

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

Sep. 30, 2014, Dec. 31, 2013, Sep. 30, 2013 and Jan. 1, 2013

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

| Code | Assets | Sep. 30, 2014 | | Dec. 31, 2013 | | Sep. 30, 2013 | | Jan. 1, 2013 | |
|---|--|-----------------------|------------|-----------------------|------------|-----------------------|------------|-----------------------|------------|
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| ASSETS | | | | | | | | | |
| 1100 | Cash and cash equivalents | \$ 4,990,052 | 5 | \$ 13,221,405 | 12 | \$ 6,672,860 | 6 | \$ 16,794,103 | 14 |
| 1110 | Financial assets at fair value through profit or loss - current | 276,840 | - | 239,974 | - | 1,393,671 | 1 | 361,327 | - |
| 1125 | Available-for-sale financial assets - current | 474,363 | 1 | 552,555 | - | 539,361 | 1 | 511,192 | 1 |
| 1147 | Bond investments without active market-current | 1,204,190 | 1 | 437,497 | - | 174,306 | - | 1,008,193 | 1 |
| 1150 | Notes receivable | 19,394 | - | 28,119 | - | 20,598 | - | 31,195 | - |
| 1170 | Accounts receivable | 434,378 | 1 | 766,445 | 1 | 803,050 | 1 | 1,470,752 | 1 |
| 1180 | Accounts receivable due from related parties | 135,292 | - | 57,302 | - | 28,101 | - | 50,977 | - |
| 1200 | Other receivables | 1,320,031 | 1 | 1,779,487 | 2 | 1,616,599 | 2 | 492,525 | - |
| 1220 | Current tax assets | 246,174 | - | 418,064 | - | 471,792 | - | 291,016 | - |
| 130X | Inventories | 3,100,463 | 3 | 2,976,244 | 3 | 3,090,340 | 3 | 3,160,935 | 3 |
| 1429 | Prepayments | 1,343,804 | 1 | 1,090,656 | 1 | 984,049 | 1 | 1,164,771 | 1 |
| 1460 | Noncurrent asset held for sale | 113 | - | 377 | - | - | - | - | - |
| 1470 | Other current assets | 62,933 | - | 83,987 | - | 63,233 | - | 70,694 | - |
| 11XX | Total current assets | <u>13,608,027</u> | <u>13</u> | <u>21,652,112</u> | <u>19</u> | <u>15,857,960</u> | <u>15</u> | <u>25,407,680</u> | <u>21</u> |
| NONCURRENT ASSETS | | | | | | | | | |
| 1510 | Financial assets at fair value through profit or loss - noncurrent | - | - | - | - | - | - | 1,013,913 | 1 |
| 1523 | Available-for-sale financial assets - noncurrent | 4,942,040 | 4 | 4,986,339 | 4 | 4,800,102 | 5 | 5,468,512 | 5 |
| 1543 | Financial assets measured at cost - noncurrent | 776,667 | 1 | 776,374 | 1 | 774,298 | 1 | 718,583 | 1 |
| 1546 | Bond investments without active market - non-current | 436,897 | - | 521,897 | 1 | 521,896 | - | 632,667 | - |
| 1550 | Investments accounted for by equity method | 9,258,247 | 9 | 9,050,368 | 8 | 9,040,385 | 8 | 8,811,079 | 7 |
| 1600 | Property, plant and equipment | 47,861,828 | 45 | 52,166,888 | 46 | 52,266,179 | 49 | 52,946,768 | 45 |
| 1760 | Investment properties | 9,689,275 | 9 | 3,070,495 | 3 | 3,043,814 | 3 | 3,043,814 | 3 |
| 1780 | Intangible assets | 7,723,849 | 7 | 7,715,184 | 7 | 7,714,854 | 7 | 7,711,555 | 6 |
| 1840 | Deferred tax assets | 943,368 | 1 | 940,225 | 1 | 954,582 | 1 | 1,131,574 | 1 |
| 1975 | Prepaid pension cost | 218,315 | - | 222,285 | - | 218,607 | - | 222,666 | - |
| 1985 | Long-term prepayments for lease | 9,252,179 | 9 | 9,464,677 | 8 | 9,557,645 | 9 | 9,837,349 | 8 |
| 1990 | Other noncurrent assets | 1,946,701 | 2 | 1,920,123 | 2 | 2,008,807 | 2 | 1,902,572 | 2 |
| 15XX | Total noncurrent assets | <u>93,049,366</u> | <u>87</u> | <u>90,834,855</u> | <u>81</u> | <u>90,901,169</u> | <u>85</u> | <u>93,441,052</u> | <u>79</u> |
| 1XXX | TOTAL | <u>\$ 106,657,393</u> | <u>100</u> | <u>\$ 112,486,967</u> | <u>100</u> | <u>\$ 106,759,129</u> | <u>100</u> | <u>\$ 118,848,732</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | | |
| 2100 | Short-term debts | \$ 10,714,741 | 10 | \$ 7,462,340 | 7 | \$ 7,672,350 | 7 | \$ 9,613,446 | 8 |
| 2110 | Short-term notes and bills payable | 3,768,892 | 4 | 3,047,306 | 3 | 4,529,642 | 4 | 4,648,862 | 4 |
| 2150 | Notes payable | 34,019 | - | 159,194 | - | 60,331 | - | 198,522 | - |
| 2170 | Accounts payables | 12,398,501 | 12 | 17,693,401 | 16 | 12,163,313 | 11 | 18,687,359 | 16 |
| 2180 | Notes and accounts payable to related parties | 66,875 | - | 151,909 | - | 57,235 | - | 170,962 | - |
| 2219 | Other payables | 4,973,206 | 5 | 5,252,331 | 5 | 6,962,414 | 7 | 8,439,193 | 7 |
| 2230 | Current tax liabilities | 234,108 | - | 401,874 | - | 134,752 | - | 563,223 | 1 |
| 2250 | Provision-current | 4,135 | - | 4,135 | - | 4,135 | - | 16,351 | - |
| 2313 | Deferred revenue - current | 165,429 | - | 101,136 | - | 108,525 | - | 63,770 | - |
| 2310 | Advance receipts | 8,321,753 | 8 | 7,720,500 | 7 | 7,929,444 | 7 | 7,449,114 | 6 |
| 2321 | Bond issued - current portion | 1,000,000 | 1 | 2,493,512 | 2 | 3,683,812 | 4 | 1,200,000 | 1 |
| 2322 | Long-term borrowings - current portion | 2,444,361 | 2 | 1,445,159 | 1 | 684,000 | 1 | 1,600,000 | 1 |
| 2399 | Other current liabilities | 258,825 | - | 252,891 | - | 233,309 | - | 168,630 | - |
| 21XX | Total current liabilities | <u>44,384,845</u> | <u>42</u> | <u>46,185,688</u> | <u>41</u> | <u>44,223,262</u> | <u>41</u> | <u>52,819,432</u> | <u>44</u> |
| NONCURRENT LIABILITIES | | | | | | | | | |
| 2530 | Bonds issued | 992,095 | 1 | 1,990,702 | 2 | 1,000,000 | 1 | 3,454,937 | 3 |
| 2540 | Long-term borrowings | 17,828,000 | 17 | 21,841,434 | 19 | 20,562,569 | 19 | 21,992,207 | 19 |
| 2550 | Provision-noncurrent | 31,152 | - | 30,483 | - | 30,416 | - | 30,213 | - |
| 2640 | Accrued pension liabilities | 541,755 | - | 547,479 | 1 | 535,867 | 1 | 545,253 | 1 |
| 2570 | Deferred tax liabilities | 1,714,468 | 2 | 1,608,841 | 1 | 1,571,738 | 1 | 1,549,219 | 1 |
| 2670 | Other noncurrent liabilities | 2,760,424 | 2 | 2,841,682 | 3 | 2,794,843 | 3 | 2,710,010 | 2 |
| 25XX | Total noncurrent liabilities | <u>23,867,894</u> | <u>22</u> | <u>28,860,621</u> | <u>26</u> | <u>26,495,433</u> | <u>25</u> | <u>30,281,839</u> | <u>26</u> |
| 2XXX | Total liabilities | <u>68,252,739</u> | <u>64</u> | <u>75,046,309</u> | <u>67</u> | <u>70,718,695</u> | <u>66</u> | <u>83,101,271</u> | <u>70</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | | | | | | |
| Share Capital | | | | | | | | | |
| 3110 | Ordinary share | 14,391,956 | 14 | 14,109,761 | 13 | 14,109,761 | 13 | 13,698,797 | 12 |
| 3200 | Capital surplus | 3,498,174 | 3 | 3,498,174 | 3 | 3,498,174 | 3 | 3,498,174 | 3 |
| Retained earnings | | | | | | | | | |
| 3310 | Legal reserve | 2,575,473 | 3 | 2,358,917 | 2 | 2,358,917 | 2 | 2,189,631 | 2 |
| 3320 | Special reserve | 2,461,168 | 2 | 1,931,285 | 2 | 1,931,285 | 2 | 1,931,285 | 1 |
| 3350 | Unappropriated earnings | 2,465,659 | 2 | 4,095,216 | 3 | 3,385,641 | 3 | 3,596,568 | 3 |
| 3300 | Total retained earnings | 7,502,300 | 7 | 8,385,418 | 7 | 7,675,843 | 7 | 7,717,484 | 6 |
| 3400 | Other equity | 5,655,307 | 5 | 3,659,643 | 3 | 3,501,665 | 4 | 3,773,795 | 3 |
| 3500 | Treasury stock | (97,110) | - | (97,110) | - | (97,110) | - | (97,110) | - |
| 31XX | Total equity attributable to owners of the Company | 30,950,627 | 29 | 29,555,886 | 26 | 28,688,333 | 27 | 28,591,140 | 24 |
| 36XX | NON-CONTROLLING INTERESTS | 7,454,027 | 7 | 7,884,772 | 7 | 7,352,101 | 7 | 7,156,321 | 6 |
| 3XXX | Total equity | <u>38,404,654</u> | <u>36</u> | <u>37,440,658</u> | <u>33</u> | <u>36,040,434</u> | <u>34</u> | <u>35,747,461</u> | <u>30</u> |
| TOTAL | | <u>\$ 106,657,393</u> | <u>100</u> | <u>\$ 112,486,967</u> | <u>100</u> | <u>\$ 106,759,129</u> | <u>100</u> | <u>\$ 118,848,732</u> | <u>100</u> |

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

From Jul. 1 to Sep. 30, 2014 and 2013, and Year ended Sep. 30, 2014 and 2013

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

| C o d e | | From Jul. 1 to Sep. 30, 2014 | | From Jul. 1 to Sep. 30, 2013 | | Year ended Sep. 30, 2014 | | Year ended Sep. 30, 2013 | |
|---------|---|---------------------------------|--------------|---------------------------------|-----------|-----------------------------|--------------|-----------------------------|--------------|
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 | REVENUES | \$10,652,589 | 100 | \$10,655,124 | 100 | \$32,337,715 | 100 | \$33,069,485 | 100 |
| 5000 | COSTS | <u>5,375,520</u> | <u>50</u> | <u>5,543,325</u> | <u>52</u> | <u>16,047,498</u> | <u>49</u> | <u>17,011,997</u> | <u>51</u> |
| 5900 | GROSS PROFIT | <u>5,277,069</u> | <u>50</u> | <u>5,111,799</u> | <u>48</u> | <u>16,290,217</u> | <u>51</u> | <u>16,057,488</u> | <u>49</u> |
| | OPERATING EXPENSES | | | | | | | | |
| 6100 | Selling | 226,820 | 2 | 231,338 | 2 | 853,506 | 3 | 884,032 | 3 |
| 6200 | General and administrative | <u>4,640,313</u> | <u>44</u> | <u>4,726,204</u> | <u>44</u> | <u>13,666,539</u> | <u>42</u> | <u>13,941,981</u> | <u>42</u> |
| 6000 | Total operating expenses | <u>4,867,133</u> | <u>46</u> | <u>4,957,542</u> | <u>46</u> | <u>14,520,045</u> | <u>45</u> | <u>14,826,013</u> | <u>45</u> |
| 6900 | OPERATING INCOME | <u>409,936</u> | <u>4</u> | <u>154,257</u> | <u>2</u> | <u>1,770,172</u> | <u>6</u> | <u>1,231,475</u> | <u>4</u> |
| | NONOPERATING INCOME AND EXPENSES | | | | | | | | |
| 7190 | Other income | 264,238 | 3 | 253,315 | 2 | 335,348 | 1 | 331,467 | 1 |
| 7020 | Other gains and losses | (57,929) | (1) | 490,259 | 5 | (22,812) | - | 1,087,452 | 3 |
| 7050 | Finance costs | (118,283) | (1) | (89,527) | (1) | (341,346) | (1) | (390,476) | (1) |
| 7060 | Share of profit (loss) of associates accounted for using equity method | (<u>6,496</u>) | - | <u>29,685</u> | - | <u>104,535</u> | - | <u>159,477</u> | <u>1</u> |
| 7000 | Total Non-operating income and expenses | <u>81,530</u> | <u>1</u> | <u>683,732</u> | <u>6</u> | <u>75,725</u> | - | <u>1,187,920</u> | <u>4</u> |
| 7900 | INCOME BEFORE INCOME TAX | 491,466 | 5 | 837,989 | 8 | 1,845,897 | 6 | 2,419,395 | 8 |
| 7950 | INCOME TAX EXPENSE | <u>106,526</u> | <u>1</u> | <u>272,130</u> | <u>2</u> | <u>523,379</u> | <u>2</u> | <u>623,248</u> | <u>2</u> |
| 8200 | NET INCOME | <u>384,940</u> | <u>4</u> | <u>565,859</u> | <u>6</u> | <u>1,322,518</u> | <u>4</u> | <u>1,796,147</u> | <u>6</u> |
| | OTHER COMPREHENSIVE INCOME | | | | | | | | |
| 8310 | Other comprehensive income, before tax, exchange differences on translation | 14,571 | - | (14,433) | - | 9,729 | - | 88,377 | - |
| 8325 | Other comprehensive income, before tax, available-for-sale financial assets | (170,330) | (2) | 163,149 | 1 | (122,491) | - | (318,213) | (1) |
| 8350 | Other comprehensive income, before tax, gains (losses) on revaluation | 2,328,026 | 22 | - | - | 2,328,026 | 7 | - | - |
| 8370 | Share of other comprehensive income of associates accounted for using equity method | (87,850) | (1) | (20,182) | - | (65,754) | - | (13,955) | - |
| 8399 | Income tax relating to components of other comprehensive income | (<u>157,056</u>) | (<u>1</u>) | - | - | (<u>157,056</u>) | (<u>1</u>) | - | - |
| 8300 | Total other comprehensive income, net | <u>1,927,361</u> | <u>18</u> | <u>128,534</u> | <u>1</u> | <u>1,992,454</u> | <u>6</u> | (<u>243,791</u>) | (<u>1</u>) |
| 8500 | COMPREHENSIVE INCOME | <u>\$ 2,312,301</u> | <u>22</u> | <u>\$ 694,393</u> | <u>7</u> | <u>\$ 3,314,972</u> | <u>10</u> | <u>\$ 1,552,356</u> | <u>5</u> |
| | NET INCOME ATTRIBUTED TO : | | | | | | | | |
| 8610 | Owners of parent | \$ 334,669 | 3 | \$ 490,658 | 5 | \$ 1,021,700 | 3 | \$ 1,470,827 | 5 |
| 8620 | Non-controlling interests | <u>50,271</u> | <u>1</u> | <u>75,201</u> | <u>1</u> | <u>300,818</u> | <u>1</u> | <u>325,320</u> | <u>1</u> |
| 8600 | | <u>\$ 384,940</u> | <u>4</u> | <u>\$ 565,859</u> | <u>6</u> | <u>\$ 1,322,518</u> | <u>4</u> | <u>\$ 1,796,147</u> | <u>6</u> |
| | CONPREHENSIVE INCOME CONTRIBUTED TO : | | | | | | | | |
| 8710 | Owners of parent | \$ 2,262,674 | 21 | \$ 620,557 | 6 | \$ 3,017,364 | 9 | \$ 1,198,697 | 4 |
| 8720 | Non-controlling interests | <u>49,627</u> | <u>1</u> | <u>73,836</u> | <u>1</u> | <u>297,608</u> | <u>1</u> | <u>353,659</u> | <u>1</u> |
| 8700 | | <u>\$ 2,312,301</u> | <u>22</u> | <u>\$ 694,393</u> | <u>7</u> | <u>\$ 3,314,972</u> | <u>10</u> | <u>\$ 1,552,356</u> | <u>5</u> |
| | EARNINGS PER SHARE | | | | | | | | |
| 9750 | Basic | <u>\$ 0.23</u> | | <u>\$ 0.34</u> | | <u>\$ 0.71</u> | | <u>\$ 1.03</u> | |
| 9850 | Diluted | <u>\$ 0.23</u> | | <u>\$ 0.34</u> | | <u>\$ 0.71</u> | | <u>\$ 1.03</u> | |

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended Sep. 30, 2014 and 2013

(In thousands of New Taiwan Dollars)

| <u>C o d e</u> | | <u>Year ended Sep. 30, 2014</u> | <u>Year ended Sep. 30, 2013</u> |
|----------------|---|-------------------------------------|-------------------------------------|
| | CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES | | |
| A00010 | INCOME BEFORE INCOME TAX | \$ 1,845,897 | \$ 2,419,395 |
| A20000 | Adjustments to reconcile profit(loss) | | |
| A20100 | Depreciation expense | 2,195,953 | 2,180,721 |
| A20200 | Amortization expense | 20,502 | 18,150 |
| A20300 | Gain on reversal of losses on doubtful debts | (1,770) | (5,696) |
| A20400 | Net loss (gain) on financial assets or liabilities at fair value through profit or loss | (6,816) | (18,431) |
| A20900 | Finance costs | 341,346 | 390,476 |
| A23000 | Loss (gain) on disposal of non-current assets classified as held for sale | (316) | - |
| A23500 | Impairment loss on financial assets | 1,541 | 513 |
| A29900 | Reversal of provisions | - | (12,216) |
| A29900 | Amortization of prepayments | 251,567 | 249,994 |
| A29900 | Reversal unrealized purchase discounts | (27,000) | (17,700) |
| A29900 | Reversal of deferred revenue | (101,136) | (63,770) |
| A22300 | Share of loss (profit) of associates accounted for using equity method | (104,535) | (159,477) |
| A21200 | Interest income | (70,728) | (97,217) |
| A21300 | Dividend income | (264,620) | (234,250) |
| A22500 | Loss (gain) on disposal of property, plant and equipment, net | 14,613 | 35,539 |
| A22800 | Losses on disposals of intangible assets | - | 2,480 |
| A23100 | Gains on disposals of investments | - | (379,826) |
| A23700 | Loss for market price decline and obsolete and slow-moving inventories | 32,866 | 38,228 |
| A30000 | Net changes in operating assets and liabilities | | |
| A31110 | Financial assets held for trading | (30,050) | - |
| A31130 | Notes receivable | 8,725 | 10,597 |
| A31150 | Accounts receivable | 332,206 | 661,421 |
| A31160 | Notes and accounts receivable due from related parties | (78,129) | 22,876 |

(Continued)

(Continued)

| C o d e | | Year ended Sep. 30, 2014 | Year ended Sep. 30, 2013 |
|---|---|-----------------------------|-----------------------------|
| A31180 | Other receivable | 305,507 | 147,744 |
| A31200 | Inventories | (130,085) | 50,067 |
| A31230 | Prepayments | (253,148) | 181,169 |
| A31240 | Other current assets | 21,054 | 7,461 |
| A31990 | Prepaid pension costs | 3,970 | 4,059 |
| A31990 | Long-term prepayments for lease | (76,906) | - |
| A32130 | Notes payable | (125,175) | (138,191) |
| A32150 | Accounts payable | (5,294,900) | (6,524,046) |
| A32160 | Notes and accounts payable to related parties | (85,034) | (113,727) |
| A32180 | Other payables | (1,161,382) | (1,488,149) |
| A32210 | Advance receipts | 807,492 | 689,762 |
| A32210 | Deferred revenue | 165,429 | 108,525 |
| A32240 | Accrued pension liabilities | (5,724) | (9,387) |
| A32230 | Other current liabilities | <u>5,934</u> | <u>64,679</u> |
| A33000 | Cash inflow (outflow) generated from operations | (1,462,852) | (1,978,227) |
| A33300 | Interests paid | (354,519) | (354,215) |
| A33100 | Interests received | 85,452 | 93,064 |
| A33200 | Dividends received | 265,317 | 322,086 |
| A33500 | Income tax returned | 210,212 | - |
| A33500 | Income taxes paid | <u>(827,726)</u> | <u>(1,017,207)</u> |
| AAAA | Net cash flows from (used in) operating activities | <u>(2,084,116)</u> | <u>(2,934,499)</u> |
| CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES | | | |
| B00400 | Proceeds from disposal of available-for-sale financial assets | - | 701,854 |
| B00600 | Decrease (increase) in bond investments without active market | (681,693) | 944,658 |
| B01200 | Acquisition of financial assets at cost | - | (50,000) |
| B01800 | Acquisition of investments accounted for using equity method | (360,000) | (147,899) |
| B02100 | Decrease in prepayments for long-term investment | 78,456 | 47,825 |
| B02600 | Proceeds from disposal of non-current assets classified as held for sale | 582 | - |
| B02700 | Acquisition of property, plant and equipment | (1,573,147) | (2,676,942) |
| B02800 | Proceeds from disposal of property, plant and equipment | 475 | 3,581 |
| B04100 | Decrease (increase) in other receivable | 278,286 | (1,237,779) |
| B04500 | Acquisition of intangible assets | (28,950) | (22,954) |
| B06700 | Decrease (increase) in other non-current assets | <u>(4,489)</u> | <u>(117,821)</u> |
| BBBB | Net cash flows from (used in) investing activities | <u>(2,290,480)</u> | <u>(2,555,477)</u> |

(Continued)

(Continued)

| <u>C o d e</u> | | <u>Year ended Sep.</u> <u>30, 2014</u> | <u>Year ended Sep.</u> <u>30, 2013</u> |
|----------------|--|---|---|
| | Cash flows from (used in) financing activities | | |
| C00100 | Increase in short-term loans | 56,079,462 | 39,767,771 |
| C00200 | Decrease in short-term loans | (52,879,060) | (41,768,786) |
| C00500 | Increase in short-term notes and bills payable | 17,444,137 | 19,771,211 |
| C00600 | Decrease in short-term notes and bills payable | (16,722,551) | (19,890,431) |
| C01300 | Repayments of bonds | (2,500,000) | - |
| C01600 | Proceeds from long-term debt | 32,159,768 | 39,204,362 |
| C01700 | Repayment of long-term debt | (35,174,000) | (41,550,000) |
| C04300 | Increase in other non-current liabilities | 14,816 | 84,834 |
| C04500 | Dividends paid by parent company | (1,622,590) | (129) |
| C05800 | Dividends paid to non-controlling interests | (720,319) | (197,462) |
| CCCC | Net cash flows from (used in) financing activities | (3,920,337) | (4,578,630) |
| DDDD | Effect of exchange rate changes on cash and cash equivalents | 63,580 | (52,637) |
| EEEE | Net increase (decrease) in cash and cash equivalents | (8,231,353) | (10,121,243) |
| E00100 | Cash and cash equivalents at beginning of period | <u>13,221,405</u> | <u>16,794,103</u> |
| E00200 | Cash and cash equivalents at end of period | <u>\$ 4,990,052</u> | <u>\$ 6,672,860</u> |

(Concluded)