

**FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

Dec. 31, 2015, Dec. 31, 2014 and Jan. 1, 2014

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

| Code  | Assets  | 2015/12/31            |            | 2014/12/31<br>(Retrospective application) |            | 2014/1/1<br>(Retrospective application) |            |
|---|---|-----------------------|------------|---|------------|---|------------|
|   |   | Amount                | %          | Amount                                    | %          | Amount                                  | %          |
| <b>CURRENT ASSETS</b>                               |   |                       |            |   |            |   |            |
| 1100  | Cash and cash equivalents                                       | \$ 10,026,630         | 9          | \$ 10,952,918                             | 10         | \$ 13,221,405                           | 12         |
| 1110  | Financial assets at fair value through profit or loss - current | 351,111               | -          | 290,895                                   | -          | 239,974                                 | -          |
| 1125  | Available-for-sale financial assets - current                   | 468,682               | -          | 487,231                                   | -          | 552,555                                 | -          |
| 1147  | Bond investments without active market-current                  | 876,847               | 1          | 1,204,317                                 | 1          | 437,497                                 | -          |
| 1150  | Notes receivable  | 3,393                 | -          | 2,410                                     | -          | 28,119                                  | -          |
| 1170  | Accounts receivable   | 515,195               | 1          | 527,659                                   | 1          | 766,445                                 | 1          |
| 1180  | Accounts receivable due from related parties                    | 182,970               | -          | 191,931                                   | -          | 57,302                                  | -          |
| 1200  | Other receivables   | 1,687,802             | 2          | 1,508,732                                 | 1          | 1,779,487                               | 2          |
| 1220  | Current tax assets  | 5,782                 | -          | 200,615                                   | -          | 418,064                                 | -          |
| 130X  | Inventories   | 2,997,240             | 3          | 2,870,727                                 | 3          | 2,976,244                               | 3          |
| 1410  | Prepayments   | 871,542               | 1          | 975,457                                   | 1          | 1,090,656                               | 1          |
| 1460  | Noncurrent asset held for sale                                  | -                     | -          | 115                                       | -          | 377                                     | -          |
| 1470  | Other current assets  | 90,102                | -          | 102,260                                   | -          | 83,987                                  | -          |
| 11XX  | Total current assets  | <u>18,077,296</u>     | <u>17</u>  | <u>19,315,267</u>                         | <u>17</u>  | <u>21,652,112</u>                       | <u>19</u>  |
| <b>NONCURRENT ASSETS</b>                            |   |                       |            |   |            |   |            |
| 1523  | Available-for-sale financial assets - noncurrent                | 3,689,341             | 3          | 4,989,668                                 | 4          | 4,986,339                               | 4          |
| 1543  | Financial assets measured at cost - noncurrent                  | 611,576               | -          | 783,652                                   | 1          | 776,374                                 | 1          |
| 1546  | Bond investments without active market - non-current            | 127,000               | -          | 125,000                                   | -          | 521,897                                 | 1          |
| 1550  | Investments accounted for by equity method                      | 9,163,153             | 9          | 9,546,534                                 | 9          | 9,050,368                               | 8          |
| 1600  | Property, plant and equipment                                   | 45,612,886            | 43         | 47,426,385                                | 43         | 52,166,888                              | 46         |
| 1760  | Investment properties   | 10,036,266            | 9          | 9,667,344                                 | 9          | 3,070,495                               | 3          |
| 1780  | Intangible assets   | 7,240,992             | 7          | 7,226,592                                 | 6          | 7,715,184                               | 7          |
| 1840  | Deferred tax assets   | 727,394               | 1          | 926,612                                   | 1          | 940,225                                 | 1          |
| 1975  | Net defined benefit asset, non-current                          | -                     | -          | 185,782                                   | -          | 222,615                                 | -          |
| 1985  | Long-term prepayments for lease                                 | 9,177,719             | 9          | 9,472,460                                 | 8          | 9,464,677                               | 8          |
| 1990  | Other noncurrent assets   | 1,873,863             | 2          | 1,954,939                                 | 2          | 1,920,123                               | 2          |
| 15XX  | Total noncurrent assets   | <u>88,260,190</u>     | <u>83</u>  | <u>92,304,968</u>                         | <u>83</u>  | <u>90,835,185</u>                       | <u>81</u>  |
| 1XXX  | TOTAL   | <u>\$ 106,337,486</u> | <u>100</u> | <u>\$ 111,620,235</u>                     | <u>100</u> | <u>\$ 112,487,297</u>                   | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>                       |   |                       |            |   |            |   |            |
| <b>CURRENT LIABILITIES</b>                          |   |                       |            |   |            |   |            |
| 2100  | Short-term debts  | \$ 9,499,733          | 9          | \$ 6,674,285                              | 6          | \$ 7,462,340                            | 7          |
| 2110  | Short-term notes and bills payable                              | 2,351,020             | 2          | 2,991,683                                 | 3          | 3,047,306                               | 3          |
| 2150  | Notes payable   | 52,224                | -          | 63,303                                    | -          | 159,194                                 | -          |
| 2170  | Accounts payables   | 16,605,966            | 16         | 17,601,054                                | 16         | 17,693,401                              | 16         |
| 2180  | Notes and accounts payable to related parties                   | 119,754               | -          | 153,238                                   | -          | 151,909                                 | -          |
| 2200  | Other payables  | 4,895,382             | 5          | 5,495,103                                 | 5          | 5,252,331                               | 5          |
| 2230  | Current tax liabilities   | 182,997               | -          | 512,116                                   | -          | 401,874                                 | -          |
| 2250  | Provision-current   | 3,000                 | -          | 4,135                                     | -          | 4,135                                   | -          |
| 2313  | Deferred revenue - current                                      | 98,552                | -          | 65,656                                    | -          | 101,136                                 | -          |
| 2310  | Advance receipts  | 8,063,527             | 7          | 7,829,288                                 | 7          | 7,720,500                               | 7          |
| 2321  | Bond issued - current portion                                   | -                     | -          | 1,000,000                                 | 1          | 2,493,512                               | 2          |
| 2322  | Long-term borrowings - current portion                          | 1,959,200             | 2          | 1,764,429                                 | 2          | 1,445,159                               | 1          |
| 2399  | Other current liabilities                                       | 309,764               | -          | 265,157                                   | -          | 252,891                                 | -          |
| 21XX  | Total current liabilities                                       | <u>44,141,119</u>     | <u>41</u>  | <u>44,419,447</u>                         | <u>40</u>  | <u>46,185,688</u>                       | <u>41</u>  |
| <b>NONCURRENT LIABILITIES</b>                       |   |                       |            |   |            |   |            |
| 2530  | Bonds issued  | 994,419               | 1          | 992,560                                   | 1          | 1,990,702                               | 2          |
| 2540  | Long-term borrowings  | 18,829,745            | 18         | 21,548,341                                | 19         | 21,841,434                              | 19         |
| 2550  | Provision-noncurrent  | 31,058                | -          | 31,222                                    | -          | 30,483                                  | -          |
| 2570  | Deferred tax liabilities  | 1,991,395             | 2          | 1,729,061                                 | 2          | 1,608,841                               | 1          |
| 2640  | Net defined benefit liability, non-current                      | 802,608               | 1          | 563,292                                   | -          | 535,105                                 | 1          |
| 2670  | Other noncurrent liabilities                                    | 2,695,271             | 2          | 2,878,845                                 | 3          | 2,841,682                               | 3          |
| 25XX  | Total noncurrent liabilities                                    | <u>25,344,496</u>     | <u>24</u>  | <u>27,743,321</u>                         | <u>25</u>  | <u>28,848,247</u>                       | <u>26</u>  |
| 2XXX  | Total liabilities   | <u>69,485,615</u>     | <u>65</u>  | <u>72,162,768</u>                         | <u>65</u>  | <u>75,033,935</u>                       | <u>67</u>  |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b> |   |                       |            |   |            |   |            |
| <b>Share Capital</b>                                |   |                       |            |   |            |   |            |
| 3110  | Ordinary share  | 14,169,406            | 13         | 14,391,956                                | 13         | 14,109,761                              | 13         |
| 3200  | Capital surplus   | 3,315,420             | 3          | 3,498,252                                 | 3          | 3,498,174                               | 3          |
| <b>Retained earnings</b>                            |   |                       |            |   |            |   |            |
| 3310  | Legal reserve   | 2,728,379             | 3          | 2,575,473                                 | 2          | 2,358,917                               | 2          |
| 3320  | Special reserve   | 2,461,168             | 2          | 2,461,168                                 | 2          | 1,931,285                               | 2          |
| 3350  | Unappropriated earnings   | 2,673,946             | 3          | 2,936,463                                 | 3          | 4,107,920                               | 3          |
| 3300  | Total retained earnings   | 7,863,493             | 8          | 7,973,104                                 | 7          | 8,398,122                               | 7          |
| 3400  | Other equity  | 3,995,790             | 4          | 5,900,851                                 | 5          | 3,659,643                               | 3          |
| 3500  | Treasury stock  | (97,110)              | -          | (97,110)                                  | -          | (97,110)                                | -          |
| 31XX  | Total equity attributable to owners of the Company              | <u>29,246,999</u>     | <u>28</u>  | <u>31,667,053</u>                         | <u>28</u>  | <u>29,568,590</u>                       | <u>26</u>  |
| 36XX  | NON-CONTROLLING INTERESTS                                       | <u>7,604,872</u>      | <u>7</u>   | <u>7,790,414</u>                          | <u>7</u>   | <u>7,884,772</u>                        | <u>7</u>   |
| 3XXX  | Total equity  | <u>36,851,871</u>     | <u>35</u>  | <u>39,457,467</u>                         | <u>35</u>  | <u>37,453,362</u>                       | <u>33</u>  |
| TOTAL   |   | <u>\$ 106,337,486</u> | <u>100</u> | <u>\$ 111,620,235</u>                     | <u>100</u> | <u>\$ 112,487,297</u>                   | <u>100</u> |

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended Dec. 31, 2015 and 2014

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

| <u>C o d e</u> |   | 2015<br>Year ended Dec. 31 |           | 2014<br>Year ended Dec. 31<br>(Retrospective application) |             |
|----------------|---|----------------------------|-----------|---|-------------|
|                |   | Amount                     | %         | Amount  | %           |
| 4000           | REVENUES  | \$ 44,998,319              | 100       | \$ 45,928,793   | 100         |
| 5000           | COSTS   | <u>22,257,933</u>          | <u>49</u> | <u>22,719,427</u>   | <u>50</u>   |
| 5900           | GROSS PROFIT  | <u>22,740,386</u>          | <u>51</u> | <u>23,209,366</u>   | <u>50</u>   |
|                | OPERATING EXPENSES  |                            |           |   |             |
| 6100           | Selling   | 1,197,658                  | 3         | 1,218,973   | 3           |
| 6200           | General and<br>administrative   | <u>18,613,897</u>          | <u>41</u> | <u>18,667,206</u>   | <u>40</u>   |
| 6000           | Total operating<br>expenses   | <u>19,811,555</u>          | <u>44</u> | <u>19,886,179</u>   | <u>43</u>   |
| 6900           | OPERATING INCOME  | <u>2,928,831</u>           | <u>7</u>  | <u>3,323,187</u>  | <u>7</u>    |
|                | NONOPERATING INCOME<br>AND EXPENSES   |                            |           |   |             |
| 7010           | Other income  | 378,037                    | 1         | 369,884   | 1           |
| 7020           | Other gains and losses  | 163,685                    | -         | ( 276,669)  | ( 1)        |
| 7050           | Finance costs   | ( 461,215)                 | ( 1)      | ( 465,191)  | ( 1)        |
| 7060           | Share of profit (loss) of<br>associates accounted<br>for using equity<br>method | <u>405,335</u>             | <u>1</u>  | <u>133,207</u>  | <u>-</u>    |
| 7000           | Total Non-operating<br>income and<br>expenses                                   | <u>485,842</u>             | <u>1</u>  | <u>( 238,769)</u>   | <u>( 1)</u> |
| 7900           | INCOME BEFORE INCOME<br>TAX   | 3,414,673                  | 8         | 3,084,418   | 6           |
| 7950           | INCOME TAX EXPENSE  | <u>1,261,372</u>           | <u>3</u>  | <u>925,000</u>  | <u>2</u>    |
| 8200           | NET INCOME  | <u>2,153,301</u>           | <u>5</u>  | <u>2,159,418</u>  | <u>4</u>    |

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| C o d e |  | 2015                  |              | 2014  |          |
|---------|--|-----------------------|--------------|---|----------|
|         |  | Year ended Dec. 31    |              | Year ended Dec. 31<br>(Retrospective application) |          |
|         |  | Amount                | %            | Amount  | %        |
|         | Other comprehensive income   |                       |              |   |          |
| 8310    | Components of other comprehensive income that will not be reclassified to profit or loss   |                       |              |   |          |
| 8311    | Gains (losses) on remeasurements of defined benefit plans  | ( 422,992 )           | ( 1 )        | ( 62,170 )  | -        |
| 8312    | Gains on revaluation of property, plant and equipment  | -                     | -            | 2,328,026   | 5        |
| 8320    | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income | ( 3,313 )             | -            | ( 2,893 )   | -        |
| 8349    | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss                                   | <u>72,026</u>         | <u>-</u>     | <u>( 146,321 )</u>                                | <u>-</u> |
|         |  | <u>( 354,279 )</u>    | <u>( 1 )</u> | <u>2,116,642</u>                                  | <u>5</u> |
| 8360    | Components of other comprehensive income that will be reclassified to profit or loss   |                       |              |   |          |
| 8361    | Exchange differences on translation  | ( 24,562 )            | -            | 48,411  | -        |
| 8362    | Unrealised gains (losses) on valuation of available-for-sale financial assets  | ( 1,318,876 )         | ( 3 )        | ( 61,995 )  | -        |
| 8370    | Share of other comprehensive income of associates accounted for using equity method  | <u>( 566,750 )</u>    | <u>( 1 )</u> | <u>92,499</u>                                     | <u>-</u> |
|         |  | <u>( 1,910,188 )</u>  | <u>( 4 )</u> | <u>78,915</u>                                     | <u>-</u> |
| 8300    | Total other comprehensive income, net  | <u>( 2,264,467 )</u>  | <u>( 5 )</u> | <u>2,195,557</u>                                  | <u>5</u> |
| 8500    | COMPREHENSIVE INCOME   | <u>( \$ 111,166 )</u> | <u>-</u>     | <u>\$ 4,354,975</u>                               | <u>9</u> |
| 8600    | COMPREHENSIVE INCOME CONTRIBUTED TO :  |                       |              |   |          |
| 8610    | Owners of parent   | \$ 1,714,770          | 4            | \$ 1,524,441                                      | 3        |
| 8620    | Non-controlling interests  | <u>438,531</u>        | <u>1</u>     | <u>634,977</u>                                    | <u>2</u> |
|         |  | <u>\$ 2,153,301</u>   | <u>5</u>     | <u>\$ 2,159,418</u>                               | <u>5</u> |
| 8700    | COMPREHENSIVE INCOME CONTRIBUTED TO :  |                       |              |   |          |
| 8710    | Owners of parent   | ( \$ 530,347 )        | ( 1 )        | \$ 3,721,008                                      | 8        |
| 8720    | Non-controlling interests  | <u>419,181</u>        | <u>1</u>     | <u>633,967</u>                                    | <u>1</u> |
|         |  | <u>( \$ 111,166 )</u> | <u>-</u>     | <u>\$ 4,354,975</u>                               | <u>9</u> |
|         | EARNINGS PER SHARE   |                       |              |   |          |
| 9750    | Basic  | <u>\$ 1.20</u>        |              | <u>\$ 1.07</u>                                    |          |
| 9850    | Diluted  | <u>\$ 1.20</u>        |              | <u>\$ 1.07</u>                                    |          |

(Concluded)

## FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended Dec. 31, 2015 and 2014

(In thousands of New Taiwan Dollars)

| Code   |   | 2015<br>Year ended Dec. 31 | 2014<br>Year ended Dec. 31<br>(Retrospective<br>restatement) |
|--------|---|----------------------------|--|
|        | CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES  |                            |  |
| A00010 | INCOME BEFORE INCOME TAX  | \$ 3,414,673               | \$ 3,084,418   |
| A20000 | Adjustments to reconcile profit(loss)   |                            |  |
| A20100 | Depreciation expense  | 3,061,186                  | 2,951,638  |
| A20200 | Amortization expense  | 35,644                     | 28,907   |
| A20300 | Gain on reversal of losses on doubtful debts  | ( 8,882)                   | ( 3,321)   |
| A20400 | Net loss (gain) on financial assets or liabilities at fair value through profit or loss | ( 16,658)                  | ( 46,651)  |
| A20900 | Finance costs   | 461,215                    | 465,191  |
| A21200 | Interest income   | ( 76,018)                  | ( 101,762)   |
| A21300 | Dividend income   | ( 302,019)                 | ( 268,122)   |
| A22300 | Share of loss (profit) of associates accounted for using equity method                  | ( 405,335)                 | ( 133,207)   |
| A22500 | Loss (gain) on disposal of property, plant and equipment, net                           | 36,518                     | 18,330   |
| A22800 | Losses on disposals of intangible assets  | 820                        | -  |
| A23000 | Loss (gain) on disposal of non-current assets classified as held for sale               | 97                         | ( 316)   |
| A23500 | Impairment loss on financial assets   | 169,281                    | 2,055  |
| A23700 | Loss for market price decline and obsolete and slow-moving inventories                  | ( 17,123)                  | 13,041   |
| A23700 | Impairment loss recognized on intangible assets   | -                          | 495,605  |
| A23700 | Impairment loss recognized on property, plant and equipment                             | -                          | 4,637  |
| A24600 | Loss (gain) on change in fair value of investment properties                            | ( 357,044)                 | 21,931   |
| A29900 | Amortization of prepayments   | 15,087                     | 14,145   |
| A29900 | Amortization of prepayments for lease   | 326,656                    | 321,773  |
| A29900 | Reversal of provisions  | ( 1,627)                   | -  |
| A29900 | Reversal of deferred revenue  | ( 65,656)                  | ( 101,136)   |
| A29900 | Reversal unrealized purchase discounts  | 14,033                     | ( 11,617)  |
| A30000 | Net changes in operating assets and liabilities   |                            |  |
| A31110 | Financial assets held for trading   | ( 43,558)                  | ( 4,270)   |
| A31130 | Notes receivable  | ( 983)                     | 25,709   |
| A31150 | Accounts receivable   | 30,923                     | 276,947  |

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| Code  |   | 2015<br>Year ended Dec. 31 | 2014<br>Year ended Dec. 31<br>(Retrospective<br>restatement) |
|---|---|----------------------------|--|
| A31160  | Notes and accounts receivable<br>due from related parties                   | 8,961                      | ( 134,629)   |
| A31180  | Other receivable  | ( 174,547)                 | 35,073   |
| A31200  | Inventories   | ( 123,423)                 | 104,093  |
| A31230  | Prepayments   | 84,092                     | 115,264  |
| A31240  | Other current assets  | 12,158                     | ( 18,273)  |
| A31990  | Prepaid pension costs   | 8,351                      | 7,975  |
| A32130  | Notes payable   | ( 11,079)                  | ( 95,891)  |
| A32150  | Accounts payable  | ( 995,088)                 | ( 92,347)  |
| A32160  | Notes and accounts payable to<br>related parties                            | ( 33,484)                  | 1,329  |
| A32180  | Other payables  | ( 420,542)                 | ( 448,737)   |
| A32210  | Deferred revenue  | 98,552                     | 65,656   |
| A32210  | Advance receipts  | 544,737                    | 383,519  |
| A32230  | Other current liabilities   | 44,607                     | 12,266   |
| A32240  | Accrued pension liabilities   | <u>62,552</u>              | <u>29,166</u>  |
| A33000  | Cash inflow (outflow) generated from<br>operations                          | 5,377,077                  | 7,018,389  |
| A33300  | Interests paid  | ( 440,838)                 | ( 481,901)   |
| A33100  | Interests received  | 71,918                     | 116,462  |
| A33500  | Income tax returned   | 19,246                     | 210,212  |
| A33500  | Income taxes paid   | ( <u>883,682</u> )         | ( <u>819,264</u> )   |
| AAAA  | Net cash flows from (used in) operating<br>activities                       | <u>4,143,721</u>           | <u>6,043,898</u>   |
| CASH FLOWS FROM (USED IN) INVESTING<br>ACTIVITIES |   |                            |  |
| B00600  | Decrease (increase) in bond investments<br>without active market            | 325,470                    | ( 369,923)   |
| B01800  | Acquisition of investments accounted for<br>using equity method             | ( 106,000)                 | ( 360,000)   |
| B02100  | Decrease in prepayments for long-term<br>investment                         | 78,346                     | 78,456   |
| B02600  | Proceeds from disposal of non-current assets<br>classified as held for sale | 16                         | 582  |
| B02700  | Acquisition of property, plant and equipment                                | ( 1,970,634)               | ( 1,984,796)   |
| B02800  | Proceeds from disposal of property, plant and<br>equipment                  | 1,173                      | 24,190   |
| B04100  | Decrease (increase) in other receivable                                     | -                          | 212,388  |
| B04500  | Acquisition of intangible assets  | ( 45,745)                  | ( 34,958)  |
| B05400  | Acquisition of investment properties  | ( 11,878)                  | -  |
| B06700  | Decrease (increase) in other non-current assets                             | 82,382                     | ( 52,667)  |
| B07300  | Increase in prepayments for lease   | ( 15,388)                  | ( 372,940)   |
| B07600  | Dividends received  | <u>432,666</u>             | <u>406,809</u>   |
| BBBB  | Net cash flows from (used in) investing<br>activities                       | ( <u>1,229,592</u> )       | ( <u>2,452,859</u> )   |

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| Code   | 2015<br>Year ended Dec. 31                                   | 2014<br>Year ended Dec. 31<br>(Retrospective<br>restatement) |                     |
|--------|--|--|---------------------|
|        | Cash flows from (used in) financing activities               |  |                     |
| C00100 | Increase in short-term loans                                 | 63,475,366   | 68,280,489          |
| C00200 | Decrease in short-term loans                                 | ( 60,614,337)  | ( 69,231,410)       |
| C00500 | Increase in short-term notes and bills payable               | 25,892,479   | 23,851,586          |
| C00600 | Decrease in short-term notes and bills payable               | ( 26,533,142)  | ( 23,907,209)       |
| C01300 | Repayments of bonds  | ( 1,000,000)   | ( 2,500,000)        |
| C01600 | Proceeds from long-term debt                                 | 47,315,604   | 48,618,177          |
| C01700 | Repayment of long-term debt                                  | ( 49,840,000)  | ( 48,592,000)       |
| C04300 | Increase in other non-current liabilities                    | ( 19,375)  | 26,571              |
| C04500 | Dividends paid by parent company                             | ( 1,439,211)   | ( 1,622,612)        |
| C04900 | Payments to acquire treasury shares                          | ( 405,304)   | -                   |
| C05800 | Dividends paid to non-controlling interests                  | ( 617,669)   | ( 720,319)          |
| CCCC   | Net cash flows from (used in) financing activities           | ( 3,785,589)   | ( 5,796,727)        |
| DDDD   | Effect of exchange rate changes on cash and cash equivalents | ( 54,828)  | ( 62,799)           |
| EEEE   | Net increase (decrease) in cash and cash equivalents         | ( 926,288)   | ( 2,268,487)        |
| E00100 | Cash and cash equivalents at beginning of period             | <u>10,952,918</u>  | <u>13,221,405</u>   |
| E00200 | Cash and cash equivalents at end of period                   | <u>\$10,026,630</u>  | <u>\$10,952,918</u> |

(Concluded)