

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

Dec. 31, 2017 and Dec. 31, 2016

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

Code	Assets	2017/12/31		2016/12/31	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents	\$ 16,116,484	15	\$ 13,509,941	13
1110	Financial assets at fair value through profit or loss - current	496,455	1	504,315	-
1125	Available-for-sale financial assets - current	233,523	-	446,079	-
1147	Bond investments without active market-current	1,914,388	2	587,511	-
1150	Notes receivable	1,131	-	15,894	-
1170	Accounts receivable	1,113,758	1	767,248	1
1180	Accounts receivable due from related parties	126,364	-	163,085	-
1200	Other receivables	1,784,033	2	1,829,561	2
1220	Current tax assets	3,079	-	88,192	-
130X	Inventories	2,583,275	2	2,761,106	3
1410	Prepayments	870,134	1	978,303	1
1460	Noncurrent asset held for sale	-	-	10,515	-
1470	Other current assets	69,068	-	79,317	-
11XX	Total current assets	<u>25,311,692</u>	<u>24</u>	<u>21,741,067</u>	<u>20</u>
	NONCURRENT ASSETS				
1523	Available-for-sale financial assets - noncurrent	2,944,887	3	3,522,515	3
1543	Financial assets measured at cost - noncurrent	608,037	-	609,521	1
1546	Bond investments without active market - non-current	227,000	-	229,000	-
1550	Investments accounted for by equity method	8,444,059	8	8,438,059	8
1600	Property, plant and equipment	43,699,225	41	43,626,582	41
1760	Investment properties	8,738,216	8	10,166,796	10
1780	Intangible assets	5,059,516	5	6,244,854	6
1840	Deferred tax assets	719,578	1	1,023,507	1
1985	Long-term prepayments for lease	8,176,674	8	8,615,400	8
1990	Other noncurrent assets	1,779,567	2	1,978,309	2
15XX	Total noncurrent assets	<u>80,396,759</u>	<u>76</u>	<u>84,454,543</u>	<u>80</u>
1XXX	TOTAL	<u>\$ 105,708,451</u>	<u>100</u>	<u>\$ 106,195,610</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term debts	\$ 13,084,956	12	\$ 9,886,363	10
2110	Short-term notes and bills payable	2,514,700	3	2,690,946	3
2150	Notes payable	3,071	-	37,892	-
2170	Accounts payables	18,285,105	17	16,250,674	15
2180	Notes and accounts payable to related parties	127,880	-	113,817	-
2200	Other payables	4,250,840	4	4,518,254	4
2230	Current tax liabilities	539,394	1	740,459	1
2250	Provision-current	6,828	-	18,596	-
2310	Advance receipts	7,456,419	7	7,594,619	7
2313	Deferred revenue - current	83,761	-	92,267	-
2321	Bonds payable - current portion	998,149	1	-	-
2322	Long-term borrowings - current portion	3,500,000	3	5,965,315	6
2399	Other current liabilities	264,545	-	278,656	-
21XX	Total current liabilities	<u>51,115,648</u>	<u>48</u>	<u>48,187,858</u>	<u>46</u>
	NONCURRENT LIABILITIES				
2530	Bonds issued	-	-	996,282	1
2540	Long-term borrowings	13,258,102	13	14,959,267	14
2550	Provision-noncurrent	26,465	-	27,995	-
2570	Deferred tax liabilities	1,915,480	2	2,053,903	2
2640	Net defined benefit liability, non-current	945,908	1	982,919	1
2670	Other noncurrent liabilities	1,588,670	1	2,544,584	2
25XX	Total noncurrent liabilities	<u>17,734,625</u>	<u>17</u>	<u>21,564,950</u>	<u>20</u>
2XXX	Total liabilities	<u>68,850,273</u>	<u>65</u>	<u>69,752,808</u>	<u>66</u>
	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
	Share Capital				
3110	Ordinary share	14,169,406	13	14,169,406	13
3200	Capital surplus	3,315,931	3	3,319,868	3
	Retained earnings				
3310	Legal reserve	3,013,281	3	2,899,856	3
3320	Special reserve	2,643,743	3	2,529,594	2
3350	Unappropriated earnings	2,274,946	2	2,013,557	2
3300	Total retained earnings	7,931,970	8	7,443,007	7
3400	Other equity	3,678,521	3	3,795,400	4
3500	Treasury stock	(97,110)	-	(97,110)	-
31XX	Total equity attributable to owners of the Company	<u>28,998,718</u>	<u>27</u>	<u>28,630,571</u>	<u>27</u>
36XX	NON-CONTROLLING INTERESTS	<u>7,859,460</u>	<u>8</u>	<u>7,812,231</u>	<u>7</u>
3XXX	Total equity	<u>36,858,178</u>	<u>35</u>	<u>36,442,802</u>	<u>34</u>
	TOTAL	<u>\$ 105,708,451</u>	<u>100</u>	<u>\$ 106,195,610</u>	<u>100</u>

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended Dec. 31, 2017 and 2016

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

C o d e		2017 Year ended Dec. 31		2016 Year ended Dec. 31	
		Amount	%	Amount	%
4000	REVENUES	\$ 41,166,982	100	\$ 43,496,489	100
5000	COSTS	<u>20,673,607</u>	<u>50</u>	<u>21,595,367</u>	<u>50</u>
5900	GROSS PROFIT	<u>20,493,375</u>	<u>50</u>	<u>21,901,122</u>	<u>50</u>
	OPERATING EXPENSES				
6100	Selling	1,036,753	3	1,176,453	3
6200	General and administrative	<u>16,369,898</u>	<u>40</u>	<u>17,563,553</u>	<u>40</u>
6000	Total operating expenses	<u>17,406,651</u>	<u>43</u>	<u>18,740,006</u>	<u>43</u>
6900	OPERATING INCOME	<u>3,086,724</u>	<u>7</u>	<u>3,161,116</u>	<u>7</u>
	NONOPERATING INCOME AND EXPENSES				
7010	Other income	213,248	-	240,977	1
7020	Other gains and losses	(116,574)	-	(843,912)	(2)
7050	Finance costs	(445,376)	(1)	(428,315)	(1)
7060	Share of profit (loss) of associates accounted for using equity method	(<u>39,180</u>)	<u>-</u>	(<u>8,585</u>)	<u>-</u>
7000	Total Non-operating income and expenses	(<u>387,882</u>)	(<u>1</u>)	(<u>1,039,835</u>)	(<u>2</u>)
7900	INCOME BEFORE INCOME TAX	2,698,842	6	2,121,281	5
7950	INCOME TAX EXPENSE	<u>853,820</u>	<u>2</u>	<u>625,723</u>	<u>1</u>
8200	NET INCOME	<u>1,845,022</u>	<u>4</u>	<u>1,495,558</u>	<u>4</u>
	Other comprehensive income				

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C o d e		2017		2016	
		Year ended Dec. 31		Year ended Dec. 31	
		Amount	%	Amount	%
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	(\$ 78,408)	-	(\$ 174,835)	(1)
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income	(3,666)	-	(3,538)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>13,325</u>	<u>-</u>	<u>30,137</u>	<u>-</u>
		<u>(68,749)</u>	<u>-</u>	<u>(148,236)</u>	<u>(1)</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	53,290	-	80,511	-
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	(140,221)	-	(189,429)	-
8370	Share of other comprehensive income of associates accounted for using equity method	<u>(3,528)</u>	<u>-</u>	<u>(31,856)</u>	<u>-</u>
		<u>(90,459)</u>	<u>-</u>	<u>(140,774)</u>	<u>-</u>
8300	Total other comprehensive income, net	<u>(159,208)</u>	<u>-</u>	<u>(289,010)</u>	<u>(1)</u>
8500	COMPREHENSIVE INCOME	<u>\$ 1,685,814</u>	<u>4</u>	<u>\$ 1,206,548</u>	<u>3</u>
8600	NET INCOME ATTRIBUTED TO :				
8610	Owners of parent	\$ 1,535,986	3	\$ 1,134,252	3
8620	Non-controlling interests	<u>309,036</u>	<u>1</u>	<u>361,306</u>	<u>1</u>
		<u>\$ 1,845,022</u>	<u>4</u>	<u>\$ 1,495,558</u>	<u>4</u>
8700	COMPREHENSIVE INCOME CONTRIBUTED TO :				
8710	Owners of parent	\$ 1,363,957	3	\$ 797,192	2
8720	Non-controlling interests	<u>321,857</u>	<u>1</u>	<u>409,356</u>	<u>1</u>
		<u>\$ 1,685,814</u>	<u>4</u>	<u>\$ 1,206,548</u>	<u>3</u>
	EARNINGS PER SHARE				
9750	Basic	<u>\$ 1.09</u>		<u>\$ 0.81</u>	
9850	Diluted	<u>\$ 1.09</u>		<u>\$ 0.80</u>	

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended Dec. 31, 2017 and 2016

(In thousands of New Taiwan Dollars)

Code		2017 Year ended Dec. 31	2016 Year ended Dec. 31
	CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
A00010	INCOME BEFORE INCOME TAX	\$ 2,698,842	\$ 2,121,281
A20000	Adjustments to reconcile profit(loss)		
A20100	Depreciation expense	2,650,811	2,929,003
A20200	Amortization expense	44,687	40,377
A20300	Gain on reversal of losses on doubtful debts	(7,062)	20,682
A20400	Net loss (gain) on financial assets or liabilities at fair value through profit or loss	2,851	36,290
A20900	Finance costs	445,376	428,315
A21200	Interest income	(74,855)	(57,458)
A21300	Dividend income	(138,393)	(183,519)
A22300	Share of loss (profit) of associates accounted for using equity method	39,180	8,585
A22500	Loss (gain) on disposal of property, plant and equipment, net	223,336	40,617
A23100	Gain on disposals of investments	(428,971)	-
A22800	Losses on disposals of intangible assets	3,261	306
A23000	Loss (gain) on disposal of non-current assets classified as held for sale	(6,628)	-
A23500	Impairment loss on financial assets	2,055	2,055
A23700	Impairment loss on intangible assets	\$ 1,205,840	\$ 998,411
A23700	Impairment loss recognized on property, plant and equipment	2,040	177,228
A23800	Loss for market price decline and obsolete and slow-moving inventories	(1,734)	(159,305)
A24600	Loss (gain) on change in fair value of investment properties	9,061	(127,937)
A29900	Amortization of prepayments	25,903	28,301
A29900	Amortization of prepayments for lease	325,824	327,040
A29900	Reversal of provisions	(13,548)	11,898
A29900	Reversal of deferred revenue	(92,267)	(98,552)
A29900	Reversal unrealized purchase discounts	(1,506)	(106,012)
A30000	Net changes in operating assets and liabilities		
A31110	Financial assets held for trading	5,009	(189,494)
A31130	Notes receivable	14,763	(12,501)
A31150	Accounts receivable	(355,141)	(251,606)
A31160	Notes and accounts receivable due from related parties	36,721	95,407

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Code		2017 Year ended Dec. 31	2016 Year ended Dec. 31
A31180	Other receivable	52,691	(229,922)
A31200	Inventories	181,071	501,451
A31230	Prepayments	148,600	(2,821)
A31240	Other current assets	10,249	10,785
A32130	Notes payable	(34,821)	(14,332)
A32150	Accounts payable	2,034,431	(355,292)
A32160	Notes and accounts payable to related parties	14,063	(5,937)
A32180	Other payables	(979,615)	(297,819)
A32210	Deferred revenue	83,761	92,267
A32210	Advance receipts	\$ 71,379	(\$ 231,858)
A32230	Other current liabilities	(14,111)	(31,108)
A32240	Net defined benefit liability	(92,161)	16,041
A33000	Cash inflow (outflow) generated from operations	8,090,992	5,530,867
A33200	Dividends received	238,940	673,437
A33300	Interests paid	(431,023)	(411,026)
A33100	Interests received	67,559	49,417
A33500	Income tax returned	3,125	500
A33500	Income taxes paid	(799,617)	(341,734)
AAAA	Net cash flows from (used in) operating activities	<u>7,169,976</u>	<u>5,501,461</u>
	CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
B00700	Decrease of investments in debt instrument without active market	(1,324,877)	187,336
B01800	Acquisition of investments accounted for using equity method	(286,655)	(74,000)
B00300	Acquisitions of available-for-sale financial assets	(92,331)	-
B00400	Proceeds from disposal of available-for-sale financial assets	1,171,836	-
B02100	Decrease in prepayments for long-term investment	84,174	96,164
B02600	Proceeds from disposal of non-current assets classified as held for sale	13,500	-
B02700	Acquisition of property, plant and equipment	(1,825,793)	(1,685,232)
B02800	Proceeds from disposal of property, plant and equipment	1,940	8,097
B04500	Acquisition of intangible assets	(53,748)	(42,348)
B05400	Acquisition of investment properties	(1,481)	(2,593)
B06800	Increase (decrease) in other non-current assets	<u>77,909</u>	<u>28,871</u>
BBBB	Net cash flows from (used in) investing activities	(<u>2,235,526</u>)	(<u>1,483,705</u>)
	Cash flows from (used in) financing activities		
C00100	Increase in short-term loans	\$ 137,230,416	\$ 107,709,464
C00200	Decrease in short-term loans	(133,883,006)	(107,049,812)
C00500	Increase in short-term notes and bills payable	29,826,307	30,934,339
C00600	Decrease in short-term notes and bills payable	(30,002,553)	(30,594,413)
C01600	Proceeds from long-term debt	67,111,036	45,644,837
C01700	Repayment of long-term debt	(71,280,600)	(45,509,200)

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Code		2017 Year ended Dec. 31	2016 Year ended Dec. 31
C04400	Decrease in other non-current liabilities	(35,184)	(45,513)
C04500	Dividends paid to owners of the Corporation	(992,035)	(1,417,029)
C05800	Dividends paid to non-controlling interests	(267,424)	(197,397)
C05800	Decrease in Non-controlling Interests	<u> -</u>	<u>(50,186)</u>
CCCC	Net cash flows from (used in) financing activities	<u>(2,293,043)</u>	<u>(574,910)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>(34,864)</u>	<u>40,465</u>
EEEE	Net increase (decrease) in cash and cash equivalents	2,606,543	3,483,311
E00100	Cash and cash equivalents at beginning of period	<u>13,509,941</u>	<u>10,026,630</u>
E00200	Cash and cash equivalents at end of period	<u>\$ 16,116,484</u>	<u>\$ 13,509,941</u>

(Concluded)