

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(In Thousands, Except Par Value)

ASSETS	2009			2008			LIABILITIES AND STOCKHOLDERS' EQUITY	2009			2008		
	New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%		New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents	\$ 9,645,109	\$ 301,504	11	\$ 9,526,092	\$ 297,784	12	Short-term debts	\$ 7,186,057	\$ 224,634	8	\$ 6,947,670	\$ 217,183	8
Financial assets at fair value through profit or loss - current	808,548	25,275	1	1,299,680	40,628	2	Short-term notes and bills payable	3,991,142	124,762	4	3,433,776	107,339	4
Available-for-sale financial assets - current	458,502	14,333	1	2,299,680	8,234	-	Notes and accounts payable	15,554,325	486,225	17	14,460,057	452,018	18
Notes and accounts receivable, net of allowance for doubtful accounts of NTS\$224,671 thousand (US\$7,023 thousand) in 2009 and NTS\$230,022 thousand (US\$7,190 thousand) in 2008	530,877	16,595	1	501,926	15,690	1	Income tax payable	675,839	21,127	1	373,787	11,684	-
Other receivables	646,443	20,208	1	452,852	14,156	-	Accrued expenses	2,834,015	88,591	3	2,368,949	74,053	3
Inventories	2,234,539	69,851	2	2,298,944	71,864	3	Other payables	3,499,086	109,381	4	3,813,872	119,221	5
Prepayments	1,206,262	37,707	1	828,757	25,907	1	Balance payable - property	531,528	16,615	1	275,245	8,604	-
Deferred tax assets	257,972	8,064	-	288,548	9,020	-	Advance receipts	4,736,156	148,051	5	4,484,381	140,181	5
Pledged time deposits	220,630	6,897	-	470,458	14,706	1	Current portion of bonds issued	500,000	15,630	-	-	-	-
Refundable deposits - current	155,000	4,845	-	156,000	4,876	-	Current portion of long-term borrowings	2,845,577	88,952	3	3,711,065	116,007	5
Noncurrent assets classified as held for sale	89,461	2,797	-	-	-	-	Other current liabilities	673,420	21,051	1	792,498	24,773	1
Other current assets	154,073	4,816	-	248,398	7,765	-	Total current liabilities	43,027,145	1,345,019	47	40,661,300	1,271,063	49
Total current assets	16,407,416	512,892	18	16,335,069	510,630	20	LONG-TERM LIABILITIES, NET OF CURRENT PORTION						
LONG-TERM INVESTMENTS							Bonds issued	1,200,000	37,512	1	1,700,000	53,142	2
Investments accounted for by the equity method	8,540,823	266,984	9	7,505,783	234,629	9	Long-term borrowings	16,060,039	502,033	18	12,752,349	398,635	16
Real estate, net	93,600	2,926	-	93,600	2,926	-	Total long-term liabilities	17,260,039	539,545	19	14,452,349	451,777	18
Available-for-sale financial assets - noncurrent	5,530,892	172,894	6	4,350,698	136,002	6	RESERVE						
Financial assets carried at cost	848,258	26,516	1	888,532	27,775	1	Reserve for land revaluation increment tax	575,490	17,990	1	575,490	17,990	1
Total long-term investments	15,013,573	469,320	16	12,838,613	401,332	16	OTHER LIABILITIES						
PROPERTY							Accrued pension costs	226,556	7,082	-	314,033	9,816	-
Cost							Deposits received	485,076	15,163	1	458,060	14,319	1
Land	6,591,450	206,047	7	6,546,471	204,641	8	Deferred tax liabilities	148,728	4,649	-	-	-	-
Buildings and equipment	20,632,355	644,963	23	18,857,602	589,484	23	Miscellaneous	31,792	994	-	32,045	1,002	-
Furniture and equipment	8,880,899	277,615	10	8,524,588	266,477	10	Total other liabilities	892,152	27,888	1	804,138	25,137	1
Leasehold improvements	1,232,392	38,524	1	1,220,047	38,138	2	Total liabilities	61,754,826	1,930,442	68	56,493,277	1,765,967	69
Total cost	37,337,096	1,167,149	41	35,148,708	1,098,740	43	STOCKHOLDERS' EQUITY						
Revaluation increment	1,212,414	37,900	1	1,193,498	37,309	1	STOCKHOLDERS' EQUITY OF PARENT COMPANY						
Cost and appreciation	38,549,510	1,205,049	42	36,342,206	1,136,049	44	Capital stock of parent company, NTS\$10.00 par value						
Less: Accumulated depreciation	13,801,662	431,437	15	12,434,718	388,706	15	Authorized - 1,350,000 thousand shares						
Total cost	24,747,848	773,612	27	23,907,488	747,343	29	Issued and outstanding - 1,212,326 thousand shares in 2009 and 1,177,015 thousand shares in 2008	12,123,259	378,970	13	11,770,154	367,932	14
Construction in progress and prepayments for equipment	6,002,151	187,626	7	6,192,677	193,582	8	Capital surplus:						
Leasehold rights, net	8,616,015	269,335	9	8,515,500	266,192	10	Additional paid-in capital - share issuance in excess of par	2,175,718	68,012	2	2,175,718	68,012	3
Properties leased to others, net	882,934	27,600	1	1,012,661	31,655	1	Treasury stock transactions	964,467	30,149	1	835,591	26,120	1
Net properties	40,248,948	1,258,173	44	39,628,326	1,238,772	48	Long-term investments	384,643	12,024	1	372,157	11,634	-
INTANGIBLE ASSETS							Total capital surplus	3,524,828	110,185	4	3,383,466	105,766	4
Goodwill	7,269,670	227,248	8	7,417,112	231,857	9	Retained earnings:						
Deferred pension costs	133,554	4,175	-	83,167	2,600	-	Legal reserve	1,525,328	47,682	2	1,496,641	46,785	2
Total intangible assets	7,403,224	231,423	8	7,500,279	234,457	9	Special reserve	1,000,564	31,277	1	1,484,033	46,390	2
OTHER ASSETS							Unappropriated earnings	1,968,212	61,526	2	286,864	8,967	-
Refundable deposits - noncurrent	1,406,719	43,974	2	1,399,067	43,735	2	Other equity adjustments	4,494,104	140,485	5	3,267,538	102,142	4
Idle assets, net	381,675	11,931	1	384,595	12,022	-	Cumulative translation adjustments	139,364	4,357	-	317,743	9,932	1
Long-term prepayments	7,243,514	226,430	8	3,700,797	115,686	5	Net losses not recognized as pension costs	(10,386)	(325)	-	(6,584)	(206)	-
Prepaid pension costs	194,847	6,091	-	194,156	6,069	-	Unrealized valuation gains (losses) on financial instruments	3,192,918	99,810	3	1,125,491	35,183	1
Deferred tax assets	-	-	-	165,859	5,185	-	Unrealized asset revaluation increment	883,944	27,632	1	883,944	27,632	1
Restricted assets	3,000,621	93,799	3	20,293	634	-	Treasury stock - 13,392 thousand shares in 2009 and 17,473 thousand shares in 2008	(71,230)	(2,227)	-	(95,723)	(2,992)	-
Miscellaneous	70,854	2,215	-	187,190	5,852	-	Other total equity adjustments	4,134,610	129,247	4	2,224,871	69,549	3
Total other assets	12,298,230	384,440	14	6,051,957	189,183	7	Total stockholders' equity of parent company	24,276,801	758,887	26	20,646,029	645,389	25
TOTAL	\$ 91,371,391	\$ 2,856,248	100	\$ 82,354,244	\$ 2,574,374	100	Minority interests	5,339,764	166,920	6	5,214,938	163,018	6
							Total stockholders' equity	29,616,565	925,807	32	25,860,967	808,407	31
							TOTAL	\$ 91,371,391	\$ 2,856,249	100	\$ 82,354,244	\$ 2,574,374	100

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands, Except Consolidated Earnings Per Share)

	2009			2008		
	New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%
REVENUES						
Sales	\$ 96,985,133	\$ 3,031,733	98	\$ 87,739,775	\$ 2,742,725	98
Other operating revenues	<u>1,820,230</u>	<u>56,900</u>	<u>2</u>	<u>1,590,379</u>	<u>49,715</u>	<u>2</u>
Total revenues	<u>98,805,363</u>	<u>3,088,633</u>	<u>100</u>	<u>89,330,154</u>	<u>2,792,440</u>	<u>100</u>
COSTS						
Cost of goods sold	78,341,736	2,448,945	79	70,635,390	2,208,046	79
Other operating costs	<u>214,373</u>	<u>6,701</u>	<u>-</u>	<u>107,678</u>	<u>3,366</u>	<u>-</u>
Total costs	<u>78,556,109</u>	<u>2,455,646</u>	<u>79</u>	<u>70,743,068</u>	<u>2,211,412</u>	<u>79</u>
GROSS PROFIT	<u>20,249,254</u>	<u>632,987</u>	<u>21</u>	<u>18,587,086</u>	<u>581,028</u>	<u>21</u>
OPERATING EXPENSES						
Selling	11,045,648	345,284	11	10,193,041	318,632	12
General and administrative	<u>5,704,505</u>	<u>178,322</u>	<u>6</u>	<u>5,705,836</u>	<u>178,363</u>	<u>6</u>
Total operating expenses	<u>16,750,153</u>	<u>523,606</u>	<u>17</u>	<u>15,898,877</u>	<u>496,995</u>	<u>18</u>
OPERATING INCOME	<u>3,499,101</u>	<u>109,381</u>	<u>4</u>	<u>2,688,209</u>	<u>84,033</u>	<u>3</u>
NONOPERATING INCOME AND GAINS						
Equity in earnings of equity-method investees, net	406,795	12,716	1	-	-	-
Dividend income	246,795	7,715	-	362,182	11,322	1
Gain on disposal of investments, net	297,172	9,289	-	193,344	6,044	-
Interest income	98,878	3,091	-	189,946	5,937	-
Valuation gain on financial assets	83,435	2,608	-	-	-	-
Other income	<u>353,477</u>	<u>11,050</u>	<u>-</u>	<u>333,402</u>	<u>10,422</u>	<u>-</u>
Total nonoperating income and gains	<u>1,486,552</u>	<u>46,469</u>	<u>1</u>	<u>1,078,874</u>	<u>33,725</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES						
Interest expenses	347,987	10,878	1	639,926	20,004	1
Impairment loss on Financial assets carried at cost	39,927	1,248	-	-	-	-
Loss on disposal of property and idle assets, net	16,412	513	-	58,125	1,817	-
Equity in losses of equity-method investees, net	-	-	-	544,564	17,023	1
Impairment loss on goodwill	-	-	-	188,832	5,903	-
Valuation loss on financial assets	-	-	-	73,781	2,306	-
Other expenses	<u>205,068</u>	<u>6,410</u>	<u>-</u>	<u>231,710</u>	<u>7,243</u>	<u>-</u>
Total nonoperating expenses and losses	<u>609,394</u>	<u>19,049</u>	<u>1</u>	<u>1,736,938</u>	<u>54,296</u>	<u>2</u>
INCOME BEFORE INCOME TAX	4,376,259	136,801	4	2,030,145	63,462	2
INCOME TAX	1,459,681	45,629	1	804,287	25,142	1

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FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands, Except Consolidated Earnings Per Share)

	2009			2008				
	New Taiwan Dollars	U.S. Dollars (Note 3)	%	New Taiwan Dollars	U.S. Dollars (Note 3)	%		
SUBSIDIARIES' BONUS TO EMPLOYEES AND REMUNERATION TO DIRECTORS AND SUPERVISORS	-	-	-	(202)	(6)	-		
NET INCOME	<u>\$ 2,916,578</u>	<u>\$ 91,172</u>	<u>3</u>	<u>\$ 1,225,656</u>	<u>\$ 38,314</u>	<u>1</u>		
ATTRIBUTED TO:								
Stockholders of the parent	\$ 1,932,776	\$ 60,419	2	\$ 286,864	\$ 8,967	-		
Minority interests	<u>983,802</u>	<u>30,753</u>	<u>1</u>	<u>938,792</u>	<u>29,347</u>	<u>1</u>		
	<u>\$ 2,916,578</u>	<u>\$ 91,172</u>	<u>3</u>	<u>\$ 1,225,656</u>	<u>\$ 38,314</u>	<u>1</u>		
	2009		2008					
	Before Tax		After Tax		Before Tax		After Tax	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
CONSOLIDATED EARNINGS PER SHARE								
Basic	<u>\$ 1.70</u>	<u>\$ 0.05</u>	<u>\$ 1.62</u>	<u>\$ 0.05</u>	<u>\$ 0.18</u>	<u>\$ 0.01</u>	<u>\$ 0.24</u>	<u>\$ 0.01</u>
Diluted	<u>\$ 1.70</u>	<u>\$ 0.05</u>	<u>\$ 1.61</u>	<u>\$ 0.05</u>	<u>\$ 0.18</u>	<u>\$ 0.01</u>	<u>\$ 0.24</u>	<u>\$ 0.01</u>

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

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED 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	Unrealized Asset Revaluation Increment	Treasury Stock		Minority Interests
										Valuation Gains (Losses) on Financial Instrument				
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)	\$ 6,042,888	\$ 30,320,457
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 shares	-	-	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)
Adjustments 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	-	-	-	-	-	938,792	1,225,656
Changes in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,766,742)	(1,766,742)
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)	5,214,938	25,860,967
Appropriation of prior year's earnings:														
Legal reserve	-	-	-	-	28,687	-	(28,687)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(483,469)	483,469	-	-	-	-	-	-	-
Cash dividends - NT\$0.3 per share	-	-	-	-	-	-	(353,105)	-	-	-	-	-	-	(353,105)
Stock dividends - 3%	353,105	-	-	-	-	-	(353,105)	-	-	-	-	-	-	-
Adjustment due to subsidiaries' disposal of parent's shares	-	-	128,876	-	-	-	-	-	-	-	-	24,493	-	153,369
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(9,262)	-	-	-	-	-	(9,262)
Adjustments 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	-	-	-	-	-	983,802	2,916,578
Changes in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(858,976)	(858,976)
BALANCE, DECEMBER 31, 2009	<u>\$ 12,123,259</u>	<u>\$ 2,175,718</u>	<u>\$ 964,467</u>	<u>\$ 384,643</u>	<u>\$ 1,525,328</u>	<u>\$ 1,000,564</u>	<u>\$ 1,968,212</u>	<u>\$ 139,364</u>	<u>\$ (10,386)</u>	<u>\$ 3,192,918</u>	<u>\$ 883,944</u>	<u>\$ (71,230)</u>	<u>\$ 5,339,764</u>	<u>\$ 29,616,565</u>

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of U.S. 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		Treasury Stock	Minority Interests	
										Valuation Gains or Losses on Financial Instrument	Unrealized Asset Revaluation Increment			
BALANCE, JANUARY 1, 2008	\$ 350,412	\$ 68,012	\$ 9,774	\$ 10,125	\$ 41,761	\$ 67,414	\$ 50,239	\$ (505)	\$ (386)	\$ 139,606	\$ 27,632	\$ (5,173)	\$ 188,899	\$ 947,810
Appropriation of prior year's earnings:														
Legal reserve	-	-	-	-	5,024	-	(5,024)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(21,024)	21,024	-	-	-	-	-	-	-
Stock dividends - 5%	17,520	-	-	-	-	-	(17,520)	-	-	-	-	-	-	-
Cash dividends - NT\$1.3 per share	-	-	-	-	-	-	(45,553)	-	-	-	-	-	-	(45,553)
Employee bonuses	-	-	-	-	-	-	(1,809)	-	-	-	-	-	-	(1,809)
Remuneration to directors and supervisors	-	-	-	-	-	-	(1,357)	-	-	-	-	-	-	(1,357)
Adjustment due to subsidiaries' disposal of parent's shares	-	-	16,346	-	-	-	-	-	-	-	-	2,181	-	18,527
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	145	-	-	-	-	-	145
Adjustment arising from changes in percentage of ownership in investees	-	-	-	(845)	-	-	-	-	-	-	-	-	-	(845)
Adjustments reported by equity-method investees	-	-	-	2,354	-	-	-	10,292	180	(61,668)	-	-	-	(48,842)
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(42,755)	-	-	-	(42,755)
Net income in 2008	-	-	-	-	-	-	8,967	-	-	-	-	-	29,347	38,314
Changes in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(55,228)	(55,228)
BALANCE, DECEMBER 31, 2008	367,932	68,012	26,120	11,634	46,785	46,390	8,967	9,932	(206)	35,183	27,632	(2,992)	163,018	808,407
Appropriation of prior year's earnings:														
Legal reserve	-	-	-	-	897	-	(897)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(15,113)	15,113	-	-	-	-	-	-	-
Cash dividends - NT\$0.3 per share	-	-	-	-	-	-	(11,038)	-	-	-	-	-	-	(11,038)
Stock dividends - 5%	11,038	-	-	-	-	-	(11,038)	-	-	-	-	-	-	-
Adjustment due to subsidiaries' disposal of parent's shares	-	-	4,029	-	-	-	-	-	-	-	-	765	-	4,794
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	(289)	-	-	-	-	-	(289)
Adjustments reported by equity-method investees	-	-	-	390	-	-	-	(5,286)	(119)	39,175	-	-	-	34,160
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	25,452	-	-	-	25,452
Net income in 2009	-	-	-	-	-	-	60,419	-	-	-	-	-	30,753	91,172
Changes in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(26,851)	(26,851)
BALANCE, DECEMBER 31, 2009	\$ 378,970	\$ 68,012	\$ 30,149	\$ 12,024	\$ 47,682	\$ 31,277	\$ 61,526	\$ 4,357	\$ (325)	\$ 99,810	\$ 27,632	\$ (2,227)	\$ 166,920	\$ 925,807

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

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands)

	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 2,916,578	\$ 91,172	\$ 1,225,656	\$ 38,314
Depreciation	1,700,552	53,159	1,697,192	53,054
Amortization	36,185	1,131	20,858	652
Amortization of leasehold rights included in rental expenses	315,943	9,876	317,840	9,936
Valuation (gain) loss on financial instruments	(83,435)	(2,608)	73,781	2,306
Unrealized loss on physical inventory and slow-moving inventories	58,226	1,820	39,730	1,242
Equity in (earnings) losses of equity-method investees, net	(406,795)	(12,716)	544,564	17,023
Cash dividends from equity-method investees	-	-	313,133	9,788
Gain on disposal of investments, net	(297,172)	(9,290)	(193,344)	(6,044)
Loss on disposal of property and idle assets, net	16,412	513	58,125	1,817
Other expenses	-	-	198	6
Amortization of prepaid rent	331,186	10,353	411,263	12,856
Impairment loss on Financial assets carried at cost	39,927	1,248	-	-
Deferred income taxes	345,163	10,790	17,403	544
Increase in prepaid pension costs	(691)	(22)	(50,842)	(1,589)
Impairment loss on goodwill	-	-	188,832	5,903
(Decrease)increase in accrued pension costs	(137,864)	(4,310)	3,034	95
Net changes in operating assets and liabilities				
Financial assets at fair value through profit or loss	579,894	18,127	(1,009,158)	(31,546)
Notes and accounts receivable	(28,951)	(905)	348,110	10,882
Other receivables	(230,233)	(7,197)	46,445	1,452
Inventories	6,179	193	(219,725)	(6,869)
Prepayments	(310,660)	(9,711)	58,563	1,831
Increase in long-term prepayments	(3,892,000)	(121,663)	-	-
Other current assets	94,325	2,949	(145,842)	(4,559)
Notes and accounts payable	1,094,268	34,207	(303,637)	(9,492)
Income tax payable	302,052	9,442	(311,729)	(9,745)
Accrued expenses	465,065	14,538	656,542	20,523
Other payables	(39,311)	(1,229)	17,792	556
Advance receipts	439,360	13,734	449,688	14,057
Other current liabilities	(119,078)	(3,722)	(11,648)	(364)
Net cash provided by operating activities	<u>3,195,125</u>	<u>99,879</u>	<u>4,242,824</u>	<u>132,629</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in pledged time deposits	249,828	7,810	(457,366)	(14,297)
Acquisition of investments accounted for by the equity method	(317,994)	(9,940)	(2,529,266)	(79,064)
Acquisition of available-for-sale financial assets	-	-	(33,132)	(1,036)
Proceeds of the disposal of available-for-sale financial assets	633,733	19,810	425,710	13,308
Acquisition of financial assets carried at cost	(6,930)	(217)	-	-
Acquisition of the minority interest's shares	-	-	(2,442,345)	(76,347)
Cash paid for acquisition of subsidiary	-	-	(19,538)	(611)
Cash acquired from acquisition of subsidiary	-	-	181,567	5,676
Acquisition of property	(2,795,865)	(87,398)	(2,590,257)	(80,971)
Proceeds of the disposal of property and idle assets	56,080	1,753	86,477	2,703
Real estate received in advance	36,000	1,125	-	-
Increase in refundable deposits	(6,652)	(208)	(100,416)	(3,139)
(Increase) decrease in restricted assets	(2,980,328)	(93,164)	10,233	320
Decrease (increase) in other assets	52,605	1,644	(80,621)	(2,520)
Net cash used in investing activities	<u>(5,079,523)</u>	<u>(158,785)</u>	<u>(7,548,954)</u>	<u>(235,978)</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands)

	2009		2008	
	New Taiwan Dollars	U.S. Dollars (Note 3)	New Taiwan Dollars	U.S. Dollars (Note 3)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in short-term debts	238,387	7,452	1,903,567	59,505
Increase (decrease) in short-term notes and bills payable	557,366	17,423	(175,169)	(5,476)
Issuance of bonds	-	-	1,200,000	37,512
Repayments of bonds issued	-	-	(1,200,000)	(37,512)
Increase in long-term borrowings	2,442,202	76,343	351,410	10,985
Increase in deposits received	27,016	844	87,935	2,749
Decrease in other liabilities	(253)	(8)	(563)	(18)
Proceeds of subsidiaries' disposal of parent's shares	153,383	4,795	592,737	18,529
Dividends paid to minority interests	(1,042,293)	(32,582)	(1,043,774)	(32,628)
Cash dividends and payment of bonus to employees and remuneration to supervisors and directors	(359,858)	(11,249)	(1,563,240)	(48,866)
Net cash used in financing activities	<u>2,015,950</u>	<u>63,018</u>	<u>152,903</u>	<u>4,780</u>
EFFECT ON EXCHANGE RATE CHANGES	<u>(12,535)</u>	<u>(392)</u>	<u>(66,434)</u>	<u>(2,077)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	119,017	3,720	(3,219,661)	(100,646)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,526,092</u>	<u>297,784</u>	<u>12,745,753</u>	<u>398,429</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,645,109</u>	<u>\$ 301,504</u>	<u>\$ 9,526,092</u>	<u>\$ 297,783</u>
SUPPLEMENTARY CASH FLOW INFORMATION				
Interest paid	\$ 478,499	\$ 14,958	\$ 881,767	\$ 27,564
Less: Capitalized interest	165,808	5,183	147,918	4,624
Interest paid, excluding capitalized interest	<u>\$ 312,691</u>	<u>\$ 9,775</u>	<u>\$ 733,849</u>	<u>\$ 22,940</u>
Income tax paid	<u>\$ 813,876</u>	<u>\$ 25,442</u>	<u>\$ 1,199,572</u>	<u>\$ 37,498</u>
NONCASH INVESTING AND FINANCING ACTIVITIES				
Ajustment to Long-term prepayments and balance payable - property	\$ 18,820	\$ 588	\$ -	\$ -
Properties leased to others reclassified to noncurrent assets classified as held for sale	\$ 89,461	\$ 2,802	\$ -	\$ -
Other assets-other reclassified to other receivables	\$ 36,642	\$ 1,145	\$ -	\$ -
Adjustment to advance receipts and depreciation	\$ 223,585	\$ 6,989	\$ 237,423	\$ 7,422
Balance payable-property reclassified into notes payable	\$ -	\$ -	\$ 150,733	\$ 4,712
Current portion of bonds issued	\$ 500,000	\$ 15,630	\$ -	\$ -
Current portion of long-term borrowings	<u>\$ 2,845,577</u>	<u>\$ 88,952</u>	<u>\$ 3,711,065</u>	<u>\$ 116,007</u>
Dividends payable to minority interest shown under notes payable	<u>\$ 304,514</u>	<u>\$ 9,519</u>	<u>\$ 573,236</u>	<u>\$ 17,919</u>
CASH PAID FOR ACQUISITION OF PROPERTY				
Acquisition of property	\$ 3,127,559	\$ 97,767	\$ 2,050,833	\$ 64,109
Decrease in construction in progress	(56,591)	(1,769)	(8,053)	(252)
(Increase) decrease in balance payable - property	(275,103)	(8,600)	98,156	3,068
Balance payable-property reclassified into notes payable	-	-	150,733	4,712
Decrease in franchise liabilities	-	-	298,588	9,334
	<u>\$ 2,795,865</u>	<u>\$ 87,398</u>	<u>\$ 2,590,257</u>	<u>\$ 80,971</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands)

In May 2008, Feds Development Ltd. (BVI), a subsidiary of Far Eastern Department Stores, Ltd. (FEDS), acquired the entire ownership of Chongqing Feds Department Stores Co.,Ltd., whose assets and liabilities at fair value on the acquisition date were as follows:

	New Taiwan Dollars	U.S. Dollars (Note 3)
Cash	\$ 54,403	\$ 1,701
Other receivables	25,894	809
Inventories	16,234	507
Prepayments	8,321	260
Property	123,440	3,859
Other assets	1,282	40
Accounts payable	(121,839)	(3,809)
Accrued expenses	(21,807)	(682)
Other payables	(27,643)	(864)
Advance receipts	<u>(45,952)</u>	<u>(1,436)</u>
Total	12,333	385
Acquisition percentage	<u>100%</u>	<u>100%</u>
Cost of the acquisition of the equity in the investee, net	12,333	385
Goodwill	<u>2,398</u>	<u>75</u>
Price of the acquisition of Chongqing Feds Department Stores Co.,Ltd.	<u>\$ 14,731</u>	<u>\$ 460</u>
Cash payment to acquire Chongqing Feds Department Stores Co.,Ltd.	<u>\$ 14,731</u>	<u>\$ 460</u>

In November 2008, Chongqing Pacific Consultant and Management Co. Ltd., a subsidiary of FEDS, the acquired the entire ownership of Dalian Pacific Department Stores Co., Ltd., whose assets and liabilities at fair value as of the acquisition date were as follows:

	New Taiwan Dollars	U.S. Dollars (Note 3)
Cash	\$ 123,292	\$ 3,854
Accounts receivable	165,476	5,173
Inventories	21,140	661
Property	37,432	1,170
Short-term loans	(108,164)	(3,381)
Accrued payables	<u>(235,060)</u>	<u>(7,348)</u>
Total	4,116	129
Acquisition percentage	<u>100%</u>	<u>100%</u>
Cost of the acquisition of the equity in the investee, net	4,116	129
Goodwill	653	20
Effect of exchange rate changes	<u>38</u>	<u>1</u>
Price of the acquisition of Dalian Pacific Department Stores Co., Ltd.	<u>\$ 4,807</u>	<u>\$ 150</u>
Cash paid to acquire Dalian Pacific Department Stores Co., Ltd.	<u>\$ 4,807</u>	<u>\$ 150</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands)

In December 2008, Chongqing Pacific Consultant and Management Co. Ltd., a subsidiary of FEDS, acquired the entire ownership of Chongqing Liyang Department Stores Co. Ltd., whose assets and liabilities at fair value as of the acquisition date were as follows:

	New Taiwan Dollars	U.S. Dollars (Note 3)
Cash	\$ 3,872	\$ 121
Accounts receivable	815	25
Inventories	567	18
Property	1,927	60
Accrued payables	<u>(206,556)</u>	<u>(6,457)</u>
Total	(199,375)	(6,233)
Acquisition percentage	<u>100%</u>	<u>100%</u>
Cost of the acquisition of the equity in the investee, net	(199,375)	(6,233)
Goodwill	188,179	5,883
Effect of exchange rate changes	<u>11,196</u>	<u>350</u>
Price of the acquisition of Chongqing Liyang Department Stores Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>
Cash paid to acquire Chongqing Liyang Department Stores Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>

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

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

(Concluded)