

# FAR EASTERN DEPARTMENT STORES, LTD.

## BALANCE SHEETS DECEMBER 31, 2009 AND 2008

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

ASSETS	2009		2008		LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash	\$ 278,918	1	\$ 288,988	1	Short-term debts	\$ 2,650,000	6	\$ 2,950,000	7
Available-for-sale financial assets - current	228,938	1	131,662	-	Short-term notes and bills payable	1,448,934	3	1,794,234	4
Receivables:					Accounts payable	2,238,613	5	1,826,379	4
Notes	13,320	-	14,062	-	related parties - payables	54,555	-	53,851	-
Accounts, net of allowance for doubtful accounts of \$4,133 thousand in 2009 and \$8,799 thousand in 2008	180,841	-	168,760	1	related parties - others	95,609	-	115,119	-
Related parties - notes and receivables	36,616	-	30,142	-	Accrued expenses	704,181	2	531,884	1
Related parties - others	303,436	1	500,571	1	Balance payable - property	259,058	1	100,978	-
Others	114,730	-	89,254	-	Other payables	94,953	-	102,468	-
Inventories	216,316	1	296,229	1	Advance receipts	1,430,724	3	1,427,945	4
Prepayments	27,694	-	22,704	-	Current portion of bonds issued	500,000	1	-	-
Deferred tax assets - current	31,322	-	34,292	-	Current portion of long-term borrowings	-	-	698,875	2
Noncurrent assets classified as held for sale	89,461	-	-	-	Other current liabilities	583,984	1	591,865	2
Other current assets	138,003	-	64,473	-					
Total current assets	1,659,595	4	1,641,137	4	Total current liabilities	10,060,611	22	10,193,598	24
<b>LONG-TERM INVESTMENTS</b>					<b>LONG-TERM LIABILITIES, NET OF CURRENT PORTION</b>				
Investments accounted for by the equity method	18,395,707	40	15,964,679	38	Bonds issued	1,200,000	2	1,700,000	4
Available-for-sale financial assets - noncurrent	2,576,840	5	1,859,887	5	Long-term borrowings	10,078,147	22	8,663,377	21
Financial assets carried at cost	116,728	-	160,035	-	Total long-term liabilities	11,278,147	24	10,363,377	25
Total long-term investments	21,089,275	45	17,984,601	43					
<b>PROPERTY</b>					<b>RESERVES</b>				
Cost					Reserve for land revaluation increment tax	575,490	1	575,490	2
Land	4,118,124	9	4,072,720	10					
Buildings and equipment	6,972,872	15	6,122,584	15	<b>OTHER LIABILITIES</b>				
Furniture and equipment	3,400,286	7	3,137,123	7	Deposits received	38,872	-	39,373	-
Total cost	14,491,282	31	13,332,427	32	Deferred tax liabilities - noncurrent	105,921	1	12,546	-
Revaluation increment	1,212,414	3	1,193,498	2	Deferred credits - gains on related-party transactions	11,366	-	11,366	-
Cost and appreciation	15,703,696	34	14,525,925	34	Miscellaneous	7,743	-	-	-
Less: Accumulated depreciation	4,732,105	10	4,277,773	10	Total other liabilities	163,902	1	63,285	-
	10,971,591	24	10,248,152	24	Total liabilities	22,078,150	48	21,195,750	51
Construction in progress and prepayments for equipment	5,946,369	13	6,093,083	15					
Leasehold rights, net	4,457,349	9	4,117,668	10	<b>STOCKHOLDERS' EQUITY</b>				
Properties leased to others, net	1,487,794	3	1,012,661	2	Capital stock NT\$10.00 par value				
Net property	22,863,103	49	21,471,564	51	Authorized - 1,350,000 thousand shares				
					Issued and outstanding - 1,212,326 thousand shares in 2009 and 1,177,015 thousand shares in 2008	12,123,259	26	11,770,154	28
<b>OTHER ASSETS</b>					Capital surplus:				
Idle assets, net	381,610	1	384,462	1	Additional paid-in capital - share issuance in excess of par	2,175,718	4	2,175,718	5
Refundable deposits	159,028	-	158,828	-	Treasury stock transactions	964,467	2	835,591	2
Prepaid pension costs	194,847	1	194,156	1	Long-term investments	384,643	1	372,157	1
Miscellaneous	7,493	-	7,031	-	Total capital surplus	3,524,828	7	3,383,466	8
Total other assets	742,978	2	744,477	2	Retained earnings:				
					Legal reserve	1,525,328	4	1,496,641	4
					Special reserve	1,000,564	2	1,484,033	3
					Unappropriated earnings	1,968,212	4	286,864	1
					Total retained earnings	4,494,104	10	3,267,538	8
					Other equity adjustments				
					Cumulative translation adjustments	139,364	-	317,743	1
					Net loss not recognized as pension costs	(10,386)	-	(6,584)	-
					Unrealized valuation gains (losses) on financial instruments	3,192,918	7	1,125,491	2
					Unrealized asset revaluation increment	883,944	2	883,944	2
					Treasury stock - 13,392 thousand shares in 2009 and 17,473 thousand shares in 2008	(71,230)	-	(95,723)	-
					Total other equity adjustments	4,134,610	9	2,224,871	5
					Total stockholders' equity	24,276,801	52	20,646,029	49
<b>TOTAL</b>	<b>\$ 46,354,951</b>	<b>100</b>	<b>\$ 41,841,779</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 46,354,951</b>	<b>100</b>	<b>\$ 41,841,779</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 5, 2010)

## FAR EASTERN DEPARTMENT STORES, LTD.

### STATEMENTS OF INCOME

**YEARS ENDED DECEMBER 31, 2009 AND 2008**

**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2009		2008	
	Amount	%	Amount	%
<b>REVENUES</b>				
Sales	\$ 21,988,908	99	\$ 20,809,508	99
Other operating revenues	<u>214,290</u>	<u>1</u>	<u>223,914</u>	<u>1</u>
Total revenues	<u>22,203,198</u>	<u>100</u>	<u>21,033,422</u>	<u>100</u>
<b>COSTS</b>				
Cost of goods sold	17,735,782	80	16,746,762	80
Other operating costs	<u>50,119</u>	<u>-</u>	<u>47,496</u>	<u>-</u>
Total costs	<u>17,785,901</u>	<u>80</u>	<u>16,794,258</u>	<u>80</u>
<b>GROSS PROFIT</b>	<u>4,417,297</u>	<u>20</u>	<u>4,239,164</u>	<u>20</u>
<b>OPERATING EXPENSES</b>				
Selling	876,528	4	822,954	4
General and administrative	<u>2,850,456</u>	<u>13</u>	<u>2,711,469</u>	<u>13</u>
Total operating expenses	<u>3,726,984</u>	<u>17</u>	<u>3,534,423</u>	<u>17</u>
<b>OPERATING INCOME</b>	<u>690,313</u>	<u>3</u>	<u>704,741</u>	<u>3</u>
<b>NONOPERATING INCOME AND GAINS</b>				
Equity in earnings of equity-method investees, net	1,316,910	6	-	-
Dividend income	108,663	-	149,611	1
Interest income	2,010	-	4,649	-
Gain on disposal of investments, net	-	-	156,388	1
Other income	<u>116,077</u>	<u>1</u>	<u>115,612</u>	<u>-</u>
Total nonoperating income and gains	<u>1,543,660</u>	<u>7</u>	<u>426,260</u>	<u>2</u>
<b>NONOPERATING EXPENSES AND LOSSES</b>				
Interest expense	61,612	-	190,572	1
Impairment loss on Financial assets carried at cost	39,927	-	-	-
Loss on disposal of property and idle assets	3,201	-	13,985	-
Equity in losses of equity-method investees, net	-	-	611,509	3
Other expenses	<u>98,987</u>	<u>1</u>	<u>94,869</u>	<u>-</u>
Total nonoperating expenses and losses	<u>203,727</u>	<u>1</u>	<u>910,935</u>	<u>4</u>

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## FAR EASTERN DEPARTMENT STORES, LTD.

### STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	2,030,246	9	220,066	1
INCOME TAX EXPENSE( BENEFIT)	<u>97,470</u>	<u>-</u>	<u>(66,798)</u>	<u>-</u>
NET INCOME	<u>\$ 1,932,776</u>	<u>9</u>	<u>\$ 286,864</u>	<u>1</u>
	2009		2008	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE				
Basic	<u>\$ 1.70</u>	<u>\$ 1.62</u>	<u>\$ 0.18</u>	<u>\$ 0.24</u>
Diluted	<u>\$ 1.70</u>	<u>\$ 1.61</u>	<u>\$ 0.18</u>	<u>\$ 0.24</u>

Pro forma information on the assumption that the Company's shares traded or held by subsidiaries are treated as investments instead of treasury stocks :

	2009		2008	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE				
Basic	<u>\$ 1.78</u>	<u>\$ 1.70</u>	<u>\$ 0.61</u>	<u>\$ 0.67</u>
Diluted	<u>\$ 1.78</u>	<u>\$ 1.70</u>	<u>\$ 0.61</u>	<u>\$ 0.67</u>

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

(With Deloitte & Touche audit report dated March 5, 2010)

(Concluded)

**FAR EASTERN DEPARTMENT STORES, LTD.**

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2009 AND 2008  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Surplus				Retained Earnings			Other Equity Adjustments					Total Stockholders' Equity
	Capital Stock Issued and Outstanding	Additional Paid-in Capital - Share Issuance in Excess of Par	Treasury Stock Transactions	Long-term Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net Loss not Recognized as Pension Cost	Unrealized Valuation Gains (Losses) on Financial Instruments	Unrealized for Asset Revaluation Increment	Treasury Stock	
BALANCE, JANUARY 1, 2008	\$ 11,209,670	\$ 2,175,718	\$ 312,682	\$ 323,895	\$ 1,335,926	\$ 2,156,588	\$ 1,607,152	\$ (16,162)	\$ (12,351)	\$ 4,465,999	\$ 883,944	\$ (165,492)	\$ 24,277,569
Appropriation of prior year's earnings:													
Legal reserve	-	-	-	-	160,715	-	(160,715)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(672,555)	672,555	-	-	-	-	-	-
Stock dividends -5 %	560,484	-	-	-	-	-	(560,484)	-	-	-	-	-	-
Cash dividends - NT\$1.3 per share	-	-	-	-	-	-	(1,457,257)	-	-	-	-	-	(1,457,257)
Employee bonuses	-	-	-	-	-	-	(57,858)	-	-	-	-	-	(57,858)
Remuneration to directors and supervisors	-	-	-	-	-	-	(43,393)	-	-	-	-	-	(43,393)
Adjustment due to subsidiaries' disposal of parent's stocks	-	-	522,909	-	-	-	-	-	-	-	-	69,769	592,678
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	4,648	-	-	-	-	4,648
Adjustment arising from changes in percentage of ownership in investees	-	-	-	(27,047)	-	-	-	-	-	-	-	-	(27,047)
Adjustment reported by equity-method investees	-	-	-	75,309	-	-	-	329,257	5,767	(1,972,773)	-	-	(1,562,440)
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(1,367,735)	-	-	(1,367,735)
Net income in 2008	-	-	-	-	-	-	286,864	-	-	-	-	-	286,864
BALANCE, DECEMBER 31, 2008	11,770,154	2,175,718	835,591	372,157	1,496,641	1,484,033	286,864	317,743	(6,584)	1,125,491	883,944	(95,723)	20,646,029
Appropriation of prior year's earnings:													
Legal reserve	-	-	-	-	28,687	-	(28,687)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(483,469)	483,469	-	-	-	-	-	-
Stock dividends -3 %	353,105	-	-	-	-	-	(353,105)	-	-	-	-	-	-
Cash dividends - NT\$0.3 per share	-	-	-	-	-	-	(353,105)	-	-	-	-	-	(353,105)
Adjustment due to subsidiaries' disposal of parent's stocks	-	-	128,876	-	-	-	-	-	-	-	-	24,493	153,369
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(9,262)	-	-	-	-	(9,262)
Adjustment reported by equity-method investees	-	-	-	12,486	-	-	-	(169,117)	(3,802)	1,253,198	-	-	1,092,765
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	814,229	-	-	814,229
Net income in 2009	-	-	-	-	-	-	1,932,776	-	-	-	-	-	1,932,776
BALANCE, DECEMBER 31, 2009	\$ 12,123,259	\$ 2,175,718	\$ 964,467	\$ 384,643	\$ 1,525,328	\$ 1,000,564	\$ 1,968,212	\$ 139,364	\$ (10,386)	\$ 3,192,918	\$ 883,944	\$ (71,230)	\$ 24,276,801

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

(With Deloitte & Touche audit report dated March 5, 2010)

# FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,932,776	\$ 286,864
Depreciation	396,144	409,153
Amortization of deferred charges	6,940	7,280
Amortization of leasehold rights included in of rental expense	74,822	74,822
Gain on disposal of investments, net	-	(156,388)
Cash dividends from equity-method investees	1,027,241	827,538
Equity in (earnings) losses of equity-method investees, net	(1,316,910)	611,509
Impairment loss on Financial assets carried at cost	39,927	-
Loss on disposal of property and idle assets, net	3,201	13,985
Other expenses	-	198
Deferred income taxes	96,345	(66,900)
Increase in prepaid pension cost	(691)	(50,842)
Net changes in operating assets and liabilities		
Notes receivable	742	1,796
Accounts receivable	(12,081)	69,171
Accounts receivable - related parties	(27,683)	30,191
Other receivables	(25,476)	(7,548)
Inventories	79,913	(34,178)
Prepayments	(4,990)	5,168
Other current assets	(73,530)	11,236
Accounts payable	412,234	(258,174)
Accounts payable - related parties	(20,767)	58,480
Accrued expenses	172,297	(13,994)
Other payables	(2,087)	3,773
Advance receipts	68,085	153,534
Other current liabilities	(7,881)	(45,338)
Net cash provided by operating activities	<u>2,818,571</u>	<u>1,931,336</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds of the disposal of available-for-sale financial assets	-	240,236
Acquisition of investments accounted for by the equity method	(678,400)	(1,140,000)
Proceeds of the disposal of property	346	704
Proceeds of the disposal of idle assets	291	-
Real estate received in advance	36,000	-
Acquisition of property	(1,894,217)	(1,319,665)
(Increase) decrease in refundable deposits	(200)	1,113
Increase in other assets	(4,022)	(2,228)
Net cash used in investing activities	<u>(2,540,202)</u>	<u>(2,219,840)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term debts	(300,000)	900,000
(Decrease) increase in short-term notes and bills payable	(345,300)	1,095,030

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# FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	<u>2009</u>	<u>2008</u>
Repayments of bonds issued	-	(1,200,000)
Issuance of bonds	-	1,200,000
Increase (decrease) in long-term borrowings	715,895	(116,064)
Decrease in deposits received	(501)	(3,286)
Decrease in other liabilities	-	(563)
Cash dividends, bonuses paid to employees and remuneration paid to supervisors and directors	<u>(358,533)</u>	<u>(1,530,573)</u>
Net cash (used in) provided by financing activities	<u>(288,439)</u>	<u>344,544</u>
NET (DECREASE) INCREASE IN CASH	(10,070)	56,040
CASH , BEGINNING OF YEAR	<u>288,988</u>	<u>232,948</u>
CASH , END OF YEAR	<u>\$ 278,918</u>	<u>\$ 288,988</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 192,730	\$ 315,255
Less: Capitalized interest	<u>165,808</u>	<u>147,918</u>
Interest paid, excluding capitalized interest	<u>\$ 26,922</u>	<u>\$ 167,337</u>
Income tax paid	<u>\$ 2</u>	<u>\$ 1,389</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends receivable from equity-method investees (classified as accounts receivable - related parties)	<u>\$ 246,517</u>	<u>\$ 464,861</u>
Adjustment to advance receipts and depreciation	<u>\$ 101,306</u>	<u>\$ 116,667</u>
Properties leased to others reclassified to noncurrent assets classified as held for sale	<u>\$ 89,461</u>	<u>\$ -</u>
Current portion of bonds issued	<u>\$ 500,000</u>	<u>\$ -</u>
Current portion of long-term borrowings	<u>\$ -</u>	<u>\$ 698,875</u>
Classification of credit balance in long-term investment to other liability	<u>\$ 7,743</u>	<u>\$ -</u>
CASH PAID FOR ACQUISITION OF PROPERTY		
Acquisition of property	\$ 1,641,695	\$ 860,440
Acquisition of leasehold rights	414,503	192,685
Decrease in construction in progress	(1,940)	(9,083)
Increase in balance payable - property	(158,080)	(22,965)
Increase in balance payable - property - related parties	(1,961)	-
Decrease in franchise liabilities	<u>-</u>	<u>298,588</u>
	<u>\$ 1,894,217</u>	<u>\$ 1,319,665</u>

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

(With Deloitte & Touche audit report dated March 5, 2010)(Concluded)