several Taiwanese tire producers, and shipments began in 4Q08.

In April 2008, we completed the construction of a PET-made beer bottle plant in Suzhou, for the purpose of producing PET bottle chips, bottle pre-forms, filling, and bottling of beer. It was launched in October 2008, licensed by Martens Beer, a prestigious beer brand in Belgium for over 250 years, targeting Shanghai as the primary market.

In addition, the Company's Shanghai site commenced two production lines for the amorphous PET sheets, and another two lines are under planning at the Wuhan site in Hubei Province. Amorphous PET sheets are 100% recyclable and toxic-free, mainly used to serve the packaging purpose of food, hand-held tools, and electronic appliances, in replacement of the conventional packaging materials made of polyvinyl chloride and polystyrene.

We believe constant R&D efforts are the key to remain competitive in the polyester industry, and the Company's achievements are substantial. As of end 2008, three quarters of the Company's polyester revenues were derived from the newly created non-textile applications of polyesters. The accumulated patent filings have already achieved 114, and among which 19 patents were granted from several governments in the world. The new applications on our R&D pipeline focus on recyclable materials and waste reduction, such as bio-degradable polymers, heat-shrinkage polyester chips and films, thermal polyester elastomers, and water-resistant polyester films. Oriental Resources Development Ltd., a wholly-owned subsidiary working closely with the R&D team, began operation at end of 2007 to be responsible for the mass production and the commercialization of these new applications. It completed its No. 2 production line in 2008, becoming the largest recycled PET chips producer in Taiwan.

FETL's production sites in China received several rewards and recognitions from local regulatory authorities in 2008: Oriental Petrochemical (Shanghai) Corporation was granted a CNAS endorsement from the Chinese National Accreditation Service for Conformity Assessment. Far Eastern Apparel (Suzhou) Limited and Far Eastern Industries (Shanghai) Limited were graded as AA-class Enterprise by the General Administration of Customs of the People's Republic of China. Far Eastern Industries (Wuxi) Limited was granted the certificate ISO-9001 and received waivers of export inspections from the China Entry-Exit Inspection and Quarantine Bureau.

## Equity Investments and Land Developments

In 2008, FETL received sizeable income from its core investment holdings, including telecom, cement, and retail businesses. Far EasTone Telecommunications, after successfully developed itself into an integrated service provider by incorporating mobile, fixed-line, and ISP businesses under one-single umbrella, remained as the most important source of investment income in 2008, contributing NT\$4 billion to the parent company.

During the year, Asia Cement Corporation (ACC) registered a net income of NT\$7.3 billion, the highest among all Taiwan-listed cement companies. ACC also began to harvest from its operations in China, commencing new production lines sequentially in Jiangxi, Sichuan, and Hubei provinces. Its subsidiary, Asia Cement (China) Holding went public in 2008 and was successfully listed on the Hong Kong Main Board. U-Ming Marine Transport, Taiwan's largest bulk carrier and 40% owned by ACC, realized a net income of NT\$10.4 billion. The retail business made progresses with regard to the opening of new stores. There are currently 44 stores in operations and 5 under construction. The department store chain now has 12 stores in six major cities in China. The virtual retail business, Go Happy on-line shopping platform, experienced rapid growth in terms of revenue and number of website visitors. The number of Happy Go Card members exceeded 6 million by end of 2008.

FETL owns substantial land holdings. In order to develop and monetize the land assets, we established a 100%-owned subsidiary, Far Eastern Resources Development Corporation, and transferred the Company's land bank under this vehicle. Several large-scale undertakings are already in progress by this subsidiary. The Taipei Far Eastern Telecom Park (T-park), with a land size of 24.4 hectares, is the primary focus of the land development business. The T-park project had already received permission from the Ministry of Economic Affairs (MoEA) and Taipei County government, and had completed the re-zoning process with the government into a specialized zone, a combination of residential area, commercial area, and a medical service center. It was also announced by the MoEA as an important investment case of Taiwan and an important public construction project. This undertaking has already commenced in 2008, and current stage of the project is the construction of infrastructure and the first office building, which are scheduled to be completed in 2Q10.

The next development project will be the Company's land holding located in Ilan, which is designed to be developed into a hotel resort combined with a shopping center. The whole plan had already gone through environmental evaluation process in January 2009, and we expect to receive the development license from the government in 2009, when the development and construction will begin soon afterwards.

## Prospects and Plans for 2009

Notwithstanding the economic volatility, the Company's management team commits to innovation, while the team's goal -- increasing the return on shareholders' equity, remains constant.

Looking into 2009 and beyond, product mix upgrade will remain as a consistent effort by our polyester team. The Company will focus on the development of the functional and industrial applications of polyesters, replacing fiber and textile products, market of which is approaching maturity in our opinion. Then, these new products will be mass produced by new production lines planned to be added in several sites of China. Some production lines with smaller scale in Taiwan will be shifted to serve the purpose of R&D and trial pilot product lines. The strategic goal of the Company is to be the leader of innovation and profitability in the polyester industry.

At the same time, we recognize the importance of human resources, as competence of the management team is crucial to execution of the Company's strategy. Several programs for the management team were designed and launched to improve the capability of the management and incubate their successors. Two training centers were established in Shanghai and Suzhou as well for employees based in China. A rotation program was launched and will be implemented continuously, to offer management trainee with cross-function, cross-region learning opportunities. All the above-mentioned measures are to ensure the professionalism of the management team, and human resources well deployed to accomplish the Company's target and mission.

The Enterprise Resource Planning (ERP) system and a globally interconnected Intranet were installed in the Group years ago, and have been regularly upgraded ever since. Moreover, the Group has implemented several management systems to achieve better efficiency, such as the supply-chain management system (SCM), export shipping tariff quotation system, the customer relationship management system (CRM). Our IT department in both Taiwan and China this year will work on the upgrade and integration of the management software system in China. The integration of the export systems at Shanghai and Suzhou sites have been completed and will be upgraded in 2009. The credit allowance approval and the accounts receivable maintenance will be computerized. IT-related activities have already and will have provided the best support for the management team.

Year 2009 is a milestone of extraordinary and far-reaching changes for the Company. The Group is celebrating its 60th founding anniversary with the theme of "Connecting Lives for a Better Tomorrow". Since its inception sixty years ago in Taiwan, FETL has successfully evolved, with innovative strategies and prudent executions, beyond its traditional textile production business. Its current business scope now comprises polyesters, real estate holdings and developments, plus an equity portfolio generating satisfactory returns. To properly represent the existing business scope and organizational structure, the Company has been renamed as Far Eastern New Century Corporation, effective from October 13, 2009. The new name symbolizes and demonstrates our commitment to a more prosperous future. Not only a new corporate image is emerged with the aim of delivering superior results; but also the Company is transformed into an organization with new strategic thinking and paving the way to an even more successful new century to come.

## CSR and Sustainability

FETL commits to its corporate social responsibility (CSR), and this commitment will not be discouraged by the economic downturn. It has long established several non-profit foundations and sponsored programs dedicated to the promotion of medical, educational, cultural, and scientific activities. In 2008, the Far Eastern Group donated medical supplies, construction materials, food and other necessities after the earthquake in Sichuan, China. Shortly after Typhoon Morakot hitting Taiwan on August 8, 2009, the Group synergized swiftly to reconstruct and relocate five primary and junior high schools in Kaohsiung County. Far Eastern Y. Z. Hsu Science & Technology Memorial Foundation has been sponsoring the Y. Z. Hsu Scientific Award, successfully encouraging research activities on nanotechnology, optoelectronics, and biotechnology in Taiwan. Far Eastern Memorial Foundation, dedicated to supporting art and cultural activities, have sponsored Far Eastern Architectural Award in the past decade, which is recognized as the leading award in the architecture industry.

Our Far Eastern Memorial Hospital is the largest medical center in Taipei County with 1,100 beds and is renowned for its medical treatment of cardiovascular diseases. The hospital was granted the National Quality Award in 2008 for the second time and will open a new wing with another 1,000 additional beds. The Group's Yuan Ze University is also a recipient of the National Quality Award, the first of its kind to a local university.

We believe energy saving and waste reduction can contribute to the Company's long-term profitability. We also believe this concept can be converted into profitable products with significant commercial viability. "CoolerPak" PET beer bottle is the first packaging bottle in China with this innovative concept. It is light-weighted, easy to be transported, and safe for consumers. The adoption of PET beer bottles will reduce the water and detergent consumed by the bottling plants during the process of cleaning and re-filling the glass bottles. PET bottles are also recyclable, and can therefore reduce the consumption of valuable natural resources and be more environmentally friendly. Amorphous PET sheets, another example, are also 100% recyclable and toxic free, and are replacing polyvinyl chloride and polystyrene as a popular packaging material. A new product with a waste reduction concept in our R&D pipeline is CPLA utensils, such as heat-resistant straws, knives, and forks. As CPLA is a bio-degradable material, the successful launch of this product can help reducing the waste, especially from restaurant take-outs.

In order to promote environmental protection, FETL is working with Taipei City Government in the event of "2010 Taipei International Flora Expo". The Company will be building the pavilion, named as "Far Eastern EcoARK", for the event with the walls of the expo center made of PET crystal bricks recycled from PET bottles. Such design not only reduces the consumption of construction materials, but also saves energy to illuminate the building for the transparency of PET bricks. The Expo pavilion will demonstrate a perfect combination of green, sense of beauty, and modern architecture technology.

## Outlook and Summary

Shareholders' continual support and employees' dedication have been with us for sixty years, converting the Company from a small manufacturing site into a well-developed multinational entity with substantial equity investments and estates. We sincerely thank our shareholders and employees. We are convinced that the Company is well positioned to cope with the current economic challenges in the world as we have anticipated the changes and adapted accordingly. As such, we will prosper fast upon economic recovery. Moreover, the management team has confidence in fulfilling its goal – increasing the return on shareholders' equity and seizing all opportunities for future growth.

Ups and downs we have seen so many during our journey in the past six decades, and we are now more ready than ever to create the future. Looking at the "long, rugged path" ahead, a desire to succeed inspires us to establish new management foundation, to reinforce leadership in the era of economic uncertainty, and to fulfill our unwavering commitment to "Connecting Lives for a Better Tomorrow". With innovative mindset and conscientious looking out for new opportunities, hopefully Far Eastern New Century will bring the Company itself and the society we service move up the path toward prosperity.



Johnny Shih, Vice Chairman & President

Chairman & CEO

A handwritten signature in black ink, appearing to be 'Shih Shih' or similar, written in a cursive style.

Vice Chairman & President

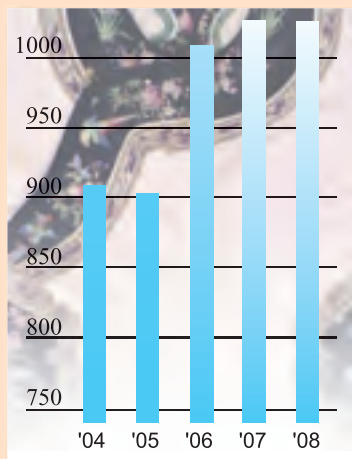
A handwritten signature in black ink, appearing to be 'Johnny Shih', written in a cursive style.



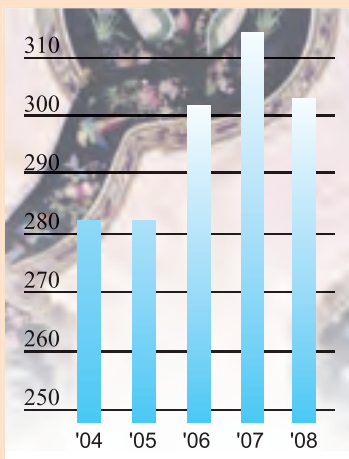


# OPERATIONS AT A GLANCE

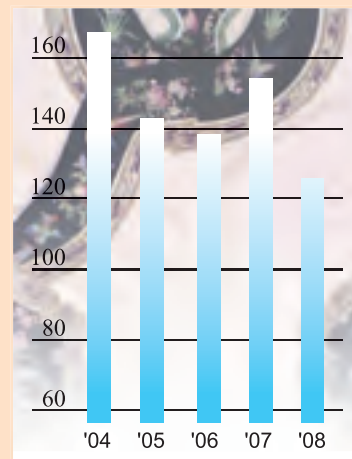
聚酯粒產量(千公噸)  
Chip (1,000 Metric Tons)



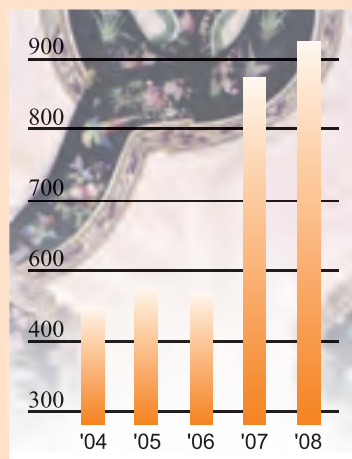
聚酯棉產量(千公噸)  
Fiber (1,000 Metric Tons)



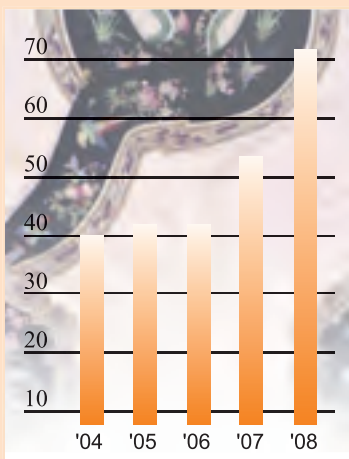
聚酯絲產量(千公噸)  
Filament (1,000 Metric Tons)



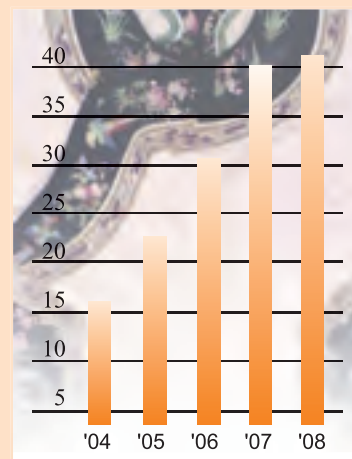
固聚酯粒(千噸)  
Solid State Polymer (1,000 Metric Tons)



工業用絲(千噸)  
Industrial Yarn (1,000 Metric Tons)



膠片(千噸)  
PET Sheet (1,000 Metric Tons)

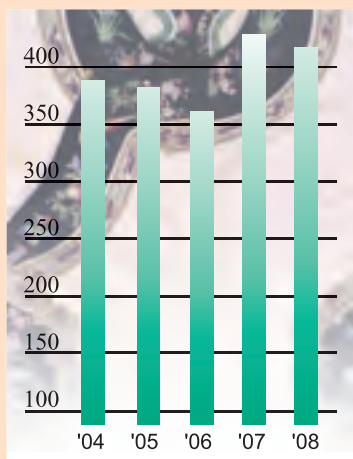


# ACTION SUPPLIER FOR FASHION USERS

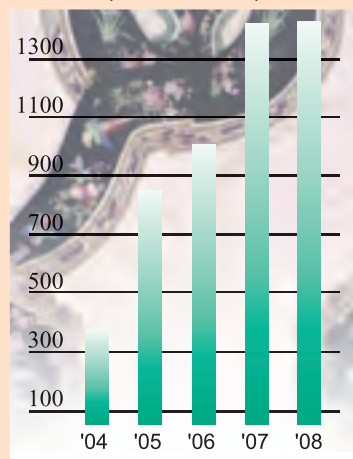
## ROC's Leading Exporter to Over 50 Countries



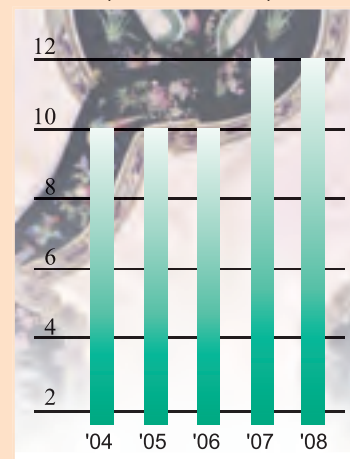
紗類產量(千件)  
Yarn (1,000 Bales)



成衣(千打)  
Knitted & Woven Goods  
(1,000 Dozens)



員工人數(千人)  
Number of Employees  
(1,000 Persons)



**FAR EASTERN TEXTILE LTD. (FETL)**, founded by Mr. Y. Z. Hsu in 1942 in Shanghai, is an industrial holding company with an asset size of US\$4 billion. After more than sixty years' continuous renovations, expansions, and R&D efforts, FETL has grown itself to the largest and most vertically integrated textile company in Taiwan, ranking among the top 30 textile manufacturers worldwide. Moreover, the Company is also acting as the flagship company of the US\$46.6 billion-asset Far Eastern Group, one of the largest industrial conglomerates in Taiwan. Far Eastern Group, with a combined revenue of US\$15.8 billion and a work force of nearly 50,000 in 2008, focuses on four major core competences: petrochemicals, cement, telecom, and retail businesses. The Group currently owns the world's top five polyester fiber producer, a 20 million MT cement company, 44-branch retail store chain across the Taiwan Strait, and a 3.65 million DWT shipping fleet.

With full operations of fiber, textile (spinning/weaving/dyeing/finishing) and apparel, as well as a complete product line of polyester fiber, filament, chips and PET bottles, yarn & piece goods, and knitted & woven goods, FETL generated a revenue of US\$1.6 billion from its polyester and textile business in 2008. With annual exports of US\$1.1 billion to more than fifty countries worldwide, FETL was again awarded the prestigious Premier's Golden Medal, which has been presented to the Company since 1977 for its excellent performances.

FETL has been expanding its business territory through direct overseas investments and joint ventures with several international firms. The Company currently has various investments in Canada, Hong Kong, Malaysia, Indonesia, the Philippines, Singapore, Thailand, Vietnam, the United States and Mainland China, allowing FETL to explore and penetrate new markets. The following joint ventures broaden the Company's product mix.

Since 1987, FETL has entered into joint ventures with L'Air Liquide of France to produce industrial gases; Germany's Carl Freudenberg and Japan's Vilene to produce spunbonded nonwovens, polyester membranes and spunwebs; Dow Chemical to establish Alberta & Orient Glycol Co., Ltd. to manufacture ethylene glycol from natural gas at Red Deer, Alberta of Canada; Invista to produce locally PTA and nylon 66 in Taoyuan plant, and Nature Works to manufacture and sell INGENO™. Furthermore, FETL's wholly owned subsidiaries Far Eastern Industries (Shanghai), Far Eastern Petrochemicals (Shanghai), Far Eastern Apparel (Suzhou) and etc. in Mainland China have also achieved commercial operation. All these have enabled FETL to develop into a world-class polyester producer with most advanced technology, and provide the Company with enough resources to invest in the following high-tech industries.

In February 2002, Far EasTone Telecommunications (FET) was awarded a 3G license in Taiwan at the lowest price to date in Asia. In March 2004, FET concluded consulting agreement with NTT DoCoMo for 3G W-CDMA service launch in Taiwan and officially merged KG Telecom in April 2004. In mid June 2004, FET issued GDR totaling 150 million common shares making it the first Taiwan telecom operator to successfully list on the European Stock Market. FET was officially listed on the Taiwan Stock Exchange as an electronics share in August 2005. The October 2005 issue of Asian Business Week included FET, the only Taiwanese telecommunications company to make the list, in its ranking of the "The Top 150" company performance ranking. FET had 6.2 million revenue-producing subscribers and recorded total service revenues of nearly NT\$62.5 billion in 2007. FET is confident to become leader in convergent communications services with the new technologies such as VoIP, WLAN, WiMax and others. On the other hand, after completing the world's longest 900 KM toll collection system Far Eastern Electronic Toll Collection commenced commercial operations in February 2006.

After completing the building of its island-wide backbone, C2C international submarine cable, APCN2, VSAT small land satellite to ensure connectivity, NCIC sparq has focused on providing 007 international direct calls and ADSL services. Sparq was Taiwan's first fixed line info-comm operator to set up an operation site in Shanghai in January 2002 to promote iPLC, IP-VPN, and video conference services between Taiwan and China. Sparq recorded total revenues of NT\$6.2 billion in 2007, some 70% of which is attributed to international voice service. Aimed to become a "Triple Player" (video, audio, data), Far EasTone, NCIC sparq and SeedNet began consolidating their resources in 2008 to provide integrated voice, data and video services enabling consumers to enjoy easy mobile, broadband, multi-media and international appliances plus services.

The 41-story TAIPEI METRO twin tower complex comprises a state-of-the-art office tower which serves as Far Eastern Group's headquarters, an exquisite five-star 420-room FAR EASTERN PLAZA HOTEL managed by the Shangri-La International Group, and Taipei's first city shopping mall THE MALL. With ample land properties, the Far Eastern Resources Development Company is currently responsible for the planning and development of Panchiao telecom park and Ilan spa resort projects.

FETL has always been a good corporate citizen. Through several large Foundations set up by the Company, the Group established the now 1,100-bed Far Eastern Memorial Hospital in 1981, founded the 9,000-student Oriental Institute of Technology in 1969, and 9,000-student Yuan Ze University with both graduate and undergraduate studies in 1989. Furthermore, the Company has also been an enthusiastic sponsor of both domestic and international cultural and educational activities.

## 遠東紡織公司簡介

遠東紡織公司乃台灣規模最宏大且最多元化的紡織及相關產品製造者，係由創辦人徐有庠先生於民國三十一年創立於上海，三十八年隨政府遷台，五十六年四月招股正式上市，成為股權大眾化的公開發行公司。歷經多年來不斷創新、研發、經營與擴充，現有專業人才及技術員工五千餘人，公司資產達四十億美元。遠紡不僅發展成為全球前三十大紡織業者，亦是遠東企業集團之控股公司。九十七年遠東企業集團總資產達四百六十六億美元，營業收入一百五十八億美元，員工人數五萬人；石化、水泥、電信及零售業為集團最主要核心事業。集團內包含全球排名第五的聚酯纖維生產廠、年產能二千萬噸的水泥廠、兩岸擁有四十四個營業據點的百貨及量販零售體系以及總噸數達三百六十五萬噸的散裝船隊。

由人纖、紡紗、織布，印染到製衣一貫作業的遠東紡織公司，為我國民營企業中首創應用高速現代化電腦設備處理管理上的資料(MIS)，促進公司系統化與制度化，績效卓越。主要產品計有：聚酯粒、聚酯棉、聚酯絲、聚酯瓶、假熱絲、棉紗、混紡紗、胚布、各類染色布、高級印花布、窗簾布、格子布、襯衫、內衣、床單、西服、西褲等，外銷地區遍及全球五十餘國。九十七年營收額約十六億美元，外銷金額近十一億美元，榮列出進口績優廠商，且自六十六年起，連續獲頒行政院長獎並屢次接受表揚。

除持續研究開發新產品外，遠東紡織公司為拓展多元化的生產結構，更積極步入高科技領域，與國際知名廠商跨國投資合作，例如與法國L'Air Liquide公司合作，生產工業用氣體；與德國Freudenberg及日本Vilene公司合作，產銷防黏不織布；與美國陶氏化學合作，在加拿大投資設廠，以天然氣為原料生產乙二醇；與美國Invista技術合作生產PTA原料及高科技尼龍66纖維；與美國Natural Works策略聯盟，產銷全新環保纖維INGEO™，商機無限，獲利可期。

遠東紡織公司多年來積極促進產業多元化及國際化，除轉投資亞洲水泥、遠東百貨、裕民航運等績優股票上市公司外，亦配合政府國際金融政策，分別投資亞東證券及遠東國際商業銀行，並與德意志銀行合作，成立德意志遠東投資；更投身服務業，與香格里拉國際旅館集團合作經營五星級旅館；其他轉投資行業尚包括石化、能源、營建、租賃、管理顧問等。並致力於海外轉投資多項生產事業，以擴大國際行銷網路；在新加坡、香港、泰國、馬來西亞、越南、菲律賓投資生產成衣、聚酯類產品、PET寶特瓶及水泥等；在大陸轉投資的遠紡工業（上海）、蘇州製衣、亞東石化等公司，成績亮麗，結合一條龍產銷佈局、上下游有力整合的有利條件，朝向成為國際品牌特約供應廠商邁進。

此外，為迎接行動通訊與網際網路時代之來臨，遠東紡織也積極延伸經營觸角，擴張企業版圖，轉投資開展多項高科技新事業。遠傳電信於九十一年二月以亞洲最低每單位人口頻寬價格奪得第三代行動電話執照，九十三年三月與NTT DoCoMo簽訂諮詢協議書，發展以W-CDMA技術為主的3G服務，更於同年四月與和信電訊正式完成合併。六月中旬，遠傳順利完成發行一億五千萬普通股海外存託憑證，為國內第一家在歐洲掛牌上市成功的電信業者。九十四年四月遠傳電信由櫃買中心轉掛證交所，更於同年十月榮登商業週刊「亞洲150最佳表現企業」，為台灣電信業唯一入選公司。遠傳電信九十七年度全年合併服務營收近新台幣六百二十五億元，年底有效客戶數已超過六百二十萬，相信未來在3G及WiMAX各項創新服務陸續推出後，將會是無線通訊全方位的領導者。此外，轉投資公司遠通電收已完成世界規模最大全長九百多公里高速公路之電子收費系統建置，並於九十五年二月開始營運。

固網事業則為開展通訊事業的另一個經營重心，新世紀資通速博sparq已完光纖網路鋪設及國際海纜、衛星傳輸規畫的基礎建設，且加強007國際直撥電話及ADSL等服務。九十一年一月份速博正式登陸上海成立辦事處，成為民營固網業者首家登陸上海的公司，更積極推動兩岸國際數據專線、企業虛擬網路服務及視訊會議服務。九十七年度速博營收近新台幣六十九億元，其中國際語音服務乃營收最大來源，約佔百分之七十。九十七年起，遠傳電信、新世紀資通sparq及數位聯合SeedNet結合旗下資源，未來將在Triple Play的趨勢帶動下，全力衝刺語音、數據與影音等整合性的服務，期能以完整貼心的角度出發，讓消費者輕鬆享受行動服務、寬頻服務、媒體服務及國際服務之整合應用。

本公司轉投資興建，樓高四十一層、地下五層、總樓地板面積逾五萬坪的「遠東中心」，為國內最具規模與創意的雙塔式超高綜合商業大樓，已成台北東區地標；不僅為本企業集團總樞紐，亦為融合五星級國際觀光旅館、休閒購物中心及智慧型現代辦公大樓之多功能複合建築物。遠東紡織擁有龐大土地資產，九十二年九月正式成立「遠東資源開發公司」，加速土地開發，現正積極進行板橋廠區通訊數位園區與宜蘭廠區休閒旅館之土地開發規劃，創造極高資產價值。

遠東企業集團為回饋社會、造福鄉里、培育人才，特先後成立徐元智先生紀念基金會、徐元智先生醫藥基金會及徐有庠先生紀念基金會，熱心贊助國內外多項藝文展演活動及醫學研究計劃等，並連年舉辦以突破與創新為主題之「遠東建築獎」及鼓勵科技創新之「有庠科技講座暨論文獎」；另創設亞東工業技術學院、元智大學以及亞東紀念醫院、遠東聯合診所等公益事業，成效卓著，其中元智大學及亞東紀念醫院更分別獲得「國家品質獎」肯定。遠東企業集團以實際行動，為企業熱心公益樹立最佳典範。





FINANCIAL REVIEW  
財務報告

# BALANCE SHEETS

## 資產負債表

December 31, 2008 and 2007 (In NT\$ Thousands, Except Par Value)

民國九十七年及九十六年十二月三十一日(單位：除每股面額為新台幣元外，餘係仟元、仟股)

ASSETS 資產	2008		2007	
	Amount	%	Amount	%
<b>CURRENT ASSETS 流動資產</b>				
Cash 現金 (Note 4)	\$5,275,744	4	\$7,090,598	5
Financial assets at fair value through profit or loss - current 公平價值變動列入損益之金融資產-流動 (Notes 2 and 5)	79,441	-	143,455	-
Notes receivable 應收票據 (Notes 2 and 5)	426,799	-	856,005	1
Accounts receivable - net 應收帳款-淨額 (Notes 2 and 19)	6,712,735	5	6,772,300	5
Inventories - net 存貨-淨額 (Notes 2 and 6)	5,702,294	4	6,535,287	5
Other financial assets - current 其他金融資產-流動 (Note 19)	472,777	1	275,904	-
Prepaid expenses 預付款項 (Note 19)	246,525	-	540,677	-
Deferred income taxes - current 遞延所得稅資產-流動 (Notes 2 and 15)	193,630	-	189,246	-
Other current assets 其他流動資產	177,729	-	253,196	-
Total current assets 流動資產合計	19,287,674	14	22,656,668	16
<b>MUTUAL FUNDS AND INVESTMENTS 基金及投資 (Notes 2, 7, 8 and 20)</b>				
Financial assets carried at cost - noncurrent 以成本衡量之金融資產-非流動	53,667	-	53,667	-
Equity-method investments 採權益法之長期股權投資	105,870,248	75	106,612,437	73
Total mutual funds and investments 基金及投資合計	105,923,915	75	106,666,104	73
<b>PROPERTIES 固定資產 (Notes 2, 9, 16, 19 and 20)</b>				
Cost 成本				
Land 土地	1,076,981	1	1,070,649	1
Buildings and equipment 房屋及設備	6,015,401	4	6,065,777	4
Machinery and equipment 機器及設備	39,946,885	28	40,250,461	28
Furniture and miscellaneous equipment 器具及其他設備	2,479,573	2	2,329,038	1
Total cost 成本合計	49,518,840	35	49,715,925	34
Appreciation 重估增值	3,022,867	2	3,085,669	2
Total cost and appreciation 成本及重估增值合計	52,541,707	37	52,801,594	36
Less: Accumulated depreciation 減：累積折舊	39,813,686	28	39,923,463	27
	12,728,021	9	12,878,131	9
Constructions in progress 未完工程	1,383,424	1	1,870,069	1
Prepayments for equipment 預付設備款	173,994	-	87,320	-
Net properties 固定資產淨額	14,285,439	10	14,835,520	10
<b>INTANGIBLE ASSETS 無形資產</b>				
Deferred pension cost 遞延退休金成本 (Notes 2 and 18)	66,286	-	-	-
Others 其他 (Notes 2, 3 and 16)	28,422	-	59,880	-
	94,708	-	59,880	-
<b>OTHER ASSETS 其他資產</b>				
Nonoperating properties - net 非營業用資產-淨額 (Notes 2, 10, 19 and 20)	676,640	1	590,281	1
Deferred income taxes - noncurrent 遞延所得稅資產-非流動 (Notes 2 and 15)	369,241	-	373,625	-
Farmland 農業用地 (Note 11)	276,661	-	276,661	-
Miscellaneous 其他 (Notes 2, 16 and 19)	124,034	-	135,136	-
Total other assets 其他資產合計	1,446,576	1	1,375,703	1
<b>TOTAL 資產總計</b>	<b>\$141,038,312</b>	<b>100</b>	<b>\$145,593,875</b>	<b>100</b>

LIABILITIES AND STOCKHOLDERS' EQUITY 負債及股東權益	2008		2007	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES 流動負債</b>				
Short-term bank loans 短期借款 (Notes 12, 19 and 20)	\$6,608,803	5	\$2,855,477	2
Notes payable 應付票據	1,767	-	8,828	-
Accounts payable 應付帳款 (Note 19)	1,973,753	1	3,465,635	2
Accrued expenses 應付費用 (Note 19)	2,176,594	2	1,697,663	1
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 13) 公平價值變動列入損益之金融負債-流動	102,862	-	391,781	-
Derivative financial liabilities for hedging - current 避險之衍生性金融負債-流動 (Notes 2 and 13)	7,656	-	-	-
Receipts in advance 預收貨款	235,226	-	297,941	-
Current portion of long-term liabilities 一年內到期之長期負債 (Notes 13 and 20)	1,877,320	1	4,000,000	3
Other current liabilities 其他流動負債	802,020	1	633,098	1
Total current liabilities 流動負債合計	13,786,001	10	13,363,815	9
<b>LONG-TERM LIABILITIES, NET OF CURRENT PORTION 長期負債</b>				
Bonds issued 應付公司債 (Notes 2, 13 and 20)	9,884,012	7	6,525,680	4
Bank loans 長期借款 (Notes 13, 19 and 20)	29,818,170	21	31,356,800	22
Derivative financial liabilities for hedging - noncurrent 避險之衍生性金融負債-非流動 (Notes 2 and 13)	-	-	63,816	-
Total long-term liabilities 長期負債合計	39,702,182	28	37,946,296	26
<b>RESERVE FOR LAND VALUE INCREMENT TAX 土地增值稅準備 (Note 9)</b>	1,018,899	1	1,018,899	1
<b>OTHER LIABILITIES 其他負債</b>				
Accrued pension cost 應計退休金負債 (Notes 2 and 18)	1,933,915	1	1,268,089	1
Deferred income 遞延盈益 (Notes 2, 8 and 19)	52,773	-	50,194	-
Guarantee deposits received 存入保證金	615	-	615	-
Total other liabilities 其他負債合計	1,987,303	1	1,318,898	1
Total liabilities 負債合計	56,494,385	40	53,647,908	37
<b>STOCKHOLDERS' EQUITY 股東權益</b>				
Capital stock - NT\$10.00 par value	45,699,538	32	44,803,469	31
Capital surplus 資本公積				
Additional paid-in capital in excess of par 股票溢價	932,814	1	932,814	-
Equity in capital surplus reported by investees 因長期股權投資採權益法評價而發生	9,120,172	6	8,386,464	6
Others 其他	7,672	-	8,719	-
Total capital surplus 資本公積合計	10,060,658	7	9,327,997	6
Retained earnings 保留盈餘				
Legal reserve 法定盈餘公積	8,196,285	6	7,061,162	5
Special reserve 特別盈餘公積	3,034,766	2	3,034,766	2
Unappropriated earnings 未分配盈餘	6,535,276	5	13,247,308	9
Total retained earnings 保留盈餘合計	17,766,327	13	23,343,236	16
Other stockholders' equity 股東權益其他項目				
Unrealized valuation gain on financial assets 金融商品未實現損(益)	(866,020)	(1)	4,268,337	3
Cumulative translation adjustments 累積換算調整數	3,696,557	3	1,706,254	1
Unrealized revaluation increment on properties 未實現重估增值	8,843,128	6	8,566,640	6
Net loss not recognized as pension cost 未認列為退休金成本之淨損失	(656,261)	-	(69,966)	-
Total other stockholders' equity 股東權益其他項目合計	11,017,404	8	14,471,265	10
Net stockholders' equity 股東權益合計	84,543,927	60	91,945,967	63
<b>TOTAL 負債及股東權益總計</b>	<b>\$141,038,312</b>	<b>100</b>	<b>\$145,593,875</b>	<b>100</b>

# STATEMENTS OF INCOME

## 損益表

Years Ended December 31, 2008 and 2007 (In NT\$ Thousands, Except Per Share)

民國九十七年及九十六年一月一日至十二月三十一日(單位：除每股盈餘為新台幣元外，餘係仟元)

	2008		2007	
	Amount	%	Amount	%
<b>REVENUES 營業收入</b>				
Sales 銷貨收入 (Notes 2 and 19)	\$51,241,328	101	\$49,720,776	101
Less: Sales returns and allowances 減：銷貨退回及折讓	641,497	1	574,165	1
Net sales 銷貨收入淨額	50,599,831	100	49,146,611	100
Processing service income 加工收入	18,102	-	7,379	-
Total revenues 營業收入合計	50,617,933	100	49,153,990	100
<b>COSTS OF REVENUES 營業成本</b>				
Cost of sales 銷貨成本 (Notes 16 and 19)	45,349,458	90	43,688,540	89
Cost of processing services 加工成本	21,409	-	6,714	-
Total costs of revenues 營業成本合計	45,370,867	90	43,695,254	89
<b>GROSS PROFIT 營業毛利</b>	5,247,066	10	5,458,736	11
<b>OPERATING EXPENSES 營業費用 (Notes 16 and 19)</b>				
Marketing 推銷費用	3,284,796	6	3,096,484	6
General and administrative 管理費用	989,483	2	815,607	2
Research and development 研究發展費用	568,913	1	510,243	1
Total operating expenses 營業費用合計	4,843,192	9	4,422,334	9
<b>OPERATING GAIN (LOSS) 營業利益 (損失)</b>	403,874	1	1,036,402	2
<b>NONOPERATING INCOME AND GAINS 營業外收入及利益</b>				
Equity in net income of investees - net (Notes 2 and 8) 採權益法認列之投資淨益	5,542,190	11	11,282,355	23
Valuation gain on financial assets - net (Notes 2, and 5) 金融資產評價利益-淨額	465,708	1	-	-
Interest (Note 19) 利息收入	177,137	-	113,743	-
Foreign exchange gain - net (Note 2) 兌換淨益	42,796	-	102,915	-
Gain on disposal of properties 處分固定資產利益	19,912	-	5,331	-
Rental (Note 19) 租金收入	11,227	-	10,148	-
Gain on sale of investments - net (Note 8) 處分投資淨益	9,726	-	3,033	-
Cash dividends 股利收入	5,432	-	7,177	-
Reversal of loss on inventories (Notes 2 and 6) 存貨跌價回升利益	-	-	144,736	-
Valuation gain on financial assets - net (Notes 2 and 5) 金融資產評價利益-淨額	-	-	66,656	-
Others (Notes 19) 其他收入	245,326	1	214,034	1
Total nonoperating income and gains 營業外收入及利益合計	6,519,454	13	11,950,128	24
<b>NONOPERATING EXPENSES AND LOSSES 營業外費用及損失</b>				
Interest (Notes 9 and 19) 利息費用	1,217,020	2	964,040	2
Allowance for loss on inventories 存貨跌價損失	273,094	1	-	-
Valuation loss on financial assets (Notes 2 and 5) 金融資產評價損失	32,898	-	-	-
Impairment losses on nonoperating properties (Note 2) 閒置資產減損損失	29,713	-	65,452	-
Impairment loss on financial assets measured at holding cost (Notes 2 and 7) 以成本衡量金融資產之減損損失	-	-	2,957	-
Valuation loss on financial liabilities - net (Notes 2 and 5) 金融負債評價損失-淨額	-	-	55,361	-
Others (Notes 19) 其他支出	756,099	2	624,906	1
Total nonoperating expenses and losses 營業外費用及損失合計	2,308,824	5	1,712,716	3
<b>INCOME BEFORE INCOME TAX 稅前利益</b>	4,614,504	9	11,273,814	23
<b>INCOME TAX BENEFIT (Notes 2 and 15) 所得稅利益</b>	7,440	-	93,283	-
<b>NET INCOME 純益</b>	\$4,621,944	9	\$11,367,097	23

	2008		2007	
	稅前 Income Before Income Tax	稅後 Net Income	稅前 Income Before Income Tax	稅後 Net Income
<b>EARNINGS PER SHARE 每股盈餘 (Note 17)</b>				
Basic 基本盈餘	\$1.01	\$1.01	\$2.47	\$2.49

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

# STATEMENTS OF CASH FLOWS

## 現金流量表

Years Ended December 31, 2008 and 2007 (In NT\$ Thousands)  
民國九十七年及九十六年一月一日至十二月三十一日(單位：新台幣仟元)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES 營業活動之現金流量</b>		
Net income 純益	\$4,621,944	\$11,367,097
Adjustments to reconcile net income to net cash provided by operating activities: 調整項目		
Depreciation 折舊	1,983,949	1,938,483
Amortization of deferred costs 攤銷	33,569	48,261
Impairment loss on financial assets carried at cost 以成本衡量金融資產之減損損失	-	2,957
Provision (reversal of allowance) for losses on inventories 提列(轉回)備抵存貨跌價損失	273,094	(144,736)
Amortization on discount of exchangeable bonds 交換公司債折價攤銷	58,332	17,337
Equity in net income of investees - net 採權益法認列之投資淨益	(5,542,190)	(11,282,355)
Cash dividends received on equity-method investments 採權益法之長期股權投資收取之現金股利	10,019,746	6,968,885
Provision for pension costs 應計退休金負債	14,301	113,047
Net gain on disposal of properties 處分固定資產淨益	(19,912)	(5,331)
Impairment losses on idle properties 閒置資產減損損失	29,713	65,452
Gain on sale of investments - net 處分投資淨益	(9,726)	(3,033)
Net changes in operating assets and liabilities 營業資產及負債之淨益變動		
Financial assets held for trading 交易目的金融資產	64,014	(121,767)
Financial liabilities held for trading 交易目的金融負債	(288,919)	378,750
Notes receivable 應收票據	429,206	(219,859)
Accounts receivable 應收帳款	59,565	(1,260,880)
Inventories 存貨	559,899	(800,608)
Other financial assets - current 其它金融資產-流動	25,877	107,084
Prepaid expenses 預付款項	294,152	(55,741)
Other current assets 其他流動資產	75,467	(67,001)
Notes payable 應付票據	(7,061)	(14,600)
Accounts payable 應付帳款	(1,491,882)	981,606
Accrued expenses 應付費用	478,931	364,729
Receipts in advance 預收貨款	(62,715)	33,121
Other current liabilities 其他流動負債	19,496	10,567
Net cash provided by operating activities 營業活動之淨現金流入	11,618,850	8,421,465
<b>CASH FLOWS FROM INVESTING ACTIVITIES 投資活動之現金流量</b>		
Proceeds of the disposal of long-term equity investments 處分採權益法長期股權投資之價款	287,739	-
Increase in long-term equity investments 採權益法之長期股權投資增加	(6,989,371)	(2,401,361)
Return of capital to the Company due to investees' capital reduction 被投資公司減資退回股款	-	23,978
Acquisition of properties 購置固定資產	(1,600,471)	(1,458,201)
Proceeds of the disposal of properties 處分固定資產價款	63,771	18,986
Increase in patents 專利權增加	(1,768)	-
decrease (Increase) in other assets 其他資產減少(增加)	10,759	(16,862)
Net cash used in investing activities 投資活動之淨現金流出	(8,229,341)	(3,833,460)
<b>CASH FLOWS FROM FINANCING ACTIVITIES 融資活動之現金流量</b>		
Increase (decrease) in short-term bank loans 短期借款增加(減少)	3,753,326	\$(1,953,476)
Repayments on commercial paper issued 應付短期票券減少	-	(599,232)
Payments of cash dividends, remuneration to directors and supervisors and bonus to employees 發放現金股利、董監事酬勞及員工紅利	(8,596,379)	(6,078,983)
Decrease (Increase) in long-term liabilities 長期負債(減少)增加	(1,161,310)	6,376,800
Issuance of bonds 發行公司債	800,000	3,008,343
Decrease in other liabilities 其他負債減少	-	(267,442)
Net cash provided by (used in) financing activities 融資活動之淨現金流(出)入	(5,204,363)	486,010
<b>NET (DECREASE) INCREASE IN CASH 現金淨(減少)增加</b>	(1,814,854)	5,074,015
<b>CASH, BEGINNING OF YEAR 年初現金餘額</b>	7,090,598	2,016,583
<b>CASH, END OF YEAR 年底現金餘額</b>	\$5,275,744	\$7,090,598
<b>SUPPLEMENTARY CASH FLOW INFORMATION 現金流量資訊之補充揭露</b>		
Interest paid 當年度支付利息	\$1,157,996	\$1,236,278
Less: Capitalized interest 減：資本化利息	54,439	70,602
Interest paid (excluding capitalized interest) 不含資本化利息之當年度支付利息	\$1,103,557	\$1,165,676
Income tax paid 支付所得稅	\$61,981	\$10,424
<b>CASH PAID FOR ACQUISITION OF PROPERTIES 以部份現金支付之投資活動</b>		
Increase in properties 購置固定資產	\$1,993,770	\$1,746,002
Add: Payables for acquisition of properties, beginning of year 加：年初應付設備款	38,994	35,819
Advances to suppliers of machine and equipment, end of year 年底預付設備款	173,994	87,320
Constructions in progress, end of year 年底未完工程	1,383,424	1,870,069
Less: Advances to suppliers of machine and equipment, beginning of year 減：年初預付設備款	(87,320)	(55,465)
Constructions in progress, beginning of year 年初未完工程	(1,870,069)	(2,186,550)
Payables for acquisition of properties, end of year 年底應付設備款	(32,322)	(38,994)
Cash paid for acquisition of properties 支付現金	\$1,600,471	\$1,458,201
<b>NONCASH FINANCING ACTIVITIES 不影響現金流量之融資活動</b>		
Current portion of long-term liabilities 一年內到期之長期負債	\$1,877,320	\$4,000,000

# STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

## 股東權益變動表

Years Ended December 31, 2008 and 2007 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)  
民國九十七年及九十六年一月一日至十二月三十一日(單位：除每股為新台幣元外，餘係仟元、仟股)

	Capital Stock Issued and Outstanding (Note 14)		Capital Surplus (Notes 2 and 14)	Legal Reserve
	Shares in Thousand	Amount		
BALANCE, JANUARY 1, 2007 九十六年初餘額	4,349,851	\$43,498,513	\$7,820,117	\$6,231,874
Provision for special reserve 特別盈餘公積轉回未分配盈餘	-	-	-	-
Appropriation of the 2006 earnings: 九十五年度盈餘分配				
Legal reserve 法定盈餘公積	-	-	-	829,288
Stock dividends - NT\$0.3 per share 股票股利－每股0.3元	130,496	1,304,956	-	-
Cash dividends - NT\$1.3 per share 現金股利－每股1.3元	-	-	-	-
Remuneration to directors and supervisors and bonus to employees 董監事酬勞及員工紅利	-	-	-	-
Balance after appropriations 分配後餘額	4,480,347	44,803,469	7,820,117	7,061,162
Net income in 2007 九十六年度純益	-	-	-	-
Adjustments due to changes in investees' equity in long-term investments 採權益法認列被投資公司之股東權益調整數	-	-	1,507,880	-
Unrealized loss on cash flow hedge 現金流量避險未實現損益之變動	-	-	-	-
Translation adjustments on long-term equity investments 外幣長期股權投資換算調整數	-	-	-	-
BALANCE, DECEMBER 31, 2007 九十六年底餘額	4,480,347	44,803,469	9,327,997	7,061,162
Appropriation of the 2007 earnings: 九十六年度盈餘分配				
Legal reserve 法定盈餘公積	-	-	-	1,135,123
Stock dividends - NT\$0.2 per share 股票股利－每股0.2元	89,607	896,069	-	-
Cash dividends - NT\$1.8 per share 現金股利－每股1.8元	-	-	-	-
Remuneration to directors and supervisors and bonus to employees 董監事酬勞及員工紅利	-	-	-	-
Balance after appropriations 分配後餘額	4,569,954	45,699,538	9,327,997	8,196,285
Net income in 2008 九十七年度純益	-	-	-	-
Adjustments due to changes in investees' equity in long-term investments 採權益法認列被投資公司之股東權益調整數	-	-	696,871	-
Effect of change in ownership percentage due to investees' issuance of capital stock for cash 未依持股比例認購被投資公司股份調整數	-	-	(9,971)	-
Translation adjustments on long-term equity investments 外幣長期股權投資換算調整數	-	-	-	-
Reversal of net loss not recognized as pension cost 未認列為退休金之淨損失	-	-	-	-
Unrealized loss on cash flow hedge 現金流量避險未實現損益之變動	-	-	-	-
Adjustments on stockholders' equity due to the sale of long-term equity investments 出售長期股權投資股東權益調整數	-	-	45,761	-
BALANCE, DECEMBER 31, 2008 九十七年底餘額	4,569,954	\$45,699,538	\$10,060,658	\$8,196,285

Retained Earnings (Notes 2, 14 and 15)			Unrealized Valuation Gain (Loss) on Financial Instruments (Note 2)	Cumulative Translation Adjustments (Note 2)	Unrealized Revaluation Increment on Properties (Notes 2 and 9)	Net Loss not Recognized as Pension Cost (Note 2)	Total Stockholders' Equity
Special Reserve	Unappropriated Earnings	Total					
\$3,378,850	\$9,864,900	\$19,475,624	\$1,823,497	\$845,490	\$8,848,431	\$(60,797)	\$82,250,875
(344,084)	344,084	-	-	-	-	-	-
-	(829,288)	-	-	-	-	-	-
-	(1,304,956)	(1,304,956)	-	-	-	-	-
-	(5,654,807)	(5,654,807)	-	-	-	-	(5,654,807)
-	(523,853)	(523,853)	-	-	-	-	(523,853)
3,034,766	1,896,080	11,992,008	1,823,497	845,490	8,848,431	(60,797)	76,072,215
-	11,367,097	11,367,097	-	-	-	-	11,367,097
-	(15,869)	(15,869)	2,419,658	750,972	(281,791)	(9,169)	4,371,681
-	-	-	25,182	-	-	-	25,182
-	-	-	-	109,792	-	-	109,792
3,034,766	13,247,308	23,343,236	4,268,337	1,706,254	8,566,640	(69,966)	91,945,967
-	(1,135,123)	-	-	-	-	-	-
-	(896,069)	(896,069)	-	-	-	-	-
-	(8,064,624)	(8,064,624)	-	-	-	-	(8,064,624)
-	(674,461)	(674,461)	-	-	-	-	(674,461)
3,034,766	2,477,031	13,708,082	4,268,337	1,706,254	8,566,640	(69,966)	83,206,882
-	4,621,944	4,621,944	-	-	-	-	4,621,944
-	(323,039)	(323,039)	(5,191,265)	1,761,305	276,491	(1,086)	(2,780,723)
-	(240,880)	(240,880)	-	-	-	-	(250,851)
-	-	-	-	229,496	-	-	229,496
-	-	-	-	-	-	(585,239)	(585,239)
-	-	-	56,160	-	-	-	56,160
-	220	220	748	(498)	(3)	30	46,258
\$3,034,766	\$6,535,276	\$17,766,327	\$(866,020)	\$3,696,557	\$8,843,128	\$(656,261)	\$84,543,927

# NOTES TO FINANCIAL STATEMENTS

## 財務報表附註及附表 | Years Ended December 31, 2008 and 2007 (Amounts in NT\$ Thousands, Except Per Share) 民國九十七及九十六年度 (除另予註明外, 金額係以新台幣仟元為單位)

### 1. ORGANIZATION AND OPERATIONS

Far Eastern Textile Ltd. (FETL or the “Company”), established in 1954, manufactures and sells polyester materials, semifinished products and finished goods such as cotton, synthetic or blended fabrics, towels and bedsheets, and woven and knitted garments; PET (polyethylene terephthalate) bottles and PET sheets; and natural, synthetic or blended yarns and polyester textured yarns. It also does yarn, silk and cloth printing and dyeing as well as manufactures wide-view film, antiglare film, antireflection film and other optical films.

The Company’s stock is listed on the Taiwan Stock Exchange. On October 19, 1999, the Company issued global depositary receipts (GDRs), which became listed on the Luxembourg Stock Exchange.

Far Eastern Textile Ltd. had 4,912 and 5,188 employees as of December 31, 2008 and 2007, 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 Republic of China. In preparing financial statements in conformity with these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the allowance for doubtful accounts, provision for loss on decline in value of inventories, depreciation and amortization, impairment losses on tangible and intangible assets, income tax, pension cost and bonuses to employees, directors and supervisors. Actual results could differ from these estimates.

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

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

#### Current and Noncurrent Assets and Liabilities

Current assets are cash or cash equivalents, assets held mainly for trading and other assets to be converted into cash or consumed within 12 months from the balance sheet date. All other assets, such as properties and intangible assets, are classified as noncurrent. Current liabilities are obligations to be settled within 12 months after the balance sheet date. All other liabilities are classified as noncurrent.

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

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (FVTPL) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

If derivative financial instruments do not meet the criteria for hedge accounting, they were classified as financial assets or liabilities held for trading purposes. They were classified as financial assets when the fair value was positive; otherwise they were classified as financial liabilities.

The fair values of cotton futures contracts, currency option contracts and forward exchange contracts are determined at their market quotation on the balance sheet date. The fair values of financial instruments with no quoted market prices are determined at estimated prices.

#### Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Sales are recognized when titles to products and risks of ownership are transferred to customers, primarily upon shipment. Sales returns and allowances are subtracted from gross sales, and the related costs are then deducted from cost of goods sold as these costs are incurred.

Revenues are measured at fair values based on the prices negotiated between the Company and the customers. Since the future values of revenues resulting from receivables within one year approximate the fair value of these receivables, the pro forma interest rate method is not used to recalculate the fair values.

Allowance for doubtful accounts is determined on the basis of a review of the collectibility of individual receivables.

#### Inventories

Inventories are raw materials, supplies, finished goods and work in process, which are stated at the lower of cost (weighted average) or market (for raw materials, replacement cost; and for finished goods and work in process, net realizable value).



### **Financial Assets Carried at Cost**

Investments in equity instruments without quoted market prices in an active market, including investments in unlisted stocks and emerging stocks, are measured at cost upon initial recognition. Cash dividends are recognized as dividend income on the date of the stockholder's meeting, but are accounted for as reductions of the original cost of investments if these dividends are declared on the investees' earnings of investees attributable to periods before investment acquisition. Stock dividends are not recognized as current income but are accounted for only as an increase in the number of shares held. The cost per share is recalculated on the basis of the increased number of shares. An impairment loss should be recognized as a charge to current income if there is objective evidence that a financial asset is impaired. This loss cannot be reversed.

### **Equity-method Investments**

Long-term investments in which the Company owns at least 20% of investees' common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method.

On the acquisition date or the adoption of the equity method for the first time, the difference between investment cost and underlying equity in net assets is amortized using the straight-line method over 5 years.

As required, however, by the revised ROC Statement of Financial Accounting Standards No. 5 - "Long-term Investments in Equity Securities," starting on January 1, 2006, the cost of acquisition is subjected to an initial analysis. The investment cost in excess of the fair value of identifiable net assets is recognized as goodwill. Goodwill is no longer amortized and is instead tested annually for impairment. An impairment test is also required when there is evidence indicating that goodwill might be impaired because of an event or a change in the economic environment. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to noncurrent assets in proportion to their respective fair values (except for financial assets under the equity method, assets for disposal, deferred income tax assets and prepaid pension costs or other retirement benefit costs). If these assets are all reduced to zero, the remaining excess should be recognized as extraordinary gain. Starting on January 1, 2006, the unamortized balance of the investment cost in excess of the equity in investee's net assets is no longer amortized and is instead subject to the same accounting treatment as that for goodwill; the negative goodwill previously acquired should be amortized over the remaining estimated economic lives.

An increase in the Company's proportionate share in the net assets of its investee resulting from its subscription for additional shares of stock issued by the investee at a rate different from its existing equity ownership in the investee is credited to capital surplus. If the subscription results in a decrease in the Company's equity in an investee's net assets, capital surplus is debited. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings.

The Company's equity in equity-method investees' net income or net loss is recognized using the treasury stock method if there are reciprocal holdings between investors and investees.

### **Properties and Rental Assets**

Properties and rental assets are stated at cost or cost plus appreciation, less accumulated depreciation. Major additions, renewals and betterments are capitalized, while maintenance and repairs are expensed currently.

Interest on borrowings used to finance the acquisition of properties and the construction of production facilities up to the time those properties are ready for their intended use is capitalized and included in the cost of the related assets.

Depreciation expenses for properties and rental assets are calculated by the Company and its subsidiaries using the fixed-percentage-of- declining-balance method and straight-line method, respectively.

Depreciation expenses are computed over service lives originally estimated as follows: buildings and equipment, 3 to 55 years; machinery and equipment, 5 to 15 years and furniture and miscellaneous equipment, 3 to 15 years. Depreciation on appreciation is computed over the remaining service lives of the assets on the revaluation date. When properties and rental assets reach their residual value and are still being used, they are further depreciated over their newly estimated service lives.

When properties are retired or disposed of, their costs or costs plus appreciation and related accumulated depreciation are removed from the accounts, and the resulting gains or losses are credited or charged to nonoperating income.

### **Intangible Assets**

Patent rights and computer software are measured at acquisition cost and amortized using the straight-line method over 3 to 5 years.

### **Idle Assets**

Properties not currently used in operations are transferred to other assets at the lower of net book value or net realizable value, with the difference charged to nonoperating expenses. However, starting on January 1, 2006, based on related regulations, depreciation is calculated using the straight-line method over the estimated useful lives of the properties.

### **Deferred Charges**

Deferred charges mainly are amortized using the straight-line method over 5 to 7 years.

### **Impairment Loss**

An impairment loss should be recognized if the carrying value of assets (including properties, idle assets, rental assets, deferred charges and equity-method investments) exceeds their recoverable amount, and this impairment loss should be charged to current income. An impairment loss recognized in prior years can be reversed if there is a subsequent 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 the reversal does not exceed the carrying amount of an asset (net of depreciation) had no impairment loss been recognized in prior years. If an asset has been revalued in accordance with the laws, its impairment loss should first be used to reduce

the unrealized appreciation of revaluation under stockholders' equity. The excess loss, if any, may then be recognized as loss in the income statement. However, to the extent that an impairment loss on the same revalued asset was previously recognized as a loss in the income statement because of insufficient revaluation surplus, a reversal of that impairment loss is recognized as a gain in the income statement. The excess part, if any, may then be reversed to the unrealized appreciation of revaluation under stockholders' equity. However, an impairment loss recognized on goodwill cannot be reversed.

For long-term equity investments on which the Company has significant influence but no control, the carrying amount (including goodwill) of each investment is compared with its recoverable amount for impairment testing purposes.

### **Deferred Income**

These are gains from transactions with equity-method investees and are credited to income when realized.

### **Exchangeable Bonds**

Exchangeable bonds (i.e., bonds that can be exchanged for Asia Cement Corporation's (ACC) shares; see Note 15) are measured at total issuance price less the fair value of embedded derivatives. The liability component of bonds is measured at amortized cost using the effective interest method (if there is no substantial difference in the results of using the straight-line method or the effective interest method, the straight-line method may be used). Before the maturity of the bonds, the fair value of the embedded derivatives is recognized as current gain or loss.

Interest and gain (loss) on bond redemption are recognized as current gain or loss. When bonds are exchanged for ACC's shares, the disposal gain or loss is measured at the book value of the liability components (including embedded derivatives).

### **Pension Costs**

Under the defined benefit plan, pension costs are recognized on the basis of actuarial calculations. Under the defined contribution pension plan, required monthly contributions by the Company to the employees' individual pension accounts are recognized as pension costs over the employees' service years.

When curtailment and/or settlement occur to the Company providing defined benefit plan, the Company should recognize curtailment and/or settlement gains or losses as part of the net pension cost for the period.

### **Income Tax**

The inter-period and intra-period allocation methods are used for income taxes. Deferred income 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 recognized for deferred income tax assets that are not certain to be realized. Deferred income tax assets and liabilities are classified as current or noncurrent on the basis of the classification of the related assets and liabilities for financial reporting. A deferred asset or liability that cannot be related to an asset or a liability in the financial statements is classified as current or noncurrent according to the expected realization date of the temporary difference.

Tax credits for certain purchases of equipment, research and development expenses, personnel training expenses and investments in shares of stock are accounted for as a reduction of the current period's income tax expense.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's income tax expenses.

Income taxes (10%) on undistributed earnings generated since January 1, 1998 are recorded as expense in the year when the stockholders resolve to retain the earnings.

The Company and Far Eastern Resources Development Co., Ltd. adopted the linked-tax system for tax filings. Differences between current and deferred income tax expenses on entity basis and those on nonentity basis are adjusted in the Company's income tax expenses. Related reimbursement and appropriation are recognized as receivables and payables.

### **Foreign-currency Transactions and Translation of Foreign-currency Financial Statements**

Foreign-currency transactions (except derivative transactions) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of prevailing foreign exchange rates when cash in foreign currency is converted into New Taiwan dollars or when nonmonetary foreign-currency-denominated assets and liabilities are settled, are credited or charged to income in the period of settlement.

On the balance sheet date, the balances of nonmonetary foreign currency-denominated assets and liabilities evaluated at fair value, such as equity instruments, are restated at the prevailing exchange rates, and the resulting differences are recorded as adjustment to stockholders' equity or as profit or loss in the current period. Financial assets and liabilities carried at cost are stated at historical exchange rates; while equity-method investments are recorded as cumulative translation adjustments under stockholders' equity.

The valuation base for foregoing prevailing exchange rates was the average rates of the correspondent bank.

### **Hedging Derivative Financial Instruments**

Hedging derivative financial instruments are measured at fair value. The changes in fair values of these instruments are debited or charged to either stockholders' equity or current income depending on the type of the hedged items.

### **Hedge Accounting**

Hedge accounting involves the recognition of the offsetting effects on profit or loss of changes in fair values of the hedging instrument and the hedged item.

a. Some derivative instruments held by the Company are for fair value hedge purposes. Thus, the gains or losses from the changes in fair values of the derivative hedging instruments or from the changes in carrying values on the nonderivative financial instruments are recognized as current income. If values of the hedged items change, the gains or losses will be recognized as current income and adjustments to the carrying values of the hedged item.

b. Some derivative instruments held by the Company are for cash flow hedge purposes. Thus, the gains or losses from the changes in fair values of the hedging instruments are recognized under stockholders' equity and are recognized as current income if the hedged forecast transaction affects net gains or losses. If hedging would give rise to a nonfinancial asset or liability, the gain or loss will be recognized as an adjustment to the original cost or carrying amount of the hedged asset or liability. If recognized adjustments to stockholders' equity result in irreversible losses, these losses should be immediately charged to current income.

The Company uses interest rate swaps and forward exchange contracts to hedge cash flow risks from interest rate and exchange rate fluctuations of liabilities and firm commitments.

### 3. CHANGES IN ACCOUNTING PRINCIPLES

#### Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the Accounting Research and Development Foundation issued Interpretation 2007-052, requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. This accounting change resulted in decreases of NT\$343,975 thousand in net income and of NT\$0.08 in after income tax basic earnings per share in 2008.

#### Accounting for Intangible Assets

On January 1, 2007, the Company adopted the newly released ROC Statements of Financial Standards ("Statements" or SFAS) No. 37 - "Accounting for Intangible Assets" and related revisions of previously released Statements. It thus reevaluated its use of the amortization method and useful lives of related assets. This accounting change had no effect on income before income tax, net income and earnings per share after tax in the year ended December 31, 2007.

#### Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2007 have been reclassified to be consistent with the presentation of the consolidated financial statements as of and for the year ended December 31, 2008.

### 4. CASH

	<u>2008</u>	<u>2007</u>
Cash on hand	\$4,252	\$3,873
Checking accounts	25,488	27,092
Savings accounts	377,947	1,153,796
Time deposits - 0.25%-2.25% interest in 2008 and 1.97%-4.72% interest in 2007	4,868,057	5,905,837
	<u>\$5,275,744</u>	<u>\$7,090,598</u>

As of December 31, 2008 and 2007, the foreign demand deposits in U.S.A. (New York) were NT\$321 thousand (US\$ 10 thousand) and NT\$344 thousand (US\$10 thousand), respectively.

### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

Financial assets held for trading and financial assets at fair value through profit or loss were as follows:

	<u>2008</u>	<u>2007</u>
<b><u>Financial assets held for trading</u></b>		
Cotton futures contracts	\$27,887	\$31,456
Adjustment for valuation	2,054	7,499
	<u>29,941</u>	<u>38,955</u>
Exchangeable bonds collection right	49,500	104,550
	<u>\$79,441</u>	<u>\$143,455</u>
<b><u>Financial liabilities held for trading</u></b>		
Exchangeable bonds exchange right	\$30,500	\$347,750
Exchangeable bonds redemption right	42,000	31,000
Forward exchange contracts	30,362	13,031
	<u>\$102,862</u>	<u>\$391,781</u>

The Company used cotton futures contracts and forward exchange contracts to hedge against adverse fluctuations of cotton prices and exchange rates on account receivables and payables in the years ended December 31, 2008 and 2007. The strategy is to hedge against the Company's market risk exposure. Since these contracts did not meet the criteria for hedge accounting, they were classified as held for trading.

The outstanding cotton futures contracts held by the Company as of December 31, 2008 and 2007 are summarized as follows:

Outstanding Derivative Contract	December 31, 2008			December 31, 2007		
	Maturity	Units	Contract Amount (Thousands)	Maturity	Units	Contract Amount (Thousands)
Cotton futures contracts	March 2009	60	US\$1,408/NT\$46,176	March 2008 May 2008	110 40	US\$3,593/NT\$116,521 US\$1,308/NT\$42,418

The Company profits from exercising call options on royalties.

The Company had no outstanding option contracts as of December 31, 2008 and 2007. The outstanding forward exchange contracts as of December 31, 2008 and 2007 were as follows:

	December 31, 2007		
	Currency	Maturity Date	Contract Amount (in Thousands)
<b>December, 2008</b>			
Sell	EUR/US	2009/1/23-2009/3/30	EUR7,000/US\$8,918
<b>December, 2007</b>			
Sell	EUR/US	2009.2.27	EUR7,000/USD8,918
Sell	US/NT	2009.1.23-2009.3.30	USD0,0/NTD0,0,0

On the exchangeable bonds issued in 2007, the Company separately recognized the embedded derivatives and the host debt instruments. In addition, the derivatives were measured at fair value and recognized as financial assets and liabilities at fair value through profit or loss.

Net (losses) gains on derivative financial assets were NT\$(32,898) thousand and NT\$66,656 thousand in the years ended December 31, 2008 and 2007, respectively; net gains (losses) on derivative financial liabilities were NT\$465,708 thousand and NT\$(55,361) thousand in the years ended December 31, 2008 and 2007, respectively.

## 6. INVENTORIES

	December 31	
	2008	2007
Finished goods	\$2,455,933	\$2,376,804
Work in process	1,402,124	2,003,513
Raw materials	2,393,447	2,395,382
Supplies	354,148	389,852
	6,605,652	7,165,551
Less: Allowance for losses	903,358	630,264
	<u>\$5,702,294</u>	<u>\$6,535,287</u>

## 7. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	2008		2007	
	Carrying Value	% of Owner ship	Carrying Value	% of Owner ship
Unlisted common stocks				
Hantech Venture Capital Corp.	\$53,667	3.73	\$53,667	3.73

The Company's holdings of marketable equity securities with no quoted market prices and with fair values that could not be reliably measured were evaluated at holding cost.

On December 29, 2005, the board of directors of Tai Ya International Telecommunications Co., Ltd. (TYIT) resolved to merge Mobitai communications Ltd. ("Mobitai") and TYIT as the survivor company, in accordance with Article 19 of the Business Mergers and Acquisitions Act and set January 1, 2006 as the record date of the merger. Under the resolution of TYIT's board, the Company received NT\$167,863 thousand from Mobitai in exchange for Mobitai's 11,469 thousand common shares (NT\$14.68 per share) held by the Company. The Company wrote off the investment in Mobitai and recognized a disposal gain of NT\$31,814 thousand. However, the Company regarded Mobitai's purchase price as too low and raised an objection to Mobitai. Afterwards, the Company filed a lawsuit against TYIT. As of March 4, 2009, the date of the accompanying accountants' report, the lawsuit was pending at the Taipei district court.

In November 2007, Hantech Venture Capital Corp. ("Hantech") completed a capital deduction by canceling 250 shares per thousand share and returned NT\$16,462 thousand to the Company.

Far EasTone issued 100,637 thousand and 59,733 thousand common shares to exchange for 615,179 thousand and 365,137 thousand, respectively, of NCIC's common shares. (This share swap took place after NCIC's capital reduction, which resulted in the decrease in the equity of Infocom Holding Company Pte Ltd. and SingTel Taiwan Limited in NCIC.) The record date of the share swap was December 31, 2007, and the swap ratio was 1:6.11282174, with "1" pertaining to Far EasTone. The share swap was approved by the Financial Supervisory Commission under the Executive Yuan on December 26, 2007 and registered with the Ministry of Economic Affairs on January 14, 2008. After the share swap, Far EasTone acquired about 24.51% of NCIC's issued shares. In addition, the Company indirectly gained significant influence on NCIC and thus changed the accounting method for its investment in NCIC into the equity method on December 31, 2007.

The value of the financial assets carried at cost - noncurrent had been considered impaired and the chance of recovery is little. Thus, permanent investment losses of NT\$2,957 thousand in 2007 were recognized.

## 8. EQUITY-METHOD INVESTMENTS

	2008		2007	
	Carrying Value	% of Owner ship	Carrying Value	% of Owner ship
With quoted market prices:				
Asia Cement Corp. (ACC)	\$11,522,853	24.05	\$13,312,429	24.05
Far Eastern Department Stores Co.,Ltd. (FEDS)	3,271,840	16.80	3,874,707	16.80
Oriental Union Chemical Corp. (OUCC)	1,027,391	9.17	1,151,125	9.19
Far Eastern International Commercial Bank	563,221	3.12	708,164	3.88

Everest Textile Co., Ltd. (Everest Textile)	1,480	0.03	1,640	0.03
	16,386,785		19,048,065	
With no quoted market prices:				
Yuan Ding Investment Co., Ltd.	35,123,505	99.70	38,225,370	100.00
Far Eastern Resources Development Co., Ltd.	15,443,154	100.00	15,261,547	100.00
Yuan Tong Investment Co., Ltd.	7,136,989	100.00	7,718,546	100.00
Far Eastern Investment (Holding) Ltd.	5,239,384	100.00	5,351,578	100.00
Far Eastern Polychem Industries Ltd.	4,142,822	57.65	1,989,856	37.79
Kai-Yuan International Investment Co., Ltd	3,580,727	100.00	3,493,944	100.00
Oriental Petrochemical (Taiwan) Co., Ltd.				
(INVISTA Far Eastern Petrochemicals Co., Ltd.)	3,405,070	75.56	959,543	21.00
Far Eastern Polytex (Holding) Ltd.	2,900,781	100.00	2,658,679	100.00
Yuang Ding Co., Ltd.	\$2,805,779	37.13	\$3,386,357	37.13
Far Eastern Construction Co., Ltd.	2,095,688	65.11	1,651,101	65.11
Ding-Yuan International Investment Co.	1,914,236	100.00	2,121,482	100.00
Oriental Securities Co., Ltd.	1,671,585	19.65	2,385,109	19.65
PET Far Eastern (Holding) Ltd.	1,437,469	49.42	-	-
An Ho Garment Co., Ltd.	1,266,932	100.00	959,375	100.00
Pacific Liu Tong Investment Corporation	1,113,868	16.83	1,186,438	16.83
Fu Kwork Garment Manufacturing Co., Ltd.	126,512	99.99	124,126	99.99
Ding Ding Hotel Corp.	53,029	19.00	58,939	19.00
New Century InfoComm Tech Co., Ltd. (NCIC)	25,933	0.10	28,753	0.10
Yuan Faun Ltd.	-	-	3,629	4.00
	89,483,463		87,564,372	
	\$105,870,248		\$106,612,437	

The combined equity of the Company and subsidiaries in their investee companies such as OUCC, Everest Textile, Pacific Liu Tong Investment Corporation, Oriental Securities Co., Ltd. and NCIC in 2008 and OUCC, FEDS, Everest Textile, Pacific Liu Tong Investment Corporation, Oriental Securities Co., Ltd., Yuan Faun Ltd., and NCIC in 2007, exceeded 20% of the outstanding common stock of each. Thus, related investments were accounted for by the equity method.

In addition, investments in the investee companies such as Far Eastern International Commercial Bank, FEDS and Ding Ding Hotel Corp. in 2008 and Far Eastern International Commercial Bank, Oriental Union Chemical Corp., and Ding Ding Hotel Corp. in 2007 were accounted for by the equity method since the Company exercised significant influence over them although it owned less than 20% of these investees' voting stock.

The carrying value of the equity-method stocks was based on audited financial statements.

On June 28, 2007, the board of directors of the Company's subsidiary, Yuan Tong Investment Co., Ltd. decided to invest US\$18,000 thousand in Sino Belgium (Suzhou) Limited in China through investing in Sino Belgium (Holding) Limited.

In 2007, the Company bought 600 thousand common shares that were newly issued by Far Eastern Investment (Holding) Ltd. (F.E.I.H.) for NT\$1,592,160 thousand at US\$80.00 per share.

In addition, in 2007, the Company bought 84,988 thousand common shares that were newly issued by Far Eastern Polychem Industries Co., Ltd. (F.E.P.I.) for NT\$809,201 thousand at US\$0.29 per share. In May 2008 and July 2008, the Company bought 51,124 thousand and 198,816 thousand common shares, respectively, newly issued by F.E.P.I. for NT\$444,888 thousand and NT\$1,703,800 thousand, respectively, at US\$0.28 per share. Thus, the Company's percentage of ownership increased from 37.79% to 57.65%.

In August 2007, New Century InfoComm Tech Co., Ltd. (NCIC) decreased its capital stock by canceling 157,895 shares for every one thousand shares. Thus, NCIC made a capital return of NT\$7,516 thousand to the Company.

In March 2008, the Company sold to Yue Ding Industry Co., Ltd. 14,235 thousand shares, part of its holding in Oriental Petrochemical (Taiwan) Co., Ltd. (OPTC, the former Invista Far Eastern Petrochemicals Co., Ltd.) for NT\$135,532 thousand. On October 21, 2008, OPTC'S stockholders resolved to reduce its capital to reverse its loss of NT\$4,208,367 thousand and raise cash capital by NT\$3,800,000 thousand. Although the Company's holdings in OPTC declined by 75,750 thousand shares, the Company's purchase of 318,000 shares of OPTC's newly issued common stock for NT\$3,180,000 thousand resulted in an increase in the Company's equity in OPTC from 18% to 75.56%. Thus, as of December 31, 2008, the investment in OPTC was accounted for by the equity method.

To simplify its investment structure, the Company sold its holding in Yuan Faun Ltd. of 200 thousand shares to Yuan Ding Investment Co., Ltd. (YDIC) for NT\$3,660 thousand.

In December 2008, the Company sold some of its holding in YDIC to An-Ho Garment Co., Ltd. for NT\$148,547 thousand; thus, the Company's equity in YDIC decreased from 100% to 99.70%.

In April 2008, the Company bought 2.5 thousand common shares of Far Eastern Polytex (Holding) Ltd. for NT\$151,675 thousand at US\$2,000 per share.

The Company bought 117 thousand shares of PET Far Eastern (Holding) Ltd. at US\$423.98 per share amounting to NT\$1,509,008 thousand and the percentage of ownership was 49.42% as of July 2008.

The market value of equity-method investment in listed companies were NT\$24,948,702 thousand and NT\$42,176,567 thousand in December 31, 2008 and 2007, respectively.

The difference between the cost of an investment and the amount of the underlying equity in net assets of an investee arisen from equity-method investees, belonged to good will, should no longer be amortized, since the Company adopted the newly revised related financial accounting standards. As of January 1, 2008 and 2007, the balances of the

difference were all NT\$99,821 thousand, and it didn't change in the years ended December 31, 2008 and 2007.

On February 26, 2004, Far Eastern Electronic Toll Collection Co., Ltd. (FETC) was selected by the Taiwan Area National Freeway Bureau (TANFB) as the best qualified candidate for its "Private Participation in the Electronic Toll Collection BOT Project ("ETC project"). On April 27, 2004, FETC and the TANFB completed the related negotiations and signed the project contract.

On February 24, 2006, however, the Taipei High Administrative Court announced its decision to revoke the status of FETC as the best qualified candidate for the ETC project. Then, on August 3, 2006, the Supreme Administrative Court ruled that the original screening process conducted by TANFB was flawed and in violation of the principles of equality and promotion of public interest and stripped FETC of its "best qualified candidate" status. In response to the verdict, the TANFB announced a second bidding for the ETC project. On April 14, 2007, TANFB announced that FETC was again the best qualified candidate. FETC then completed the ETC project negotiations and on August 22, 2007, signed the project contract with a term of 18 years and 4 months with TANFB.

On February 14, 2007, the board of directors of Far EasTone approved a cooperation plan with Q-ware System Inc. ("Q-ware") to operate WiFly and other businesses agreed upon by both Far EasTone and Q-ware. After obtaining the authorities' approval of this agreement, Far EasTone, as a specific person, subscribed for 36,460 thousand newly issued shares (NT\$13.60 per share) of Q-ware. for NT\$495,855 thousand on July 2, 2007. On July 3, 2007, Q-ware spun off its WiFly business, with a net worth of NT\$349,301 thousand, to Q-ware and received 34,930 thousand new shares of Q-ware for this spin-off. After the completion of this spin-off, Far EasTone owned approximately 51% of Q-ware's common stock and thus became its parent company.

To enhance the return of stockholders' equities, Far EasTone's board of directors proposed on April 30, 2007 to reduce capital by returning \$7,745,326 thousand in cash to stockholders and decreasing common stock by 774,533 thousand shares. The capital reduction was approved by the stockholders' meeting on June 12, 2007. The capital reduction ratio was 19.204715% and the cash return per share was around NT\$1.9204715. Paid-in capital after the capital reduction was \$32,585,008 thousand. Far EasTone's board of directors resolved January 15, 2008 as the record date of the capital reduction. On January 22, 2008, this capital reduction was registered with the MOEA. The authority also approved March 17, 2008 as the share exchange date of the capital reduction. The foregoing payable amounts due to the capital reduction were fully paid on March 28, 2008.

To simplify the Company's investment structure, integrate investment resources and management, and control the subsidiaries in China, the board of directors of the Company passed a resolution on December 21, 2007 to acquire the shares of the existing offshore investment companies through subsidiaries and OUCC. The related proposal is as follows:

- a. Acquire 63 thousand shares of Far Eastern Apparel (Holding) Ltd. from Yuan Ding Investment Co., Ltd. for US\$34,513 thousand, with each share priced at US\$546.09;
- b. Acquire 487 thousand shares of F.E.D.P (Holding) Ltd. totaling US\$49,961 thousand from Yuan Tong Investment Co., Ltd., Far Eastern Polychem Industries Co., Ltd., and Far Eastern Polytex (Holding) Ltd., with each share priced at US\$102.65;
- c. Acquire 119 thousand shares of PET Far Eastern (Holding) Ltd. totaling US\$50,945 thousand from Ding Yuan International Investment Corp., Far Eastern Polychem Industries Co., Ltd., and affiliate OUCC, with each share priced at US\$426.60.

The above acquisitions and disposals are expected to be approved by the Investment Commission under the MOEA. After this approval, the share transfer procedures will be finalized. In addition, the actual transaction amount will be adjusted at the net value of the shares on the share transfer date.

The above equity-method investments in which the Company directly or indirectly had more than 50% equity or could exercise control over the investees were included in the Company's consolidated financial statements as of and for the years ended December 31, 2008 and 2007. The consolidated investees were as follows:

## 2008

Yuan Ding Investment Co., Ltd., Far Eastern Resources Development Co., Ltd., Yuan Tong Investment Co., Ltd., Far Eastern Investment (Holding) Ltd. (F.E.I.H), F.E.P.I, Kai Yuan International Investment Co., Ltd., Oriental Petrochemical (Taiwan) Co., Ltd., Far Eastern Polytex (Holding) Ltd., Far Eastern Construction Co., Ltd., Ding Yuan International Investment Corp., PET Far Eastern (Holding) Ltd. (Pet F.E. (H)), An Ho Garment Co., Ltd. and Fu Kwok Garment Manufacturing Co., Ltd.

## 2007

Yuan Ding Investment Co., Ltd., Far Eastern Resources Development Co., Ltd., Yuan Tong Investment Co., Ltd., F.E.I.H, Kai Yuan International Investment Co., Ltd., Far Eastern Polytex (Holding) Ltd., Ding Yuan International Investment Co., Ltd., F.E.P.I, Far Eastern Construction Co., Ltd., An Ho Garment Co., Ltd., Fu Kwok Garment Manufacturing Co., Ltd., and Yuan Faun Ltd.

## 9.PROPERTIES

a.	<u>2008</u>	<u>2007</u>
Cost	\$49,518,840	\$49,715,925
Appreciation		
Land	2,647,082	2,647,082
Buildings and equipment	200,448	250,778
Machinery and equipment	170,352	181,568
Miscellaneous equipment	4,985	6,241
Total cost and appreciation	<u>3,022,867</u>	<u>3,085,669</u>
Accumulated depreciation	<u>52,541,707</u>	<u>52,801,594</u>
Cost		
Buildings and equipment	3,368,976	3,352,141
Machinery and equipment	34,070,149	34,260,711
Miscellaneous equipment	2,061,555	1,954,155
	<u>39,500,680</u>	<u>39,567,007</u>

Appreciation		
Buildings and equipment	137,846	\$168,837
Machinery and equipment	170,175	181,378
Miscellaneous equipment	4,985	6,241
	<u>313,006</u>	<u>356,456</u>
Total accumulated depreciation	<u>39,813,686</u>	<u>39,923,463</u>
	12,728,021	12,878,131
Construction in progress	1,383,424	1,870,069
Prepayments for equipment	<u>173,994</u>	<u>87,320</u>
Net properties	<u>\$14,285,439</u>	<u>\$14,835,520</u>

Under government regulations, the Company revalued certain properties (excluding land) in 1983 and certain land (Note 10) in 1994. The resulting appreciation was accounted for as an increase in the carrying value of the properties and properties leased to others. A reserve for land value increment tax was also recognized, and the net appreciation was credited to unrealized appreciation under equity.

Depreciation expenses for properties were NT\$1,871,930 thousand and NT\$1,803,567 thousand in the years ended December 31, 2008 and 2007, respectively.

b.Capitalized interest on properties was as follows:

	December 31	
	<u>2008</u>	<u>2007</u>
Total interest expense	\$1,271,459	\$1,034,642
Less: Interest capitalized - 2.39%-3% in 2008 and 2.18%-2.98% in 2007	54,439	70,602

## 10.NONOPERATING PROPERTIES - NET

### December 31, 2008

	Cost	Appreciation (Note 11)	Accumulated Depreciation Cost	Accumulated Depreciation Appreciation (Note 11)	Accumulated Impairment Loss	Carrying Amount
<b>Properties leased to others</b>						
Land	\$5,335	\$26,736	\$-	\$-	\$-	\$32,071
Building and equipment	61,527	1,201	4,375	152	-	58,201
Machinery and equipment	241	6	88	6	-	153
Furniture and miscellaneous equipment	730	-	334	-	-	396
	<u>67,833</u>	<u>27,943</u>	<u>4,797</u>	<u>158</u>	<u>-</u>	<u>90,821</u>
<b>Idle properties</b>						
Land	938	38,378	-	-	-	39,316
Building and equipment	356,345	23,214	78,874	2,059	22,709	275,917
Machinery and equipment	670,236	10	279,874	10	119,776	270,586
Furniture and miscellaneous equipment	4,120	-	3,956	-	164	-
	<u>1,031,639</u>	<u>61,602</u>	<u>362,704</u>	<u>2,069</u>	<u>142,649</u>	<u>585,819</u>
	<u>\$1,099,472</u>	<u>\$89,545</u>	<u>\$367,501</u>	<u>\$2,227</u>	<u>\$142,649</u>	<u>\$676,640</u>

### December 31, 2007

<b>Properties leased to others</b>						
Land	\$5,335	\$26,736	\$-	\$-	\$-	\$32,071
Building and equipment	9,025	1,201	1,800	104	-	8,322
Machinery and equipment	11	6	9	3	-	5
Furniture and miscellaneous equipment	504	-	196	-	-	308
	<u>14,875</u>	<u>27,943</u>	<u>2,005</u>	<u>107</u>	<u>-</u>	<u>40,706</u>
<b>Idle properties</b>						
Land	\$938	\$38,378	\$-	\$-	\$-	\$39,316
Building and equipment	279,640	8,419	64,273	965	22,709	200,112
Machinery and equipment	601,128	10	200,761	10	90,220	310,147
Furniture and miscellaneous equipment	3,962	-	3,955	-	7	-
	<u>885,668</u>	<u>46,807</u>	<u>268,989</u>	<u>975</u>	<u>112,936</u>	<u>549,575</u>
	<u>\$900,543</u>	<u>\$74,750</u>	<u>\$270,994</u>	<u>\$1,082</u>	<u>\$112,936</u>	<u>\$590,281</u>

Depreciation on properties leased to others amounted to NT\$2,843 thousand in 2008 and NT\$987 thousand in 2007.

## 11.FARMLAND

	<u>2008</u>	<u>2007</u>
Cost	\$232,121	\$232,121
Appreciation	44,540	44,540
Total cost and appreciation	<u>\$276,661</u>	<u>\$276,661</u>

The titles to the land are temporarily registered in the name of trustees who have either signed an agreement showing the farmlands belong to the Company or have pledged the land to the Company.

## 12.SHORT-TERM BANK LOANS

	<u>2008</u>	<u>2007</u>
Unsecured loans: Interest - 1.00%-5.23% in 2008 and 4.865%-6.34% in 2007. The balance included US\$94,002 thousand and EUR1,355 thousand and US\$87,766 thousand on December 31, 2008 and 2007, respectively	\$5,926,012	\$2,855,477
Secured loans: Interest - 1.78%-3.8013% in 2008 and include US\$9,841 thousand on December 31, 2008	682,791	-
	<u>\$6,608,803</u>	<u>\$2,855,477</u>

## 13.LONG-TERM LIABILITIES

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
<b>December 31, 2008</b>			
Long-term debts:			
Bank loans	\$377,320	\$27,720,000	\$28,097,320
Commercial paper	-	2,098,170	2,098,170
	<u>377,320</u>	<u>29,818,170</u>	<u>30,195,490</u>
Bonds:			
Nonconvertible	1,500,000	7,600,000	9,100,000
Exchangeable bond	-	2,500,000	2,500,000
Discounted exchangeable bond	-	(215,988)	(215,988)
	<u>-</u>	<u>2,284,012</u>	<u>2,284,012</u>
	<u>1,500,000</u>	<u>9,884,012</u>	<u>11,384,012</u>
	<u>\$1,877,320</u>	<u>\$39,702,182</u>	<u>\$41,579,502</u>
<b>December 31, 2007</b>			
Long-term debts:			
Bank loans	\$-	\$28,910,000	\$28,910,000
Commercial paper	-	2,446,800	2,446,800
	<u>-</u>	<u>31,356,800</u>	<u>31,356,800</u>
Bonds:			
Nonconvertible	4,000,000	4,300,000	8,300,000
Exchangeable bond	-	2,500,000	2,500,000
Discounted exchangeable bond	-	(274,320)	(274,320)
	<u>4,000,000</u>	<u>6,525,680</u>	<u>10,525,680</u>
	<u>\$4,000,000</u>	<u>\$37,882,480</u>	<u>\$41,882,480</u>

### Bank Loans

Bank interest rates were 1.60% to 5.3819% in 2008 and 2.297% to 3.90% in 2007. Both the principal and interest are repayable monthly until September 2013.

On September 12, 2008, the Company reached a medium-term syndicated loan agreement with creditor banks led by Hua Nan Commercial Bank. The total loan agreement was NT\$5,700,000 thousand. Under this agreement, the Company should keep its current ratio, liability ratio, tangible asset-equity ratio and EBIT ratio within certain ranges. As of December 31, 2008, the Company was in compliance with these ratio requirements.

### Commercial Paper

Commercial paper with one-year maturities had floating interest rates ranging from 1.473%-1.838%, as of December 31, 2008 and 2.480%-2.577%, as of December 31, 2007. Under a revolving credit agreement, a consortium of banks guaranteed the commercial paper to be reissued by the Company.

### Bonds

FETL issued five-year nonconvertible bonds as follows:

a.69th tranche on January 28, 2003. These bonds have an aggregate face value of NT\$1,000,000 thousand, with each unit having a face value of NT\$1,000 thousand. They are repayable in lump sum on maturity, with composite interest calculated semiannually and paid annually. The composite interest rate were 0% as of December 31, 2007 and December 31, 2006. The Company has already redeemed the full amount in January 2008.



b.70th tranche on August 4 to 6, 2003. These bonds have an aggregate face value of NT\$2,000,000 thousand, with each unit having a face value of NT\$10,000 thousand. They are repayable in lump sum on maturity, with composite interest calculated semiannually and paid annually. The composite interest rate were 0% as of December 31, 2007 and December 31, 2006. The Company has already redeemed the full amount in August 2008.

c.71st tranche on October 22, 2003. These bonds have an aggregate face value of NT\$1,000,000 thousand, with each unit having a face value of NT\$10,000 thousand. They are repayable in lump sum on maturity, with composite interest calculated semiannually and paid annually. The Company has already redeemed the full amount in October 2008.

d.72nd tranche on August 13, 2004. The total face value of the bond is NT\$1,500,000 thousand, with each unit having a face value of NT\$10,000 thousand. These bonds are repayable in lump sum on maturity, with the interest rate of 1.47% as of December 31, 2008 and 1.68% as of December 31, 2007, respectively. Interest is calculated quarterly and paid annually.

The Company made a two-part bond issuance, with the first issuance of three-year unsecured bonds on October 31, 2007. The bonds have an aggregate face value of NT\$800,000 thousand, with each unit having a face value of NT\$1,000 thousand. The bonds are repayable in lump sum on maturity, with 2.62% interest calculated and paid annually.

The Company made the second issuance on November 22, 2007. The bonds have an aggregate face value of NT\$2,000,000 thousand, with each unit having a face value of NT\$1,000 thousand. The bonds are repayable in lump sum on maturity, with 2.80% interest calculated and paid annually.

On May 28, 2008, the Company made a three-part bond issuance, with the first issuance consisting of three-year unsecured bonds. The bonds have an aggregate face value of NT\$2,600,000 thousand, with each unit having a face value of NT\$1,000 thousand. The bonds are repayable in lump sum on maturity, with 2.67% interest calculated and paid annually.

The Company made a second bond issuance on June 20, 2008. The bonds have an aggregate face value of NT\$1,000,000 thousand, with each unit having a face value of NT\$1,000 thousand. The bonds are repayable in 30%, 30% and 40% of aggregate face value, respectively, at the end of the third, fourth and fifth year after bond issuance, and with 2.83% interest calculated and paid annually.

The Company made a third bond issuance on July 18, 2008. The bonds have an aggregate face value of NT\$1,000,000 thousand, with each unit having a face value of NT\$1,000 thousand. The bonds are repayable in 30%, 30% and 40% of aggregate face value, respectively, at the end of the third, fourth and fifth year after bond issuance, and with 2.95% interest calculated and paid annually.

To hedge against the risk due to interest rate fluctuation of nonconvertible bonds in 72nd tranches, the Company entered into interest rate swap contracts.

On September 14, 2007 the Company issued five-year unsecured exchangeable bonds amounting to NT\$2,500,000 thousand, with 0% coupon rate and maturity on September 14, 2012. The bond is repayable in lump sum on maturity at a 2.512% interest rate. Under the Statement of Financial Accounting Standards No. 36 - ("Financial Instruments: Disclosure and Presentation," the Company recognized the exchangeable call and put options and the liability on these bonds as separate assets (Note 5) and liabilities.

Other bond issuance terms are as follows:

a.Exchangeable period:

The bondholders can exchange their bonds for Asia Cement Corporation's (ACC) shares under the bond terms at any time between October 15, 2007, the day after the issuance date, and September 4, 2012, the 10th day before the maturity date, except during the period starting from (a) the third day before the ex-right date of stock dividend issuance, (b) the third day before the ex-right date of cash dividend issuance, (c) the third day before the ex-right date of new share issuance, or (d) the third day before the ex-right date of capital decrease, until the effective date of dividend or new share distribution or of capital decrease. In addition, bondholders cannot exchange bonds for ACC's shares in the period for which this exchange is prohibited by law.

b.Exchange price

1)The exchange price was NT\$57.88 per share on the issuance date.

2)The exchange price of the issued bonds will be adjusted in any one of these situations: (a) if the convertible securities issued by ACC are exchanged into common stock; (b) if the common shares issued by ACC increase because of new share issuance for cash, appropriation of stock dividends from retained earnings, transfer of stock dividends to common stock from additional paid-in capital, stock bonus of employees, new share issuance due to mergers, stock splits, issuance of overseas depository receipts; etc.; (c) if securities with conversion rights or stock rights have a lower conversion or exercise price than the market price of ACC's stocks; (d) if the number of ACC's common shares decreases for reasons other than the write-off of treasury shares; or (e) if the ratio of cash dividends to the market value of the common stock is higher than 1.5%. The original exchange price of NT\$51.77 was unchanged as of December 31, 2008.

c.Call option:

If the closing price of ACC's shares on the Taiwan Stock Exchange for each of the 30 consecutive trading days is at least 150% of the exchange price between October 15, 2007, the 30th day after the ACC's share issuance date, and August 5, 2012, the 40th day before the maturity date of the exchangeable bond, the Company may redeem all the outstanding bonds at their principal amount within 30 trading days after this increase in closing price by sending to the bondholders a registered redemption notice, which is valid for one month from the date of the notice. However, if the bond principal amount is less than NT\$250,000 thousand, 10% of the principal amount) the Company may redeem the outstanding bonds at any time after this decrease by also using the registered redemption notice.

d.Put option:

Bondholders can require the Company to redeem their holdings at 100% of the principal amount on September 14, 2010, three years after the issuance date.

The Company should redeem the bonds within five trading days after the bondholders' notifying the Company of their request for bond redemption.

e.As of December 31, 2008, the amount of the outstanding exchangeable bonds, i.e., not yet exchanged into ACC's common shares, was still NT\$2,500,000 thousand.

As of December 31, 2008, the Company had unused credit lines aggregating NT\$28,209,212 thousand (including the share credit of NT\$2,372,000 thousand with Yuan Ding Investment Co., Ltd.)

## 14.STOCKHOLDERS' EQUITY

Under government regulations, capital surplus from equity-method investments cannot be used for any purpose. However, other capital surplus (e.g., paid-in capital in excess of par value and that arising from business combination and treasury stock transactions) may be used to offset a deficit or transferred to capital as a stock dividend within prescribed limits.

The Company's Articles of Incorporation provide that a portion of annual net income, less 10% legal reserve and any deficit, together with prior years' unappropriated earnings, may be retained on the basis of operating requirements, and the remainder should be distributed as follows:

	<u>%</u>
a.Dividends	60.0
b.Bonus for stockholders	33.0
c.Bonus for employees	4.0
d.Remuneration for directors and supervisors	<u>3.0</u>
	<u>100.0</u>

All appropriations are approved by the stockholders in the following year and given effect to in the financial statements of that year. The Company's dividend policy takes into account future capital expenditure outlays and cash requirements resulting from any changes in tax regulations. For financing these capital expenditures, a portion of the earnings may be retained. The remaining earnings may then be distributed as stock and cash dividends, and the cash dividends should be equal to or greater than 10% of the sum of both dividends and remuneration of stockholders.

Under the regulations of the Securities and Futures Bureau, the Company appropriates special reserve equivalent to the total of net debit balances of each stockholders' equity account - except treasury stock - as of the balance sheet date. The special reserve is adjusted to reflect changes in the total net debit balances of the appropriate accounts.

The bonuses to employees and the remuneration to directors and supervisors were estimated at 4% and 3%, respectively, of the unappropriated earnings of 2008. If the actual amounts subsequently resolved by the stockholders differ from the estimates, the differences are recorded as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the date preceding the stockholders' meeting.

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

The appropriation and distribution of the 2007 and 2006 earnings were approved by the stockholders on June 18, 2008 and June 21, 2007, respectively.

	<u>Appropriation and Distribution</u>		<u>Dividend Per Share (Dollars)</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Legal reserve	\$1,135,123	\$829,288		
Cash dividend	8,064,624	5,654,807	\$1.80	\$1.30
Stock dividend	896,069	1,304,956	0.20	0.30
Remuneration of directors and supervisors	289,055	224,508		
Bonus of employees	<u>385,406</u>	<u>299,345</u>		
	<u>\$10,770,277</u>	<u>\$8,312,904</u>	<u>\$2.00</u>	<u>\$1.60</u>

As of December 31, 2007, capital increase from stock dividend of NT\$896,069 thousand had been approved by Financial Supervisory Commission Executive Yuan. The effective date of this distribution is August 29, 2008 and was approved by the Company's board of directors and registered on September 17, 2008.

Information on the bonus of employees approved by stockholder's meeting can be accessed online through the Market Observation Post System on the Web site of the Taiwan Stock Exchange Corporation (<http://emops.tse.com.tw>).

## 15.INCOME TAX

Under pronouncement No. 9145839 issued by the Ministry of Finance, R.O.C. on Article 49 of the Financial Holding Company Act and Article 40 of the Business Mergers and Acquisitions Law (the "Law"), if a company carries out a merger/consolidation, division or acquisition in accordance with Articles 27 through 29 of this Law and the subsidiary's shares held by the Company are 90 percent or more of the total number of the subsidiary's issued shares, the company may opt, from after a year of acquiring the subsidiary's shares, to serve as taxpayer for both itself and the subsidiary (i.e., use the linked-tax system) and file a combined final business income tax return.

In 2005, the Company adopted the linked-tax system for tax filing with a subsidiary, Far Eastern Resources Development Co., Ltd. (FERD).

a. Income tax components:

	<u>2008</u>	<u>2007</u>
Income tax expense on income before income tax at statutory rate (25%)	\$1,153,616	\$2,818,443
Add (deduct) tax effects of:		
Tax-exempt income	(6,884)	(1,794)
Permanent differences	(1,535,342)	(2,608,901)
Temporary differences	388,610	261,300
10% tax on undistributed earnings generated since 1998	74,949	2,428
Investment tax credit	62,777	(42,159)
Additional tax effects on linked-tax system for filing with subsidiaries	(131,209)	\$ -
Income tax	<u>\$6,517</u>	<u>\$ (93,283)</u>
Income tax benefit components:		
Current income tax payable	\$6,517	\$-
Effect of adoption of the linked tax system for filing	(62,777)	\$(93,283)
Income tax adjustment from previous year	48,820	-
	<u>\$(7,440)</u>	<u>\$(93,283)</u>

As of December 31, 2008 and 2007, prepaid income taxes of \$10,885 thousand were deducted from the balance of the Company's tax refund receivable.

b. Deferred income taxes:

	<u>2008</u>	<u>2007</u>
Current		
Deferred tax assets		
Allowance for losses on inventories	\$225,839	\$172,812
Unrealized loss on purchase contract	7,853	16,434
Investment tax credit	3,555	-
Unrealized exchange loss	-	-
	<u>237,247</u>	<u>198,246</u>
Deferred tax liabilities		
Unrealized exchange gain	(43,617)	-
Deferred income tax assets - current, net	<u>\$193,630</u>	<u>\$189,246</u>
Noncurrent		
Deferred tax assets		
Investment tax credits	\$203,027	\$310,798
Accrued pension cost	389,883	386,307
Equity in net loss of investees	264,123	84,919
Allowance for losses on properties	169,553	162,125
Realized losses on long-term investments	49,746	49,746
	<u>1,076,332</u>	<u>993,895</u>
Less: Valuation allowance	707,091	620,270
Deferred income tax assets	<u>\$369,241</u>	<u>\$373,625</u>

c. Unused investment tax credits and loss carryforwards as of December 31, 2008:

Regulatory Basis of Investment Tax Credits	Investment Tax Credit Item	Deductible Amount	Remaining Deductible Amount	Expiry Year
Statute for Upgrading Industries	Automatic equipment	\$91,403	\$91,403	2011
	Research development	105,083	105,083	2011
	Personnel training	6,493	6,493	2011
	Automatic technology	48	48	2010
	Others	3,555	3,555	2009
		<u>\$206,582</u>	<u>\$206,582</u>	

The tax authorities had examined and cleared the income tax returns through 2005.

d. Information on the Integrated Income Tax System:

	<u>2008</u>	<u>2007</u>
Year-end balances of imputation credit account (ICA)	<u>\$525,520</u>	<u>\$457,845</u>

The expected ratio of imputation tax credits to undistributed earnings as of December 31, 2008 and the actual ratio of imputation credits as of December 31, 2007 were 8.34% and 17.02%, respectively.

e.Information on unappropriated earnings:

	<u>2008</u>	<u>2007</u>
Unappropriated earnings before and of 1997	\$236,793	\$236,793
Unappropriated earnings after 1998	6,298,483	13,010,515
	<u>\$6,535,276</u>	<u>\$13,247,308</u>

The tax credits will be accumulated until the date of dividend distribution. Upon dividend distribution, the ratio of the imputed tax credits to unappropriated earnings based on the prevailing ICA balance will be used by the Company for allocating tax credits to the respective companies' stockholders. The expected creditable ratio for the 2008 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

## 16.PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	<u>2008</u>			<u>2007</u>		
	<u>Operating Cost</u>	<u>Operating Expense</u>	<u>Total</u>	<u>Operating Cost</u>	<u>Operating Expense</u>	<u>Total</u>
Personnel expense						
Salary	\$2,529,130	\$969,637	\$3,498,767	\$2,531,550	\$916,995	\$3,448,545
Labor and health insurance	184,782	50,920	235,702	185,433	47,721	233,154
Pension cost	140,336	53,019	193,355	213,019	73,016	286,035
Other	106,865	234,097	340,962	106,418	90,564	196,982
	<u>\$2,961,113</u>	<u>\$1,307,673</u>	<u>\$4,268,786</u>	<u>\$3,036,420</u>	<u>\$1,128,296</u>	<u>\$4,164,716</u>
Depreciation	<u>\$1,740,951</u>	<u>\$130,979</u>	<u>\$1,871,930</u>	<u>\$1,681,108</u>	<u>\$122,459</u>	<u>\$1,803,567</u>
Amortization	<u>\$286</u>	<u>\$33,283</u>	<u>\$33,569</u>	<u>\$4,078</u>	<u>\$44,183</u>	<u>\$48,261</u>

## 17.EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

	<u>Amounts (Numerator)</u>		<u>Shares in Thousands (Denominator)</u>	<u>Earnings Per Share</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<b>2008</b>					
Basic EPS	<u>\$4,614,504</u>	<u>\$4,621,944</u>	<u>4,569,954</u>	<u>\$1.01</u>	<u>\$1.01</u>
<b>2007</b>					
Basic EPS	<u>\$11,273,814</u>	<u>\$11,367,097</u>	<u>4,480,347</u>	<u>\$2.52</u>	<u>\$2.54</u>

The stock dividends distributed had been considered in calculating the 2007 basic EPS, which would resulted in the EPS before tax and after tax decrease from NT\$2.52 to NT\$2.47 and NT\$2.54 to NT\$2.49, respectively.

## 18.PENSION PLAN

a.The Labor Pension Act (the "Act") took effect on July 1, 2005. This Act provides for a defined contribution plan featuring a portable pension. Employees subject to the Labor Standards Law before July 1, 2005 were allowed to choose to remain subject to the pension mechanism under the Labor Standards Law or to be subject instead to the pension mechanism under the Act, with their service years accumulated before the enforcement of this Act to be retained. Those hired on or after July 1, 2005 automatically become subject to the Act.

b.Based on the Act, the rate of monthly contributions to the employees' individual pension fund accounts starting on July 1, 2005 is at 6% of monthly wages and salaries. The pension costs under the defined contribution plan amounted to NT\$48,759 thousand and NT\$24,791 thousand in the years ended December 31, 2008 and 2007, respectively.

c.The Company has a defined benefit pension plan for all regular employees, as required under the Labor Standards Law. Under this pension plan, employees can accumulate two base points for every service year within the first 15 service years and one base point for every service year thereafter. Employees can accumulate up to 45 base points. These companies accrue pension costs on the basis of actuarial calculations and make monthly contributions, at 4% of salaries and wages, to their respective pension funds, which are administered by their respective pension plan committees and deposited in each committee's name in the Bank of Taiwan.

Other information on the defined benefit pension plan was as follows:

a.Net pension cost consists of:

	<u>2008</u>	<u>2007</u>
Service cost	\$108,335	\$126,173
Interest cost	<u>133,247</u>	<u>123,866</u>

Expected return on pension assets	(204,237)	(136,872)
Amortization	108,151	132,185
Net pension cost	<u>\$145,496</u>	<u>\$245,352</u>

b.Reconciliation of the fund status of the plan and accrued pension cost was as follows:

Benefit obligation:		
Vested benefit obligation	\$2,219,204	\$2,407,645
Non-vested benefit obligation	1,921,612	1,957,444
Accumulated benefit obligation	4,140,816	4,365,089
Additional benefits based on future salaries	984,231	882,824
Projected benefit obligation	5,125,047	5,247,913
Fair value of plan assets	(2,206,901)	(3,476,515)
Funded status	2,918,146	1,771,398
Unrecognized net transition obligation	(366,537)	(488,718)
	300,251	-
Unrecognized pension gains	(1,569,470)	(14,591)
Additional liability	651,525	-
Accrued pension cost	<u>\$1,933,915</u>	<u>\$1,268,089</u>
c.Vested benefit amounts	<u>\$2,946,852</u>	<u>\$3,015,224</u>

d.Actuarial assumptions were as follows:

Discount rate used in determining present value	2.25%	2.75%
Future salary increasing rate	2.00%	2.00%
Expected rate of return on plan assets	6.00%	6.00%

e.Changes in pension funds

Contributions	<u>\$131,195</u>	<u>\$132,305</u>
Payments	<u>\$167,033</u>	<u>\$130,953</u>

## 19.RELATED-PARTY TRANSACTIONS

The Company's related parties are shown in Schedule A (attached). The Company's related-party transactions in 2008 and 2007 and the related year-end balances, in addition to those mentioned above, are summarized in the accompanying Schedule A, B and C.

## 20.ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged or mortgaged as collateral for the Company's short-term loans and long-term liabilities:

	<u>2008</u>	<u>2007</u>
Notes receivable	-	\$250,860
Mutual funds and investments	\$845,003	1,131,683
Properties - net	5,041,881	5,504,388
Nonoperating properties - net	59,180	64,085
	<u>\$5,946,064</u>	<u>\$6,951,016</u>

## 21.COMMITMENTS AS OF DECEMBER 31, 2008

a.Unused letters of credit aggregated about NT\$1,401,066 thousand.

b.Unpaid building construction and equipment installation contracts aggregated approximately NT\$88,826 thousand.

c.Unsettled cotton futures contract amounted to about NT\$111,157 thousand.

d.Endorsements of promissory notes issued by affiliates or guarantees for liabilities of other affiliates: Schedule E (attached)

e.The tax authorities of Taipei County imposed a land tax from 1999 to 2003 on the land in Banciao and penalized the Company with a triple fine, totaling NT\$252,442 thousand, because the authorities believed that this land, which FETL registered as a property for manufacturing purposes, was being used for general purposes instead and that FETL did not register the change in purpose of the land. The Company disagreed with the tax authorities' decision and applied for reexamination on December 27, 2004. However, after the reexamination, the tax authorities did not reverse their decision. Thus, the Company filed a lawsuit against the authorities on June 1, 2005. Though the result of this case is uncertain, the Company already accrued expense for this case in 2005. On January 18, 2006, the Company filed an appeal with the Taipei High Administrative Court and still lost the lawsuit. The Company appealed to the Supreme Administrative Court on January 3, 2007. The Supreme Administrative Court rejected this appeal on May 31, 2007. The Company applied for reexamination on July 13, 2007. As of December 31, 2007, this case was still pending before the court. Nevertheless, the Company paid all its tax fines on August 30, 2007.

## 22. FINANCIAL INSTRUMENTS

a. The fair values of financial instruments were as follows:

	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b><u>Nonderivative financial instruments</u></b>				
<b>Financial assets</b>				
Cash	\$5,275,744	\$5,275,744	\$7,090,598	\$7,090,598
Notes receivable	426,799	426,799	856,005	856,005
Accounts receivable, net	6,712,735	6,712,735	6,772,300	6,772,300
Other financial assets - current	472,777	472,777	275,904	275,904
Financial assets carried at cost-noncurrent	53,667	-	53,667	73,977
Equity-method investments	105,870,248	-	106,612,437	130,864,680
Refundable deposits (under "other assets - others")	60,357	60,357	55,248	55,248
<b>Financial liabilities</b>				
Short-term bank loans	6,608,803	6,608,803	2,855,447	2,855,447
Notes payable	1,767	1,767	8,828	8,828
Accounts payable	1,973,753	1,973,753	3,465,635	3,465,635
Accrued expense	2,176,594	2,176,594	1,711,055	1,711,055
Long-term loans (including current portion)	28,097,320	28,097,320	28,910,000	28,910,000
Commercial paper	2,098,170	2,098,170	2,446,800	2,446,800
Bonds payable (including current portion)	11,384,012	11,455,991	10,525,680	10,663,102
Guarantee deposits received (under "other liabilities-others")	615	615	615	615
<b><u>Derivative financial instruments</u></b>				
<b>Foreign</b>				
Cotton futures contracts	29,941	29,941	38,955	38,955
Forward contracts	49,500	49,500	(13,031)	(13,031)
Interest rate swap contracts	(30,362)	(30,362)	(63,816)	(63,816)
Exchangeable bonds exchange right	(7,656)	(7,656)	(347,750)	(347,750)
Exchangeable bonds redemption right	(30,500)	(30,500)	(31,000)	(31,000)
Exchangeable bonds collection right	(42,000)	(42,000)	104,500	104,500

b. The methods and assumptions used for estimating the fair values of financial instruments were as follows:

- 1) Short-term instruments: The carrying values of short-term instruments reported in the balance sheet approximate the fair values of these instruments because of their short maturities.
- 2) If quoted market prices are available, these are used as fair values of derivative financial instruments. For those derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.
- 3) If quoted market prices are available, these are values of equity-method investments. The fair values of financial assets carried at cost - noncurrent and equity-method investments in stocks with no quoted market prices cannot be reasonably measured since the quoted market prices are not available.
- 4) Fair values of long-term bank loans (including current portion) are estimated using discounted cash flow analysis based on the Company's current incremental borrowing rates for borrowings with similar maturity dates. Fair values of bonds payable (including current portion) (traded over the counter) are based on market price.
- 5) The values of refundable deposits and guarantee deposits are based on their carrying values.

c. The fair values of financial assets and financial liabilities, which were determined at their quoted prices in an active market or at estimated prices, were as follows:

	Quoted Price		Estimated Price	
	2008	2007	2008	2007
<b><u>Derivative financial instruments</u></b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss - current - FETL	\$29,941	\$38,955	\$-	\$-
- FEIH	3,431	5,331	-	-
Exchangeable bonds collection right - FETL	-	-	49,500	104,500
Interest rate swap contracts	-	-	8,070	-
<b>Liabilities</b>				
Forward contract - FETL	(30,362)	(13,031)	-	-
- FEIH	(2,491)	(9,887)	-	-
Interest rate swap - FETL	-	-	(7,656)	(63,816)
- Yuan Ding Investment	-	-	-	(2,370)
- Far EastTone	-	-	-	(21,601)
Exchangeable bonds exchange right - FETL	-	-	(30,500)	(347,750)
Exchangeable bonds redemption right - FETL	-	-	(42,000)	(31,000)

d.As of December 31, 2008 and 2007, financial assets with fair value risk from interest rate fluctuations amounted to NT\$4,928,414 thousand and NT\$5,961,085 thousand, respectively, while financial liabilities with fair value risk from interest rate fluctuations amounted to NT\$45,320,872 thousand and NT\$41,946,911 thousand, respectively. As of December 31, 2008 and 2007, financial assets with cash flow risk from interest rate fluctuations amounted to NT\$377,948 thousand and NT\$1,153,796 thousand, respectively, while financial liabilities with cash flow risk from interest rate fluctuations amounted to NT\$2,875,704 thousand and NT\$2,855,477 thousand, respectively.

e.For the years ended December 31, 2008 and 2007, financial assets and liabilities not measured by fair value and at fair value with fair value changes in profit or loss, their interest revenues were NT\$177,137 thousand and NT\$113,743 thousand, respectively; interest expenses were NT\$1,217,020 thousand and NT\$964,040 thousand, respectively.

f.Financial risks

1)Market risk

**Forward contracts and currency option contracts**

The Company uses forward contracts and currency option contracts to hedge the effect of adverse exchange rate fluctuations on net assets or net liabilities.

The Company had no outstanding currency option contracts as of December 31, 2008 and 2007. As about the outstanding forward contracts of December 31, 2008 and 2007, please refer to Note 6.

In 2008 and 2007, Oriental Textile Industry Suzhou Ltd. (OTIZ), Far Eastern Industries (Shanghai) Ltd. (FEIS), Far Eastern Industries (Wuxi) Ltd. (FEIW), and Sino Belgium (Suzhou) Ltd. in China authorized FEIH to use certain derivative financial instruments to hedge against adverse fluctuations on exchange rates for foreign investments.

A subsidiary, Yuan Tong Investment Co., Ltd., used trading forward contracts to hedge against adverse fluctuations on exchange rates for foreign-currency assets and liabilities. As of December 31, 2008, Yuang Tong had no outstanding forward contracts.

The outstanding forward contracts held by FEIH as of December 31, 2008 and 2007 are summarized as follows:

<u>Type of Derivative Instrument</u>	<u>Currency</u>	<u>Maturity</u>	<u>Contract Amount (Thousands)</u>
December 31, 2008			
Sell	USD/CAD	2009.1.23-2009.2.25	USD2,000/CAD2,339
December 31, 2007			
Sell	USD/CAD	2008.1.25-2008.3.25	USD10,000/CAD9,779
Sell	USD/JPY	2008.1.30	USD7,000/JPY752,737
Buy	EUR/USD	2008.1.30	EUR4,000/USD5,954

The subsidiary, Far Eastern Investment (Holding) Ltd. had net loss of NT\$54,054 thousand and gains of NT\$5,782 thousand resulted from derivative financial instruments, respectively in 2008 and 2007.

In 2008, the subsidiary, Yuan Tong Investment Co., Ltd. had net gain of NT\$12,988 thousand resulted from derivative instruments.

**Interest rate swap contracts**

The Company used interest rate swap contracts to hedge fluctuations of interest rates of corporate bonds (69th, 70th, 71st and 72nd tranches) in the years ended December 31, 2008 and 2007. The Company has already redeemed the full amount of corporate bonds 69th, 70th and 71st tranches.

Yuan Ding Investment entered into interest rate swap contracts to hedge interest rate fluctuations of corporate bonds - ninth issue. YDI used interest rate swap contracts to hedge the effect of interest rate fluctuations on its obligations with floating interest rates. The contracts are settled at net amounts. Thus, the market risk is not material.

Far Eastone entered into interest rate swap contracts to hedge the effect of interest rate fluctuations on its obligations with floating interest rates. The contracts are settled at net amounts. Therefore, the market risk is not material.

**Cotton futures contracts**

FEIW authorized FEIH to use certain cotton futures contracts to hedge overall fluctuations on cotton prices. The strategy is to hedge FEIW's market risk exposure. Since these transactions do not meet the criteria for hedge accounting, they were classified as used for trading purpose. FEIH had no outstanding cotton futures contracts on December 31, 2008 and 2007.

**Others**

Fair values of mutual funds and domestic quoted stocks held by KG Telecom and ARCOA are determined at their quoted prices in an active market; thus, market price fluctuations would result in changes in the fair values of these investments. However, since KG Telecom and ARCOA periodically evaluates the performance of these investments, market risk is expected to be immaterial.

2)Credit risk

The Company and its subsidiaries are exposed to credit risk, i.e., counter-parties' default on contracts. Factors affecting credit risks are the concentration of credit risk, components of derivative financial instruments, contract amounts and other receivables on financial instruments used by the Company. And

these financial instruments are evaluated on the basis of fair value under the contract as of December 31, 2008.

The Company conducts transactions only with selected financial institutions and corporations with good credit ratings. Thus, management does not anticipate any material losses resulting from default on contracts.

### 3)Liquidity risk

The exchange rates of forward exchange contracts and currency option contracts, interest of interest rate swap contracts and prices of cotton futures contracts are fixed and certain. In addition, the Company has sufficient operating capital to meet cash flow requirements. Thus, the Company does not have liquidity risk. However, financial assets measured at cost and equity-method investments have no active market; thus, material liquidity risk on these assets and investments is anticipated.

The subsidiaries of KG Telecom and ARCOA invested in mutual funds that have quoted prices in active markets and can be sold immediately at prices close to their fair values. However, KG Telecom also invested in domestic private fund and equity instruments with no quoted prices in an active market; thus, these investments could expose KG Telecom to material liquidity risks. Moreover, KG Telecom entered into cross-currency swap to hedge cash flow risk. However, because of the simultaneous cash inflow and outflow on these swaps, the aggregate net cash flow is expected to be insignificant.

The subsidiaries of Yuan Ding Investment Co., Ltd. and Kai-Yuan Investment Co., Ltd. participated in private capital equity which Far Eastern Department Stores Co., Ltd. provided. Under the Securities and Exchange Law, Article 43-8 specifies that the privately placed securities are subjected to the restrictions of holding period and trading volume. As a result, liquidity risk on these securities is anticipated.

### 4)Cash-flow risk from interest rate fluctuations

Far EasTone and its subsidiaries have short-term and long-term liabilities with floating interest rates. For bonds, the effective interest rates will change as the market interest rates change.

### g.Cash flow hedge

There were cash flows on the Company's 69th to 72nd tranches of nonconvertible bonds. In addition, Young Ding Investment's 9th tranche of nonconvertible bonds and Far EasTone's liabilities had floating interest rates, which are affected by market interest changes. Because the Company evaluated that the cash flow risks on these bonds would be material, the Company used interest rate swaps to hedge against risks due to interest rate fluctuations.

Hedged Items	Designated Hedging Instruments		Expected Period of Cash Flows	Expected Period for Realization of Gains or Losses
	Designated Financial Instruments	Fair Value		
		December 31		
	2008	2007		
Bonds with floating interest rate	Interest rate swap			
	- FETL	\$(7,656)	\$(63,816)	2003-2009
	- Yuan Ding Investment	8,070	(2,370)	2005-2009
	- Far EasTone	-	(21,601)	2003-2008

## 23.ADDITIONAL DISCLOSURES

a.Following are the additional disclosures required by the Securities and Futures Bureau for the Company and investees:

- 1)Financing provided: Schedule D (attached)
- 2)Endorsement/guarantee provided: Schedule E (attached)
- 3)Short-term and long-term stock investments held: Schedule F (attached)
- 4)Securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the capital stock: Schedule G (attached)
- 5)Acquisition of individual real states at costs of at least NT\$100 million or 20% of the capital stock: Schedule H (attached)
- 6)Disposal of individual real states at prices of at least NT\$100 million or 20% of the capital stock: None
- 7)Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the capital stock: Schedule I (attached)
- 8)Receivables from related parties amounting to at least NT\$100 million or 20% of the capital stock: Schedule J (attached)
- 9)Names, locations, and related information of investees on which the Company exercises significant influence: Schedule K (attached)
- 10)Derivative financial transactions of investees: See Note 22.

b.Investments 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: Schedules L and L-1 (attached)

2)Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss: Schedules B and C (attached)

3)Endorsement/guarantee provided by the investee company: None.

4)Financing provided by the investee company: Schedule D.

5)Other transactions with significant impact on current year's profit or loss and financial status: None.

## 27.SEGMENT INFORMATION

a.Industry segment information. Summarized segment information is shown in Schedule M.

b.Geographic information. The Company had no revenue-generating unit outside Taiwan as of December 31, 2008.

c.Export sales

<b>Territory</b>	<b>2008</b>	<b>2007</b>
Asia	\$15,672,363	\$15,700,919
America	13,922,748	12,775,774
Europe	5,473,177	4,438,741
Other	1,692,252	1,363,824
	<u>\$36,760,540</u>	<u>\$34,279,258</u>

d.Major customers. No single customer accounted for at least 10% of the Company's revenues in 2008 and 2007.

# CONSOLIDATED BALANCE SHEETS

## 合併資產負債表

December 31, 2008 and 2007 (In NT\$ Thousands, Except Par Value)

民國九十七年及九十六年十二月三十一日(單位：除每股面額為新台幣元外，餘係仟元、仟股)

ASSETS 資產	2008		2007	
	Amount	%	Amount	%
<b>CURRENT ASSETS 流動資產</b>				
Cash and cash equivalents 現金及約當現金 (Notes 2 and 5)	\$22,946,534	8	\$24,206,234	9
Financial assets at fair value through profit or loss 公平價值變動列入損益之金融資產 (Notes 2 and 6)	507,594	-	901,379	-
Available-for-sale financial assets - current 備供出售金融資產-流動 (Notes 2 and 21)	8,070	-	1,833,155	1
Held-to-maturity financial assets - current 持有至到期日金融資產-流動 (Notes 2,7 and 30)	1,988,763	1	-	-
Bonds carried at amortized cost - current 無活絡市場之債券投資-流動 (Notes 2 and 8)	3,000	-	3,000	-
Notes and accounts receivable - net 應收票據及帳款-淨額 (Notes 2, 22, 25 and 30)	23,639,761	9	22,457,546	8
Receivables from related parties - net 應收關係企業款項 (Notes 2, 22 and 29)	1,356,264	1	1,320,065	1
Inventories - net 存貨-淨額 (Notes 2 and 9)	14,106,280	5	16,098,068	6
Available for sale - building and land, net 待售房地-淨額 (Notes 2 and 22)	30,339	-	20,070	-
Available for construction - land 待建土地 (Notes 2, 10, 22 and 30)	620,013	-	620,013	-
Construction-in-progress 在建工程-減預收工程款淨額 (net of billings on construction-in-progress) (Notes 2, 11, 22, 29 and 30)	2,986,412	1	2,804,316	1
Other financial assets - current 其他金融資產-流動 (Note 30)	1,548,275	1	1,165,169	1
Deferred income taxes - current 遞延所得稅資產-流動 (Notes 2 and 24)	940,653	-	957,727	-
Prepayments and other current assets 預付款項及其他流動資產 (Notes 2, 11, 22 and 29)	2,876,028	1	3,678,997	1
Total current assets 流動資產合計	73,557,986	27	76,065,739	28
<b>FUNDS AND INVESTMENTS 基金及投資 (Notes 2, 7, 12, 13, 29 and 30)</b>				
Available-for-sale financial assets - noncurrent 備供出售金融資產-非流動	56,682	-	117,355	-
Equity-method investments 採權益法之長期股權投資	48,681,533	18	56,201,529	20
Financial assets carried at cost - noncurrent 以成本衡量之金融資產-非流動	1,822,973	1	1,988,200	1
Total funds and investments 基金及投資合計	50,561,188	19	58,307,084	21
<b>PROPERTIES (Notes 2, 14, 26, 29 and 30)</b>				
Cost 成本				
Land 土地	5,528,506	2	4,017,593	1
Buildings and equipment 房屋及建築	17,610,071	6	16,624,668	6
Machinery and equipment 機器及設備	88,794,622	33	64,892,456	24
Operating equipment 電信設備	107,819,938	40	103,698,114	38
Computer equipment 電腦設備	16,010,904	6	15,056,290	6
Leasehold improvements 租賃權益改良	1,737,877	1	1,737,225	1
Miscellaneous equipment 營運及其他設備	6,358,794	2	6,095,701	2
Total cost 合計成本	243,860,712	90	212,122,047	78
Appreciation 重估增值	21,911,140	8	21,985,749	8
Total cost and appreciation 成本及重估增值合計	265,771,852	98	234,107,796	86
Less: Accumulated depreciation 減:累積折舊	153,762,709	57	127,619,641	47
	112,009,143	41	106,488,155	39
Construction in progress and prepayments for business facilities 未完工程及預付設備款	10,891,635	4	9,145,700	3
Net properties 固定資產淨額	122,900,778	45	115,633,855	42
<b>INTANGIBLE ASSETS 無形資產</b>				
Deferred pension costs 遞延退休金成本 (Notes 2 and 28)	90,592	-	6,463	-
Goodwill 商譽 (Notes 2 and 15)	11,084,911	4	10,596,637	4
3G license fee 特許執照費 (Notes 1, 2 and 16)	7,307,065	3	8,037,772	3
Land leasehold rights - net 土地使用權-淨額 (Notes 2 and 30)	1,052,635	-	958,563	-
Other intangible assets 其他無形資產合計 (Notes 2, 4 and 26)	385,942	-	192,369	-
Total intangible assets	19,921,145	7	19,791,804	8
<b>OTHER ASSETS 其他資產</b>				
Nonoperating properties - net 非營業用資產-淨額 (Notes 2, 14 and 30)	1,237,484	1	1,196,927	1
Deferred income taxes - noncurrent 遞延所得稅資產-淨額 (Notes 2 and 24)	1,140,040	-	124,634	-
Refundable deposits 存出保證金 (Note 29)	484,400	-	482,291	-
Farmland 農業用地 (Note 17)	276,661	-	276,661	-
Deferred charges - net 遞延費用-淨額 (Notes 2 and 26)	662,087	-	380,465	-
Miscellaneous 其他 (Notes 2, 28, 29 and 30)	80,169	-	49,878	-
Total other assets 其他資產合計	3,880,841	2	2,510,856	1
<b>TOTAL 資產總計</b>	<b>\$270,821,938</b>	<b>100</b>	<b>\$272,909,148</b>	<b>100</b>

LIABILITIES AND STOCKHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES 流動負債</b>				
Short-term bank loans 短期借款 (Notes 18, 29 and 30)	\$27,698,393	10	\$17,497,734	6
Commercial paper 應付短期票券 (Notes 19 and 30)	5,233,968	2	3,060,630	1
Financial liabilities at fair value through profit or loss - current 公平價值變動列入損益之金融負債-流動 (Notes 2 and 6)	105,353	-	401,668	-
Hedging derivative liabilities - current 避險之衍生性金融負債-流動 (Notes 2 and 21)	7,656	-	21,601	-
Notes and accounts payable 應付票據及帳款 (Note 22)	11,322,395	4	10,763,048	4
Accounts and notes payable to related parties 應付關係企業款項 (Notes 22 and 29)	1,690,702	1	3,644,544	1
Income tax payable 應付所得稅 (Notes 2 and 24)	2,497,375	1	1,661,599	1
Accrued expenses 應付費用	7,813,933	3	6,581,972	3
Guarantee deposits - current 存入保證金-流動	713,367	-	837,648	-
Payables to suppliers of machinery and equipment 應付工程設備款	1,989,528	1	1,722,988	1
Sales revenue received in advance 預收貨款	694,820	-	616,119	-
Advances on land and building 預收房地款 (Notes 2, 11 and 22)	10,371	-	122,801	-
Revenue received in advance 預收收入 (Notes 2 and 29)	1,154,126	-	999,361	-
Billings on construction-in-progress (net of construction-in-progress) 預收工程款-減在建工程後淨額 (Notes 2, 20, 22 and 29)	30,151	-	20,441	-
Current portion of long-term liabilities 一年內到期之長期負債 (Notes 21 and 30)	9,175,340	3	13,604,156	5
Other current liabilities 其他流動負債 (Notes 2 and 14)	1,232,019	1	1,991,547	1
<b>Total current liabilities 流動負債合計</b>	<b>71,369,497</b>	<b>26</b>	<b>63,547,857</b>	<b>23</b>
<b>LONG-TERM LIABILITIES, NET OF CURRENT PORTION (Notes 2, 14, 21 and 30)</b>				
Long-term debts payable 長期借款	41,733,220	16	42,933,380	16
Bonds payable 應付公司債	13,881,849	5	13,322,299	5
Long-term lease obligations - noncurrent 應付租賃款-非流動	12,618	-	228,029	-
Derivative financial liabilities for hedging - noncurrent 避險之衍生性金融負債-非流動 (Notes 2 and 21)	-	-	66,186	-
<b>Total long-term liabilities 長期負債合計</b>	<b>55,627,687</b>	<b>21</b>	<b>56,549,894</b>	<b>21</b>
<b>RESERVE FOR LAND VALUE INCREMENT TAX 土地增值稅準備 (Note 14)</b>	<b>6,510,782</b>	<b>2</b>	<b>6,510,782</b>	<b>3</b>
<b>OTHER LIABILITIES 其他負債</b>				
Accrued pension cost 應計退休金負債 (Notes 2 and 28)	2,570,012	1	1,657,518	1
Guarantee deposits - noncurrent	318,539	-	253,824	-
Deferred income 遞延盈益 (Notes 2, 14 and 29)	1,078,588	-	1,129,742	-
Miscellaneous 其他 (Note 2)	532,713	-	328,430	-
<b>Total other liabilities 其他負債合計</b>	<b>4,499,852</b>	<b>2</b>	<b>3,369,514</b>	<b>1</b>
<b>Total liabilities 負債合計</b>	<b>138,007,818</b>	<b>51</b>	<b>129,978,047</b>	<b>48</b>
<b>STOCKHOLDERS' EQUITY OF PARENT COMPANY 母公司股東權益</b>				
Capital stock - NT\$10.00 par value 年度股本-每股面額10元	45,699,538	17	44,803,469	16
Capital surplus 資本公積				
Paid-in capital in excess of par value 股票溢價	932,814	-	932,814	1
Equity in capital surplus reported by investees 因長期股權投資按權益法計價而發生	9,120,172	4	8,386,464	3
Others 其他	7,672	-	8,719	-
<b>Total capital surplus 資本公積合計</b>	<b>10,060,658</b>	<b>4</b>	<b>9,327,997</b>	<b>4</b>
Retained earnings 保留盈餘				
Legal reserve 法定盈餘公積	8,196,285	3	7,061,162	3
Special reserve 特別盈餘公積	3,034,766	1	3,034,766	1
Unappropriated earnings 未分配盈餘	6,535,276	2	13,247,308	5
<b>Total retained earnings 保留盈餘合計</b>	<b>17,766,327</b>	<b>6</b>	<b>23,343,236</b>	<b>9</b>
Other stockholders' equity 股東權益其他項目				
Cumulative translation adjustments 累計換算調整數	3,696,557	1	1,706,254	1
Net loss not recognized as pension cost 未認列為退休金成本之淨損失	(656,261)	-	(69,966)	-
Unrealized valuation gains on financial instruments 金融商品未實現(損)益	(866,020)	-	4,268,337	1
Unrealized revaluation increment on properties 未實現重估增值	8,843,128	3	8,566,640	3
<b>Total other stockholders' equity 股東權益其他項目合計</b>	<b>11,017,404</b>	<b>4</b>	<b>14,471,265</b>	<b>5</b>
<b>Total stockholders' equity of parent company 母公司股東權益合計</b>	<b>84,543,927</b>	<b>31</b>	<b>91,945,967</b>	<b>34</b>
<b>MINORITY INTEREST 少數股權</b>	<b>48,270,193</b>	<b>18</b>	<b>50,985,134</b>	<b>18</b>
<b>Total stockholders' equity 股東權益合計</b>	<b>132,814,120</b>	<b>49</b>	<b>142,931,101</b>	<b>52</b>
<b>TOTAL 負債及股東權益總計</b>	<b>\$270,821,938</b>	<b>100</b>	<b>\$272,909,148</b>	<b>100</b>

# CONSOLIDATED STATEMENTS OF INCOME

## 合併損益表

Years Ended December 31, 2008 and 2007 (In Thousands, Except Net Income Per Share)  
民國九十七年及九十六年一月一日至十二月三十一日(單位：除每股盈餘為新台幣元外，餘係仟元)

	2008		2007	
	Amount	%	Amount	%
<b>REVENUES 營業收入 (Notes 2 and 29)</b>				
Net sales 銷貨收入-淨額	\$107,643,050	62	\$98,605,628	60
Telecommunications service income - net 電信服務收入	56,955,864	33	58,242,827	36
Income from sale of investments 出售證券淨益	3,077,251	2	1,998,549	1
Net construction income 營建收入-淨額	4,107,440	2	3,457,963	2
Other income 其他營業收入	1,159,181	1	1,037,867	1
<b>Total revenues 營業收入合計</b>	<b>172,942,786</b>	<b>100</b>	<b>163,812,806</b>	<b>100</b>
<b>COSTS OF REVENUES 營業成本 (Notes 2, 26 and 29)</b>				
Cost of sales 銷貨成本	101,378,261	59	91,023,371	56
Cost of telecommunications services 電信服務成本	27,233,385	16	27,017,579	16
Construction cost 營建成本	3,869,300	2	3,023,976	2
Other cost 其他營業成本	708,485	1	1,249,028	1
<b>Total costs of revenues 營業成本合計</b>	<b>133,189,431</b>	<b>77</b>	<b>122,313,954</b>	<b>75</b>
<b>GROSS PROFIT EXCLUDING REALIZED CONSTRUCTION INCOME 未包含已實現營建利益前之營業毛利</b>	<b>39,753,355</b>	<b>23</b>	<b>41,498,852</b>	<b>25</b>
<b>REALIZED CONSTRUCTION INCOME 已實現營建利益 (Notes 2 and 29)</b>	<b>556</b>	<b>-</b>	<b>556</b>	<b>-</b>
<b>GROSS PROFIT 營業毛利</b>	<b>39,753,911</b>	<b>23</b>	<b>41,499,408</b>	<b>25</b>
<b>OPERATING EXPENSES 營業費用 (Notes 2, 26 and 29)</b>				
Marketing 行銷費用	15,501,519	9	15,252,698	9
General and administrative 管理費用	8,038,210	5	7,866,284	5
Research and development 研發費用	722,921	-	809,058	-
<b>Total operating expenses 營業費用合計</b>	<b>24,262,650</b>	<b>14</b>	<b>23,928,040</b>	<b>14</b>
<b>OPERATING INCOME 營業利益</b>	<b>15,491,261</b>	<b>9</b>	<b>17,571,368</b>	<b>11</b>
<b>NONOPERATING INCOME AND GAINS 營業外收入及利益</b>				
Foreign exchange gain - net 兌換-淨益 (Note 2)	662,838	1	701,978	-
Interest 利息收入 (Note 29)	549,257	-	481,910	-
Gain on disposal of properties - net 處分固定資產利益 (Notes 2 and 6)	411,653	-	-	-
Cash dividends 股利收入	267,783	-	439,725	-
Rental 租金收入 (Note 29)	47,173	-	25,040	-
Investment income recognized under the equity method 採權益法認列之投資淨益 (Notes 2 and 13)	-	-	4,473,374	-
Gain on valuation of financial assets - net 金融資產評價利益-淨額 (Notes 2 and 6)	-	-	189,847	-
Reversal of loss on inventories 存貨跌價回升利益	-	-	91,047	-
Other 其他收入 (Note 29)	1,660,923	1	839,772	1
<b>Total nonoperating income and gains 營業外收入及利益合計</b>	<b>3,599,627</b>	<b>2</b>	<b>7,242,693</b>	<b>4</b>
<b>NONOPERATING EXPENSES AND LOSSES 營業外費用及損失</b>				
Interest 利息費用 (Notes 11,14 and 29)	2,791,776	2	2,372,921	1
Loss on disposal of properties 處分固定資產損失	720,032	-	-	-
Loss on decline in inventory market value 存貨跌價損失	422,782	-	514,318	-
Loss on valuation of financial assets 金融資產評價損失 (Notes 2 and 6)	389,929	-	-	-
Investment loss recognized under the equity method 採權益法認列之投資損失 (Notes 2 and 13)	168,042	-	-	-
Loss on equity-method investments 長期股權投資減損損失 (Notes 2, 7, 12 and 13)	60,907	-	135,740	-
Impairment loss on nonoperating properties 閒置資產減損損失	29,713	-	81,978	-
Valuation loss on financial liabilities - net 金融負債評價損失-淨額 (Notes 2 and 6)	-	-	49,579	-
Others 其他支出 (Notes 15, 29 and 31)	1,317,614	1	1,020,294	1
<b>Total nonoperating expenses and losses 營業外費用及損失合計</b>	<b>5,900,795</b>	<b>3</b>	<b>4,174,830</b>	<b>2</b>
<b>INCOME BEFORE INCOME TAX 稅前利益</b>	<b>13,190,093</b>	<b>8</b>	<b>20,639,231</b>	<b>13</b>
<b>INCOME TAX 所得稅費用 (Notes 2 and 24)</b>	<b>2,926,224</b>	<b>2</b>	<b>3,307,947</b>	<b>2</b>
<b>INCOME BEFORE EXTRAORDINARY GAIN 綜合純益</b>	<b>10,263,869</b>	<b>6</b>	<b>17,331,284</b>	<b>11</b>
<b>EXTRAORDINARY GAIN (NET, AFTER DEDUCTING INCOME TAX OF \$5,940 THOUSAND)</b>	<b>53,730</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CONSOLIDATED NET INCOME 合併總純益</b>	<b>\$10,317,599</b>	<b>6</b>	<b>\$17,331,284</b>	<b>11</b>
<b>BELONG TO: 歸屬於</b>				
Stockholders of parent company 母公司股東	\$4,621,944	3	\$11,367,097	7
Minority interest 少數股權	5,695,655	3	5,964,187	4
	\$10,317,599	6	\$17,331,284	11

	2008		2007	
	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income
<b>EARNINGS PER SHARE (Note 27) 每股盈餘</b>				
Basic 基本每股盈餘	\$1.01	\$1.01	\$2.47	\$2.49

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche audit report dated March 4, 2009)



**We enclose this 2009  
mid-year report**

# STATEMENT OF INCOME

For the half-year ended June 30, 2009

(NT dollars and shares in thousands, except per share amounts)

	Amount	%
<b>REVENUES (Notes 2 and 28)</b>		
Net sales	\$47,960,744	61
Telecommunications service income	27,118,874	35
Gain on disposal of investments-net	1,121,180	1
Net construction income	1,720,751	2
Other operating income	604,370	1
Total revenues	78,525,919	100
<b>COSTS OF REVENUES (Notes 2, 4, 9, 25 and 28)</b>		
Cost of sales	43,893,031	56
Cost of telecommunications services	13,615,469	17
Construction cost	1,633,352	2
Other operating cost	373,535	1
Total costs of revenues	59,515,387	76
<b>GROSS PROFIT EXCLUDING REALIZED CONSTRUCTION INCOME</b>	19,010,532	24
<b>REALIZED CONSTRUCTION INCOME (Notes 2 and 28)</b>	278	-
<b>GROSS PROFIT</b>	19,010,810	24
<b>OPERATING EXPENSES (Notes 2, 25 and 28)</b>		
Marketing	7,671,892	10
General and administrative	3,496,366	4
Research and development	312,711	-
Total operating expenses	11,480,969	14
<b>OPERATING INCOME</b>	7,529,841	10
<b>NONOPERATING INCOME AND GAINS</b>		
Investment income recognized under the equity method-net (Note 2)	2,341,977	3
Valuation gain on financial assets-net (Notes 2 and 6)	172,130	-
Gain on disposal of properties-net	161,586	-
Dividend income (Note 2)	122,278	-
Interest income (Note 28)	113,768	-
Rental income (Note 28)	33,408	-
Valuation gain on financial liabilities-net (Notes 2 and 6)	-	-
Other	305,039	1
Total nonoperating income and gains	3,250,186	4
<b>NONOPERATING EXPENSES AND LOSSES</b>		
Interest expense (Notes 11, 14 and 28)	902,134	1
Exchange loss-net (Note 2)	143,678	-
Impairment loss on assets (Note 2)	81,034	-
Valuation loss on financial liabilities-net (Notes 2 and 6)	3,429	-
Loss on disposal of properties-net	-	-
Valuation loss on financial assets-net (Notes 2 and 6)	-	-
Other	403,735	1
Total nonoperating expenses and losses	1,534,010	2
<b>CONSOLIDATED INCOME BEFORE TAX</b>	9,246,017	12
<b>INCOME TAX (Notes 2 and 24)</b>	1,803,394	3
<b>NET CONSOLIDATED INCOME</b>	\$7,442,623	9
<b>BELONG TO:</b>		
Shareholders of parent company	\$4,342,585	5
Minority interest	3,100,038	4
	\$7,442,623	9

# BALANCE SHEETS

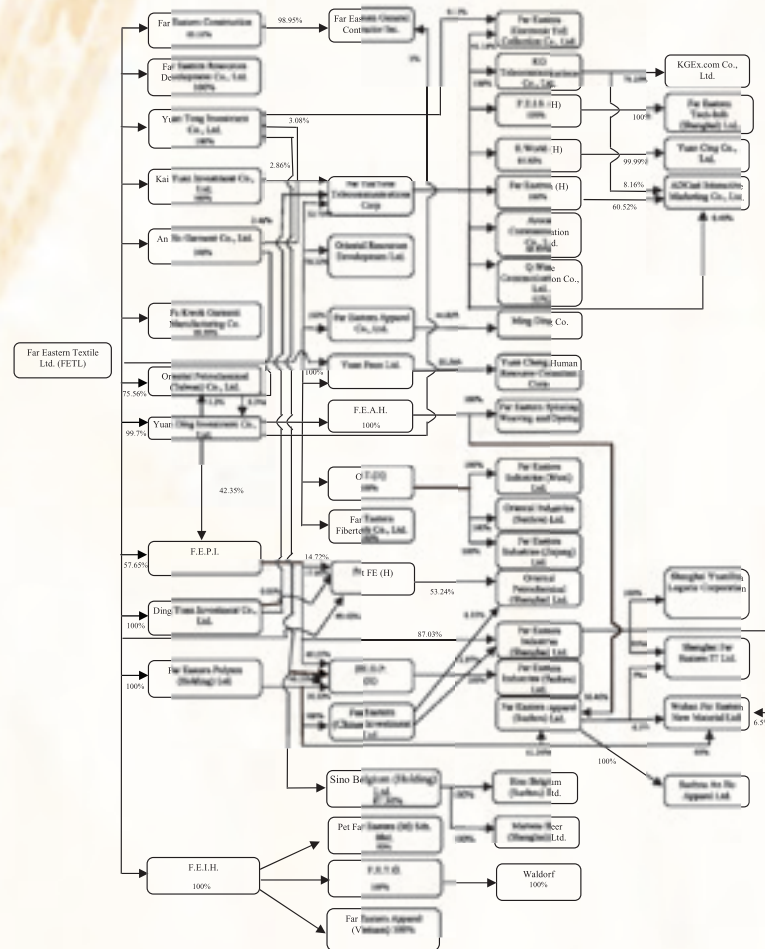
June 30, 2009

(NT dollars and shares in thousands)

ASSETS	Amount	%
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Notes 2 and 5)	\$22,533,065	8
Financial assets at fair value through profit or loss - current (Notes 2 and 6)	732,009	-
Available-for-sale financial assets - current (Notes 2 and 7)	3,005,560	1
Hedging derivative assets - current (Note 2)	970	-
Bond investments with no active market - current (Notes 2 and 8)	3,000	-
Notes and accounts receivable-net (Notes 2, 22 and 29)	21,119,570	8
Dividends receivable	1,796,728	1
Accounts and notes receivable from related parties-net (Notes 2, 22 and 28)	1,253,282	1
Other financial assets - current	753,529	-
Inventories-net (Notes 2, 4 and 9)	12,876,365	5
Available for sale - building and land-net (Notes 2 and 22)	30,339	-
Available for construction - land-net (Notes 2, 11, 22 and 29)	620,013	-
Construction-in-progress (net of billings on construction-in-progress) (Notes 2, 10, 22 and 29)	3,568,595	1
Deferred income taxes - current (Notes 2 and 24)	581,407	-
Prepayments and other current assets (Notes 2, 9, 22 and 29)	4,663,732	2
<b>Total current assets</b>	<b>73,538,164</b>	<b>27</b>
<b>FUNDS AND INVESTMENTS (Notes 2, 7, 8, 12, 13 and 29)</b>		
Available-for-sale financial assets - noncurrent	1,782,393	1
Financial assets carried at cost - noncurrent	3,400,230	1
Bond investments with no active market - noncurrent	293,454	-
Equity-method investments	47,136,320	18
<b>Total funds and investments</b>	<b>52,612,397</b>	<b>20</b>
<b>PROPERTIES (Notes 2, 14, 25 and 29)</b>		
Cost		
Land	5,506,970	2
Buildings	17,751,896	7
Machinery and equipment	90,934,270	34
Telecommunications equipment	108,283,526	40
Computer equipment	17,260,286	6
Leasehold improvements	1,854,217	1
Operating and miscellaneous equipment	7,904,493	3
Total cost	249,495,658	93
Appreciation	21,731,063	8
Total cost and appreciation	271,226,721	101
Less: Accumulated depreciation	160,351,895	60
	110,874,826	41
Construction in progress and prepayments for equipment	6,698,941	3
<b>Net properties</b>	<b>117,573,767</b>	<b>44</b>
<b>INTANGIBLE ASSETS</b>		
Deferred pension costs (Notes 2 and 27)	90,592	-
Goodwill (Notes 2 and 15)	11,744,107	4
3G license fee (Notes 1, 2 and 16)	6,941,712	3
Land leasehold rights-net (Notes 2, 25 and 29)	1,186,677	-
Other intangible assets (Notes 2 and 25)	85,575	-
<b>Total intangible assets</b>	<b>20,048,663</b>	<b>7</b>
<b>OTHER ASSETS</b>		
Nonoperating properties-net (Notes 2 and 29)	1,297,657	1
Deferred income taxes - noncurrent (Notes 2 and 24)	986,397	1
Refundable deposits (Notes 22 and 28)	461,191	-
Farmland (Note 17)	276,661	-
Deferred charges-net (Notes 2 and 25)	616,342	-
Other (Notes 29 and 30)	440,200	-
<b>Total other assets</b>	<b>4,078,448</b>	<b>2</b>
<b>TOTAL</b>	<b>\$267,851,439</b>	<b>100</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Short-term bank loans (Notes 18 and 29)	\$22,557,386	8
Commercial paper (Notes 19 and 29)	9,832,176	4
Financial liabilities at fair value through profit or loss - current (Notes 2 and 6)	153,925	-
Hedging derivative liabilities - current (Note 2)	-	-
Notes and accounts payable-net (Note 22)	12,496,205	5
Accounts and notes payable to related parties (Notes 22 and 28)	980,248	-
Income tax payable (Notes 2 and 24)	1,785,738	1
Accrued expenses (Note 28)	7,278,548	3
Guarantee deposits received - current	649,850	-
Payables to suppliers of machinery and equipment	962,731	-
Dividends payable	9,140,337	3
Sales revenue received in advance	939,022	-
Advances on land and building (Notes 2, 10 and 22)	322,685	-
Revenue received in advance (Note 2)	1,270,300	1
Billings on construction-in-progress (net of construction-in-progress) (Notes 2, 20, 22 and 28)	142,922	-
Current portion of long-term liabilities (Notes 2, 21 and 29)	6,758,299	3
Other current liabilities (Notes 2 and 28)	2,219,655	1
<b>Total current liabilities</b>	<b>77,490,027</b>	<b>29</b>
<b>LONG-TERM LIABILITIES, NET OF CURRENT PORTION</b>		
Long-term debt payable (Notes 21 and 29)	35,137,634	13
Bonds payable (Notes 2, 21 and 29)	11,911,402	5
Lease payable - noncurrent (Notes 2 and 28)	195	-
Hedging derivative liabilities - noncurrent (Note 2)	-	-
<b>Total long-term liabilities</b>	<b>47,049,231</b>	<b>18</b>
<b>RESERVE FOR LAND VALUE INCREMENT TAX (Note 14)</b>	<b>6,460,128</b>	<b>2</b>
<b>OTHER LIABILITIES</b>		
Accrued pension cost (Notes 2 and 27)	2,328,399	1
Guarantee deposits received - noncurrent	342,010	-
Deferred income (Notes 2, 14 and 28)	1,051,723	1
Others (Notes 2, 13 and 28)	568,423	-
<b>Total other liabilities</b>	<b>4,290,555</b>	<b>2</b>
<b>Total liabilities</b>	<b>135,289,941</b>	<b>51</b>
<b>SHAREHOLDERS' EQUITY OF PARENT COMPANY</b>		
Capital stock of parent company - NT\$10.00 par value		
Authorized - 4,950,000 thousand shares		
Issued and outstanding - 4,569,954 thousand shares in 2009; 4,480,347 thousand shares in 2008	45,699,538	17
Stock dividends for distribution	913,991	-
Capital surplus:		
Additional paid-in capital from share issuance in excess of par value	932,814	1
From long-term investment	8,898,201	3
Others	7,672	-
<b>Total capital surplus</b>	<b>9,838,687</b>	<b>4</b>
Retained earnings:		
Legal reserve	8,602,110	3
Special reserve	3,034,766	1
Unappropriated earnings	5,855,765	2
<b>Total retained earnings</b>	<b>17,492,641</b>	<b>6</b>
Other shareholders' equity		
Cumulative translation adjustments	3,799,798	2
Net loss not recognized as pension cost	(652,291)	-
Unrealized gains on financial instruments	995,879	-
Unrealized revaluation increment on properties	8,851,437	3
<b>Total other shareholders' equity</b>	<b>12,994,823</b>	<b>5</b>
<b>Total shareholders' equity of parent company</b>	<b>86,939,680</b>	<b>32</b>
<b>MINORITY INTEREST</b>		
<b>Total shareholders' equity</b>	<b>45,621,818</b>	<b>17</b>
<b>TOTAL</b>	<b>\$267,851,439</b>	<b>100</b>

FETL has the following subsidiaries:

(i) Yuan Ding Investment Corp., Kai Yuan International Investment Corp., Ding Yuan International Investment Corp., Yuan Tong Investment Corp., Far Eastern Investment (Holding) Ltd., Waldorf Services B.V., Far Eastern Polytex (Holding) Ltd., Far Eastern Polychem Industries Limited, F.E.T.G Investment Antilles N.V., Far Eastern Apparel (Holding) Ltd., Oriental Textile (Holding) Ltd., PET Far Eastern (Holding) Ltd., Pacific Petrochemical (Holding) Ltd., FEDP (Holding) Ltd., KGT International Holding Co., Ltd., E World (Holding) Ltd., Far Eastern Info Service(Holding) Ltd., and Far EasTron Holding Ltd.– engage in investments; (ii) Far EasTone Telecommunications Ltd., KG Telecommunication Co., Ltd., KGEx.com Co., Ltd.– provides communications services; (iii) Oriental Resources Development Ltd.- Waste recycling and processing. (iv) Far Eastern Industries (Shanghai) Ltd. (FEIS) – manufacture and markets bottle- grade PET resin; (v) An Ho Garment Co., Ltd., Fu Kwok Garment Manufacturing Co., Ltd, Far Eastern Apparel (Suzhou) Ltd., Far Eastern Spinning Weaving and Dyeing (Suzhou) Ltd.– Manufacture and distribution of various knit and woven garment; (vi) Far Eastern Apparel Co., Ltd., Ming Ding Co., – markets underwear, suits, shirts and home furnishings; (vii) Oriental Petrochemical (Shanghai) Ltd.- Manufacture and distribution of PTA and its by-products; (viii) Shanghai Far Eastern IT Co., Far Eastern Network Info-Tech (Shanghai) Ltd., Yuang Cing Co., Ltd., Far Eastern Electronic Toll Collection Co., Ltd., ARCOA Communication Co., Ltd., Suzhou An He Apparel Ltd. – develops, designs, and manufactures products relevant to networks and data processing; (ix) Far Eastern Construction Co., Ltd., Far Eastern General Contractor Inc., Far Eastern Resources Development Corp.- real estate construction and selling.;(x)Shanghai Far Eastern Petrochemical Logistic Ltd. – Logistic; (xi)Yuan Cheng Human Resources Consultant Corp. - Personnel recruitment, (xii)Yuan Faun Ltd, Wu Han Far Eastern Industrial Trading Ltd., Far Eastern Industries (Wuxi) Ltd., PET Far Eastern (M) Sdn Bhd, Far Eastern Industries (Suzhou) Ltd., Oriental Industries (Suzhou) Ltd. – Manufacture and distribution of PET staple, PET filament, Polyester top, PET performs. The intercompany relationships and percentages of ownership as of December 31, 2008 are shown below:





# INDEPENDENT AUDITORS' REPORT 2008

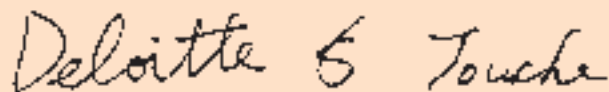
We have audited the accompanying balance sheets of Far Eastern Textile Ltd. (the "Company") as of December 31, 2008 and 2007 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, we did not audit the financial statements of certain investees as of and for the years ended December 31, 2008 and 2007. The direct and indirect stock investments in these companies were all accounted for by the equity method. The carrying values of these investments, included in the accompanying balance sheets, were 1.38% (NT\$1,941,501 thousand) and 1.94% (NT\$2,830,233 thousand) of the Company's total assets as of December 31, 2008 and 2007, respectively. As shown in the accompanying statements of income, the Company's equity in net gain of NT\$181,150 thousand and loss of NT\$216,742 thousand of the foregoing investees were 3.93% and (1.92%), respectively, of the Company's income before income tax in 2008 and 2007, respectively. The financial statements of these investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts pertaining to the above investments, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidences 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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the Company's financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Far Eastern Textile Ltd. as of December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended, in conformity with the 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 disclosed in Note 3 to the financial statements, in March 2007, the Accounting Research and Development Foundation of the Republic of China issued Interpretation No. 2007-052, which requires companies to recognize as compensation expenses bonuses paid to employees and remuneration paid to directors and supervisors beginning January 1, 2008. These bonuses and remuneration were previously recorded as appropriations from earnings. This accounting change resulted in decrease of NT\$343,975 thousand in net income and in after income tax earnings per share of NT\$0.08 in 2008. In addition, starting on January 1, 2007, the Company has adopted the newly-released ROC Statements of Financial Accounting Standards ("Statements" or SFAS) No. 37 - "Accounting for Intangible Assets" and revisions of previously released statements.

We have also audited the consolidated financial statements of Far Eastern Textile Ltd. for the years ended December 31, 2008 and 2007 (not presented herewith) and have expressed a modified unqualified opinion thereon in our report dated March 4, 2009 on the basis of our audits and the reports of the other auditors.



March 4, 2009

## Notice to Readers

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

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

# 會計師查核報告

遠東紡織股份有限公司及其子公司民國九十八年及九十七年六月三十日之合併資產負債表，暨民國九十八年及九十七年一月一日至六月三十日之合併損益表、合併股東權益變動表及合併現金流量表，業經本會計師核閱竣事。上開合併財務報表之編製係管理階層之責任，本會計師之責任則為根據核閱結果出具報告。

除下段所述者外，本會計師係依照審計準則公報第三十六號「財務報表之核閱」規劃並執行核閱工作。由於本會計師僅實施分析、比較與查詢，並未依照一般公認審計準則查核，故無法對上開合併財務報表整體表示查核意見。

如合併財務報表附註二所述，列入合併財務報表之子公司中，非重要子公司之財務報表未經會計師核閱，其民國九十八年及九十七年六月三十日之資產總額分別為新台幣（以下同）129,424,277仟元及101,803,758仟元，佔合併資產總額之48.32%及36.62%，其負債總額分別為46,049,077仟元及44,956,257仟元，佔合併負債總額之34.04%及30.40%；民國九十八及九十七年上半年度之營業收入淨額分別為26,475,211仟元及26,257,583仟元，佔合併營業收入淨額之33.72%及29.21%，其純益（損）分別為1,494,860仟元及（48,637）仟元，佔合併總純益之20.09%及（0.59）%。又如合併財務報表附註十三所述，民國九十八年及九十七年六月三十日採權益法之長期股權投資餘額中分別為23,763,994仟元及18,706,835仟元，及其民國九十八及九十七年上半年度認列之投資淨益分別為1,108,341仟元及156,670仟元，暨合併財務報表附註三十三附註揭露事項所述轉投資事業相關資訊，係依據被投資公司同期間未經會計師核閱之財務報表認列。

依本會計師核閱結果，除上段所述該等子公司及被投資公司財務報表尚經會計師核閱，對合併財務報表可能有所調整之影響外，並未發現第一段所述合併財務報表在所有重大方面有違反證券發行人財務報告編製準則及一般公認會計原則而須作修正之情事。

如合併財務報表附註四所述，遠東紡織股份有限公司及其子公司自民國九十八年一月一日起，採用新修訂之財務會計準則公報第十號「存貨之會計處理準則」。此項會計變動，使民國九十八年上半年度屬於母公司之合併總純益減少222,095仟元，稅後基本每股盈餘減少0.0486元；及自民國九十七年一月一日起，採用財團法人中華民國會計研究發展基金會於民國九十六年三月發布（九六）基秘字第〇五二號函，員工紅利及董監酬勞應視為費用，而非盈餘分配之會計處理。此項會計變動，使民國九十七年上半年度屬於母公司之合併總純益減少383,361仟元，稅後每股盈餘減少0.0856元。

## 勤業眾信會計師事務所

施景彬

會計師 施 景 彬  
財政部證券暨期貨管理委員會核准文號  
台財證六字第0920123784號

吳恩銘

會計師 吳 恩 銘  
財政部證券暨期貨管理委員會核准文號  
台財證六字第0920123784號

中 華 民 國 九 十 八 年 三 月 四 日

## SUPERVISORS' REPORT 2008 監察人查核九十七年度決算表冊報告書

In accordance with Article 219 of the Company Law, we have examined the Operations Report, Resolution for Allocation of Surplus Profit, and Financial Statements submitted by the Board of Directors for the year ending 2008 which had been audited by Deloitte & Touche, and found them in order.

董事會造送本公司九十七年度營業報告書，盈餘分派案及經勤業眾信會計師事務所施景彬、吳恩銘會計師查核簽證之財務報表，經本察人等查核完竣，認為尚無不合，爰依照公司法第二百十九條之規定，繕具報告，敬請 鑒核

此致 本公司九十八年度股東常會

K. Y. Lee  
常駐監察人

Kun-Yen Lee

李坤炎



Ching-Ing Hou  
監 察 人

Ching-Ing Hou

侯金英



Alice Hsu  
監 察 人

Alice Hsu

徐荷芳



April 25, 2009

52 中 華 民 國 九 十 八 年 四 月 二 十 五 日

# DIRECTORS AND SUPERVISORS



## Seated from left to right 前排由左至右

Johnny S. Shih	Vice Chairman & President	席家宜	副董事長兼總經理
Ching-Ing Hou	Supervisor	侯金英	監察人
Douglas Tong Hsu	Chairman & CEO	徐旭東	董事長
Kuan-Tao Li	Director	李光燾	董事
Alice Hsu	Supervisor	徐荷芳	監察人
Shaw Y. Wang	Director	王孝一	董事

## Standing from left to right 後排由左至右

Peter Hsu	Director	徐旭平	董事
Tonia Hsu	Director	徐國梅	董事
Kun-Yen Lee	Resident Supervisor	李坤炎	常駐監察人
Champion Lee	Director	李冠軍	董事
Y. H. Tseng	Director	曾裕賢	董事
Richard Yang	Director	楊惠國	董事
K. M. Wang	Director	王國明	董事
Raymond Hsu	Director	徐旭明	董事

# FACILITIES & EQUIPMENTS



Fully-automated Polymer Control Room



Operation in Highly Clean Room (Class  $\leq 100$ )



Automated Fiber Line for Staple Fiber



Fully Integrated Rieter Ring Spinning



Murata Link Cone Winder



Auto Packing Line for Martens Beers in CoolerPak



Toray ROY Take-up Machine



Barmag Friction False Twist Machine for DTY

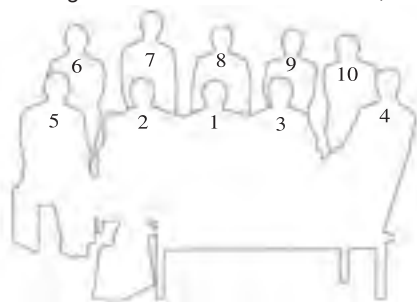


Picanol "Gamma" Rapier Loom

# MANAGEMENT



Lobby of Shangri-La's Far Eastern Plaza Hotel, Tainan, winner of the prestigious 2009 Gold Key Award.



- |    |                  |                                   |     |           |
|----|------------------|-----------------------------------|-----|-----------|
| 1  | Douglas Tong Hsu | Chairman & CEO                    | 徐旭東 | 董事長       |
| 2  | Johnny S. Shih   | Vice Chairman & President         | 席家宜 | 副董事長兼總經理  |
| 3  | Shaw Y. Wang     | Chief Executive                   | 王孝一 | 集團公益事業執行長 |
| 4  | Champion Lee     | CFO                               | 李冠軍 | 財務長       |
| 5  | Peter Hsu        | Central Procurement               | 徐旭平 | 資深副總經理    |
| 6  | Raymond Hsu      | Chief Auditor                     | 徐旭明 | 總稽核       |
| 7  | L. T. Chang      | Far Eastern Industries (Shanghai) | 張立德 | 資深副總經理    |
| 8  | Eric Hu          | Textile Group                     | 胡正隆 | 紡織營運長     |
| 9  | C. S. Tu         | Chairman's Office                 | 杜金森 | 資深副總經理    |
| 10 | Y. H. Tseng      | Fiber Group                       | 曾裕賢 | 台灣化纖營運長   |



**Fiber Group 化纖營運總部**  
(from left to right)

T. H. Liu	Fiber	劉宗宏	纖維事業部
Fred Chu	Fiber	朱明德	纖維事業部
Chuck Tseng	PET Resin	曾竹賢	固聚事業部
Donald Fan	PET Resin	范欽智	固聚事業部
B. T. Cherg	Administration	成本早	行政管理



**Oriental Petrochemicals (Shanghai)/Far Eastern Industries(Shanghai)/Oriental Industries (Suzhou) 亞東石化上海/遠紡工業上海/亞東工業蘇州**

K. S. Wu	OPC	吳高山	亞東石化上海
Paul Chuang	OPC	莊曉波	亞東石化上海
C. Y. Dai	FEIS	戴崇岳	遠紡工業上海
K. J. Chen	OTIZ	陳光榮	亞東工業蘇州
Mo Jyi Wu	OTIZ	吳謨吉	亞東工業蘇州
Y. L. Lou	FEIS	婁彥傑	遠紡工業上海



**Textile Group 紡織營運總部**

Austin Lee	Knitting, Fabric & Apparel Div.	李靜傑	針布成衣事業群
T. Y. Hsieh	FEIW	謝同鎰	遠紡工業無錫
Ho Kuen Lin	Knitting, Fabric & Apparel Div.	何昆麟	針布成衣事業群



**Auditing/R&D/Administration 稽核/研發/行政管理**

Humphrey Cheng	Chairman's Office	鄭澄宇	董事長辦公室
Bill Yang	Accounting	楊山本	會計處
David Wang	Finance	王健誠	財務處
Mark Lu	Internal Auditing	盧達仁	稽核處
Benjamin Shih	Human Resources	施永發	人資處
Ru-yu Wu	R&D Center	吳汝瑜	遠東企業研發中心

THE FAR EASTERN GROUP (FEG) comprises 224 companies and institutions. Listed below are 53 of the more active operations in Taiwan, China, Singapore, Canada, Thailand, Vietnam, and etc. (\* indicates the Group's 9 listed public companies)

- \*1) **FAR EASTERN TEXTILE LTD. (FETL):** formerly a knitting factory founded in Shanghai in 1942, the first textile company in Taiwan. With fully integrated production processes plus sales and liaison offices in many countries, FETL has been crowned the leading company in the polyester and textile industries in the ROC. Sales revenues in 2008 were NT\$51 billion (US\$1.55 billion, using 2008 yearend rate NT\$32.8=US\$1.0).
- \*2) **ASIA CEMENT CORP. (ACC):** founded in 1957, the most profitable cement company in Taiwan. Sales revenues reached NT\$10.6 billion (US\$323 million) in 2008 with net profit of NT\$7.5 billion (US\$229 million). Total annual cross-strait cement production will exceed 20 million metric tons in 2009.
- \*3) **FAR EASTERN DEPARTMENT STORES (FEDS):** established in 1967, has retail chain stores in all major cities around the Island. Total sales revenues in 2008 were NT\$21.03 billion (US\$641 million).
- \*4) **U-MING MARINE TRANSPORT CORP. (UMTC):** Taiwan's largest bulk carrier with shipping capacity of 3.65 million DWT. UMTC has subsidiaries in both Hong Kong and Singapore and has acquired various international standard certifications, also formed strategic alliances with oil tanker and other shipping companies. Its outstanding operating result has won global recognition.
- \*5) **ORIENTAL UNION CHEMICAL CORPORATION (OUCC):** founded in 1975 to establish an EG and a gas plant on a 23-hectare area in the Lin Yuan Industrial Zone in Kaohsiung County. OUCC has been developing several specialty chemical products in recent years, and engaged in various investments in fine chemicals and bio-chemicals sector (C\$3 million investment in Sino-Canada Biotechnology Development Fund). Total revenues in 2008 amounted to NT\$13.34 billion (US\$407 million).
- \*6) **EVEREST TEXTILE CO., LTD.:** established in 1988 in Tainan, south of Taiwan to produce fabrics, garments and polyester textured yarns. Sales revenues in 2008 were NT\$4.5 billion (US\$137 million).
- \*7) **FAR EASTERN INTERNATIONAL BANK (FEIB):** inaugurated its banking operations in early 1992, was listed on Taiwan Stock Market in 1998, now with a capital of NT\$23.4 billion and 36 branches throughout Taiwan plus one branch in Hong Kong.
- \*8) **FAR EASTONE TELECOMMUNICATIONS LTD. (FET):** was awarded two valuable licenses to provide cellular services to Taiwan. Operations were launched on January 20, 1998. FET was listed on the Taiwan OTC Stock Market in December 2001. FET established "FEG Telecom Sector" (FEGTS) in March 2008 to develop synergy and to provide integrated mobile communications, broadband, media and international services. Total consolidated revenues for 2008 were NT\$62.5 billion (US\$1.89 billion) with revenue-producing customer exceeding 6 million.
- \*9) **ASIA CEMENT (CHINA) HOLDINGS CORP. (ACCC):** offshore subsidiary of ACC, was listed on the Main Board of the Stock Exchange of Hong Kong Limited on May 20, 2008. Consolidated revenues in 2008 were RMB3.2 billion and profit was RMB467 million.
- 10) **FAR EASTERN FIBERTECH CO., LTD. (FETC):** founded in the 1Q of 1997 to produce "nylon 66", a durable, high-performance technical yarn.
- 11) **ORIENTAL PETROCHEMICALS CORP. (OPC):** located at the Kuan Yin site of Taoyuan County to operate on PTA facility with a capacity of 1 million MT/year. Revenues for 2008 were NT\$20.5 billion (US\$625 million).
- 12) **AIR LIQUIDE FAR EASTERN LTD. (ALFE):** established in 1987, joint venture by FETL and France's L'Air Liquide for the production of industrial gases.
- 13) **FREUDENBERG FAR EASTERN SPUNWEB CO., LTD.:** established in 1987, joint venture with Germany's Carl Freudenberg and Japan Vilene Co. for the production of non-woven fabrics and related high-tech polyester products.
- 14) **YUAN DING CO., LTD.:** founded by FETL and ACC in 1984 as a real estate developer and a holding company for diversified businesses, such as YDT Technology International established in 2000, a professional CCTV producer and total solution provider for FEG and worldwide clients, plus Far Eastern Technical Consultant Co. founded in July 2001 to handle land development, project management, design, planning and other real estate consultant services.
- 15) **FAR EASTERN GENERAL CONTRACTOR INC.:** established in 1982, a renowned A-Class contractor to handle the Group's as well as other local major construction projects.
- 16) **ALBERTA & ORIENT GLYCOL COMPANY LIMITED:** FETL's joint venture with Dow Chemical, total investment amounts to C\$400 million, to produce ethylene glycol. Its plant locates in Red Deer, Alberta, Canada and commenced beneficial production in early September 1994.
- 17) **PET (THAILAND) CO., LTD.:** FETL's investment in Thailand, established in 1987 with a capital of US\$4.5 million, producing all kinds of PET bottles.
- 18) **MALAYSIA GARMENT MANUFACTURERS PTE LTD.:** FETL's investment in Singapore since 1964.
- 19) **FAR EASTERN INDUSTRIES (SHANGHAI) LTD. (FEIS):** FETL's wholly owned subsidiary, a vertically integrated polyester polymer plant which obtained a 'high-tech enterprise' status in Pudong, Shanghai during 3Q of 2000. Sales revenues in 2008 were RMB5.3 billion.
- 20) **ORIENTAL PETROCHEMICAL (SHANGHAI) CORPORATION (OPSC):** formed by FETL and OUCC to build and operate a 600,000MT/year PTA plant adjacent to FEIS's existing polyester manufacturing facilities in Pudong, Shanghai. OPSC commenced operation in April 2006.
- 21) **FAR EASTERN APPAREL (SUZHOU) CO., LTD.:** US\$10 million investment in Wuxi City, Jiangsu to manufacture and sell underwear and apparel products in Mainland China.
- 22) **ORIENTAL INDUSTRIES (SUZHOU) LTD.:** initiated operations in September 2007 to produce industrial fabrics including SSP, HTY, tire cord, conveyor and etc. With annual capacity of industrial yarn reaching 38,000 tons and industrial fabric of 16,000 ton, the Company aims to become major supplier to Goodyear and other related companies.
- 23) **SINO BELGIUM BEER (SUZHOU) LIMITED:** FETL's investment of US\$100 million and joint venture with Belgium's 251-year old Martens Brewery to brew beer packed in Coolerpak, a monolayer PET bottle with high gas barrier. The Martens Beer in CoolerPak is distributed by Martens Shanghai Limited.
- 24) **FAR EASTERN APPAREL (VIETNAM) LTD.:** FETL's manufacturing site in Vietnam to produce knitting goods and apparels, supplier to world renowned brands such as Nike, Levis, Columbia, Carter's, etc.
- 25) **NEW CENTURY INFOCOMM TECH CO., LTD. (NCIC):** formed by the Far Eastern Group, President Group, China Development plus other members with a capital of NT\$40 billion as a fixed line info-comm operator in Taiwan, was awarded an integrated fixed network license in March 2000. Operations were launched in March 2001. NCIC merged Digital United (Seednet, the No. 2 ISP in Taiwan) in 2009. Total consolidated revenues for 2008 were NT\$9.2 billion (US\$279 million).
- 26) **ARCOA COMMUNICATION CO., LTD. (ARCOA):** an important communication channel in Taiwan. FET bought the shares of ARCOA and became its major shareholder in 2005. Aside from the organic business, ARCOA launched MVNO service in 2006. Total revenues for 2008 were NT\$5.9 billion (US\$ 179 million).
- 27) **FAR EASTERN ELECTRONIC TOLL COLLECTION CO., LTD. (FETC):** consortium headed by Far EasTone, Teco, Mitac and Systex, was awarded the one and only license to provide freeway electronic toll collection services to Taiwan. Services were launched on February 10, 2006.

- 28) **YA TUNG READY-MIXED CONCRETE CO., LTD.:** ACC's subsidiary formed in January 1999 to provide vertical integrated values and to have around 30 sales outlets throughout Taiwan.
- 29) **CHIAHUI POWER CORPORATION:** established in 1996 with a capital of NT\$3.2 billion. ACC decided to invest in Chiahui Power in mid 1999. Annual capacity is designed to be 670 MW. Based on a 25-year contract, Chiahui sells all of its power generated to Taipower.
- 30) **YUAN LUNG STAINLESS STEEL CORP.:** founded on September 9, 2005 with installed capacity of 130,000 MT annually to mainly produce BA cold-rolled stainless steel coil.
- 31) **ASIA CEMENT (SINGAPORE) PTE.:** set up in 1965 in partnership with Singaporean investors, dealing with the procurement and sales of cement.
- 32) **KOWLOON CEMENT CORPORATION LTD.:** set up in Hong Kong in 1986.
- 33) **JIANGXI YADONG CEMENT COMPANY LIMITED:** ACCC's subsidiary set up in 1997, cement plant in Jiangxi, began operations in September 2000. Current annual capacity of 5 million MT is expected to expand to 7 million MT.
- 34) **SICHUAN YADONG CEMENT CO., LTD.:** ACCC's subsidiary set up in 2004, cement plant in Chengdu, Sichuan, began operations in December 2006. Current annual capacity of 4 million MT is expected to expand to 6 million MT.
- 35) **HUBEI YADONG CEMENT CO., LTD.:** ACCC's subsidiary which began operation in May 2009, the largest cement plant in Wuhan, Hubei. Current annual capacity of 2 million MT is expected to double.
- 36) **YANGZHOU YADONG CEMENT CO., LTD.:** ACCC's subsidiary, cement plant in Yangzhou, Jiangsu, began operations in June 2008. Current annual capacity is 2 million MT.
- 37) **WUHAN ASIA MARINE TRANSPORT CORP. LTD.:** joint venture with China Changjiang Transport Group with a capital of RMB20.5 million, founded in 2000 in Wuhan, Hubei to mainly fulfill Jiangxi Yadong Cement's transportation needs.
- 38) **PACIFIC SOGO DEPARTMENT STORES:** established in 1987, currently operating with 8 branches in Taiwan, was acquired by FEG during the third quarter of 2002. 2008 revenues were NT\$33 billion (US\$1,006 million).
- 39) **PACIFIC CHINA HOLDINGS LTD.:** registered in British Virgin Island in 2008 with a paid-in capital of US\$93.8 million and total assets of US\$150.8 million, acting as the holding company for Pacific SOGO's China operations, currently with 9 stores in Mainland China.
- 40) **FAR EASTERN AI MAI CO., LTD.:** ranks among Taiwan's three largest hypermarkets, now operates 15 stores around the Island. 2008 revenues were NT\$16.6 billion (US\$506 million).
- 41) **YA TUNG DEPARTMENT STORE LTD.:** established by FEDS, manages and operates The Mall within Taipei Metro Complex opened since March 1994. The exquisite CitySuper lifestyle supermarket was introduced into Taiwan since end 2004 to provide top-quality products and services to high-end customers.
- 42) **U-MING MARINE TRANSPORT (SINGAPORE) PTE LTD.:** established in January 1994 by U-Ming Marine Transport Corp. in Singapore with a capital of S\$150 million (US\$98.5 million) to further expand UMTC's international service network.
- 43) **ORIENTAL SECURITIES CORP. (OSC):** a fully integrated securities house established in 1979, offers comprehensive wealth management services to individual customers. OSC established Oriental Securities Investment Advisory Co., Ltd. in 1999 to offer clients and investors even more sophisticated wealth management information and investment planning services.
- 44) **FAR EASTERN INTERNATIONAL LEASING CORP.:** established in 1998, jointly owned by FETL, ACC and FEDS with a capital of NT\$3.96 billion to handle leasing, installment payment, local factoring and other related businesses.
- 45) **DEUTSCHE FAR EASTERN ASSET MANAGEMENT COMPANY LIMITED:** opened in June 2001 with a capital of NT\$400 million, FEG's joint venture with Deutsche Bank AG to build a new investment management business, now manages 6 mutual funds totaling NT\$14.6 billion.
- 46) **DING DING INTEGRATED MARKETING SERVICE CO. (DDIM):** launched FEG HAPPY GO joint Bonus points program in January 2005 enabling DDIM to become the first domestic pioneer of cross-industrial bonus points service provider. DDIM also rolled out GOHAPPY e-commerce service in June 2007. Membership exceeded 6 million in October 2009.
- 47) **SHANGRI-LA'S FAR EASTERN PLAZA HOTEL, TAIPEI:** the 422-room, 5-star hotel located at Taipei Metro Complex managed by the Shangri-La International Group, is considered one of best hotels in Asia. The 336-room Shangri-La's Far Eastern Plaza Hotel, Tainan was opened on March 23, 2009.
- 48) **FAR EASTERN MEMORIAL FOUNDATION (FEMF):** established by FEG late Founder Mr. Y. Z. Hsu and his late younger brother Mr. W. Y. Hsu in memory of their beloved father, Mr. Yuan-Ze Hsu, is a non-profit institution dedicated to the promotion of cultural, educational, scientific and technological activities through program sponsorships.
- 49) **FAR EASTERN MEDICAL FOUNDATION:** extended from FEMF in 1977, established the Far Eastern Memorial Hospital and Far Eastern United Clinical Centers.
- 50) **FAR EASTERN Y. Z. HSU SCIENCE & TECHNOLOGY MEMORIAL FOUNDATION:** set up in 2001 by the Far Eastern Group in memory of its late Founder Mr. Y. Z. Hsu to mainly sponsor high-tech research and development.
- 51) **FAR EASTERN MEMORIAL HOSPITAL (FEMH):** located at Panchiao, a 1,096-bed, full-service medical center serving the general public since April 1981. The Hospital together with its Far Eastern United Clinical Centers established in 1988 in downtown Taipei formed a cooperative alliance with National Taiwan University Hospital in mid 1999. FEMH was upgraded to medical center status in 2006 and received "National Quality Award" in March 2008.
- 52) **YUAN ZE UNIVERSITY (YZU):** established in 1989, comprises Colleges of Engineering, Management, Informatics, Humanities and Social Science, plus School of Lifelong Education, aims to cultivate specialists in technology and management. R&D Center for the Far Eastern Group was established in 1993 to reinforce research cooperation and cooperative project service for local enterprises. YZU was evaluated by the Education Ministry as the best University in general education in 2000.
- 53) **ORIENTAL INSTITUTE OF TECHNOLOGY (OIT):** founded in 1969, is a four-year polytechnic institute offering courses in mechanical engineering, materials and textile science, electrical engineering, electronic engineering, industrial engineering and management, fashion business, industrial design, and the management in health care.





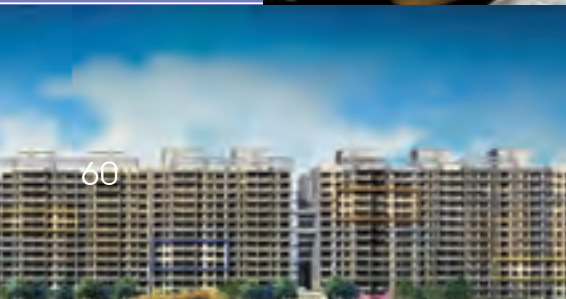
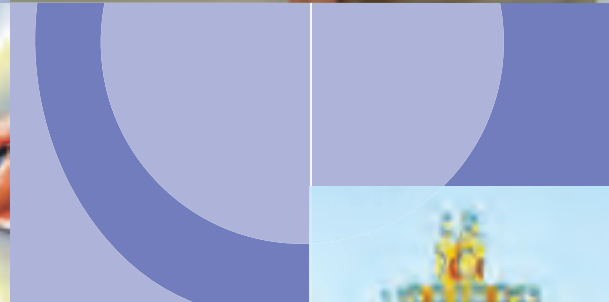
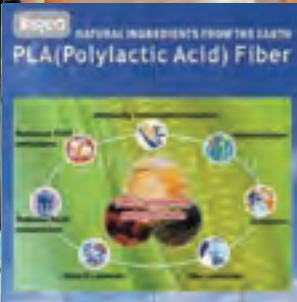
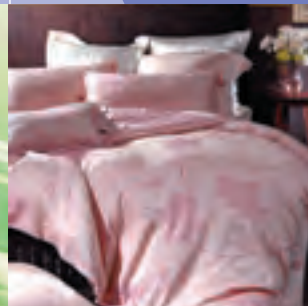
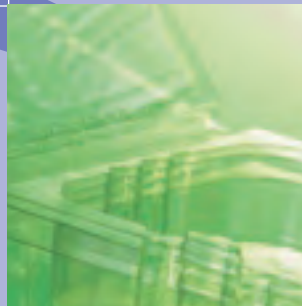
## FIVE-YEAR SUMMARY

(NT million dollars except per share)	2008	2007	2006	2005	2004
Sales and processing revenues	50,618	49,154	39,630	38,287	38,263
Cost of sales and processing revenues	45,371	43,695	36,453	34,907	36,028
Operating expenses	4,843	4,422	3,595	3,613	3,326
Interest expense	1,217	964	869	718	715
Investment income	5,542	11,282	9,870	10,413	11,637
Income tax benefit	(7)	(93)	(27)	(33)	-
As a percentage of sales and processing revenues (%)	21	23	21	21.90	24.17
Number of shares issued (millions, year-end total)	4,570	4,480	4,350	4,104	3,800
Earnings per share	1.01	2.49	1.92	2.04	2.43
Cash dividends declared per share	0.8	1.8	1.3	1.0	1.0
Stock dividends declared per share	0.2	0.2	0.3	0.6	0.8
Current assets	19,288	22,657	15,046	15,612	11,510
Current liabilities	13,786	13,364	12,063	12,804	8,706
Total assets	141,038	145,594	127,770	121,544	110,053
Stockholders' equity (after appropriation)	75,829	73,512	69,650	71,231	65,726
Plant and equipment additions (for the year)	1,600	1,458	1,427	2,134	1,608
Depreciation	1,983	1,938	2,144	2,206	2,431
Book value per share	18.50	20.52	18.91	18.49	18.43
Number of common stockholders	97,904	93,867	96,803	101,028	114,626

Producing 1.6 million tons of synthetic fibers annually, FETL is the world's 4th largest integrated polyester maker.



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遠東企業集團

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