

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

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

Code	Assets	June 30, 2014		Dec. 31, 2013		June 30, 2013		Jan. 1, 2013	
		Amount	%	Amount	%	Amount	%	Amount	%
	ASSETS								
1100	Cash and cash equivalents	\$ 8,560,045	8	\$ 13,221,405	12	\$ 8,184,635	8	\$ 16,794,103	14
1110	Financial assets at fair value through profit or loss - current	230,766	-	239,974	-	372,908	-	361,327	-
1125	Available-for-sale financial assets - current	490,482	-	552,555	-	524,236	1	511,192	1
1147	Bond investments without active market-current	744,838	1	437,497	-	355,678	-	1,008,193	1
1150	Notes receivable	4,839	-	28,119	-	13,774	-	31,195	-
1170	Accounts receivable	581,389	1	766,445	1	1,180,043	1	1,470,752	1
1180	Accounts receivable due from related parties	84,986	-	57,302	-	36,090	-	50,977	-
1200	Other receivables	1,458,417	1	1,779,487	2	1,688,730	2	492,525	-
1220	Current tax assets	245,777	-	418,064	-	522,039	-	291,016	-
130X	Inventories	2,633,044	3	2,976,244	3	2,603,699	2	3,160,935	3
1429	Prepayments	870,728	1	771,167	1	601,307	1	846,206	1
1412	Prepayments for lease	322,384	-	319,489	-	319,375	-	318,565	-
1460	Noncurrent asset held for sale	111	-	377	-	-	-	-	-
1470	Other current assets	68,487	-	83,987	-	84,840	-	70,694	-
11XX	Total current assets	<u>16,296,293</u>	<u>15</u>	<u>21,652,112</u>	<u>19</u>	<u>16,487,354</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	-	-	-	-	1,017,199	1	1,013,913	1
1523	Available-for-sale financial assets - noncurrent	5,096,251	5	4,986,339	4	4,652,078	4	5,468,512	5
1543	Financial assets measured at cost - noncurrent	774,210	1	776,374	1	776,313	1	718,583	1
1546	Bond investments without active market - non-current	534,896	-	521,897	1	548,884	1	632,667	-
1550	Investments accounted for by equity method	9,387,954	9	9,050,368	8	9,052,068	8	8,811,079	7
1600	Property, plant and equipment	51,861,561	48	52,166,888	46	52,390,105	48	52,946,768	45
1760	Investment properties	2,730,495	3	3,070,495	3	3,043,814	3	3,043,814	3
1780	Intangible assets	7,711,343	7	7,715,184	7	7,720,553	7	7,711,555	6
1840	Deferred tax assets	935,717	1	940,225	1	963,723	1	1,131,574	1
1975	Prepaid pension cost	219,638	-	222,285	-	219,960	-	222,666	-
1985	Long-term prepayments for lease	9,340,570	9	9,464,677	8	9,654,543	9	9,837,349	8
1990	Other noncurrent assets	1,934,974	2	1,920,123	2	2,025,663	2	1,902,572	2
15XX	Total noncurrent assets	<u>90,527,609</u>	<u>85</u>	<u>90,834,855</u>	<u>81</u>	<u>92,064,903</u>	<u>85</u>	<u>93,441,052</u>	<u>79</u>
1XXX	TOTAL	<u>\$ 106,823,902</u>	<u>100</u>	<u>\$ 112,486,967</u>	<u>100</u>	<u>\$ 108,552,257</u>	<u>100</u>	<u>\$ 118,848,732</u>	<u>100</u>
	LIABILITIES AND EQUITY								
	CURRENT LIABILITIES								
2100	Short-term debts	\$ 7,851,703	7	\$ 7,462,340	7	\$ 8,399,110	8	\$ 9,613,446	8
2110	Short-term notes and bills payable	4,054,138	4	3,047,306	3	3,691,579	3	4,648,862	4
2150	Notes payable	49,074	-	159,194	-	48,102	-	198,522	-
2170	Accounts payables	12,292,228	12	17,693,401	16	13,477,804	13	18,687,359	16
2180	Notes and accounts payable to related parties	66,915	-	151,909	-	82,141	-	170,962	-
2219	Other payables	6,420,122	6	5,252,331	5	7,961,984	7	8,439,193	7
2230	Current tax liabilities	318,410	-	401,874	-	178,836	-	563,223	1
2250	Provision-current	4,135	-	4,135	-	4,135	-	16,351	-
2313	Deferred revenue - current	116,083	-	101,136	-	86,065	-	63,770	-
2310	Advance receipts	8,046,997	8	7,720,500	7	7,518,615	7	7,449,114	6
2321	Bond issued - current portion	-	-	2,493,512	2	3,674,149	3	1,200,000	1
2322	Long-term borrowings - current portion	2,444,733	2	1,445,159	1	984,000	1	1,600,000	1
2399	Other current liabilities	226,921	-	252,891	-	223,738	-	168,630	-
21XX	Total current liabilities	<u>41,891,459</u>	<u>39</u>	<u>46,185,688</u>	<u>41</u>	<u>46,330,258</u>	<u>42</u>	<u>52,819,432</u>	<u>44</u>
	NONCURRENT LIABILITIES								
2530	Bonds issued	1,991,631	2	1,990,702	2	1,000,000	1	3,454,937	3
2540	Long-term borrowings	21,977,499	21	21,841,434	19	20,962,255	19	21,992,207	19
2550	Provision-noncurrent	31,083	-	30,483	-	30,348	-	30,213	-
2640	Accrued pension liabilities	543,566	-	547,479	1	538,383	1	545,253	1
2570	Deferred tax liabilities	1,579,312	1	1,608,841	1	1,567,112	1	1,549,219	1
2670	Other noncurrent liabilities	2,716,999	3	2,841,682	3	2,774,846	3	2,710,010	2
25XX	Total noncurrent liabilities	<u>28,840,090</u>	<u>27</u>	<u>28,860,621</u>	<u>26</u>	<u>26,872,944</u>	<u>25</u>	<u>30,281,839</u>	<u>26</u>
2XXX	Total liabilities	<u>70,731,549</u>	<u>66</u>	<u>75,046,309</u>	<u>67</u>	<u>73,203,202</u>	<u>67</u>	<u>83,101,271</u>	<u>70</u>
	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY								
	Share Capital								
3110	Ordinary share	14,109,761	13	14,109,761	13	13,698,797	13	13,698,797	12
3150	Stock dividend to be distributed	282,195	-	-	-	410,964	-	-	-
3100	Total capital stock	<u>14,391,956</u>	<u>13</u>	<u>14,109,761</u>	<u>13</u>	<u>14,109,761</u>	<u>13</u>	<u>13,698,797</u>	<u>12</u>
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	2,130,990	2	4,095,216	3	2,900,584	3	3,596,568	3
3300	Total retained earnings	<u>7,167,631</u>	<u>7</u>	<u>8,385,418</u>	<u>7</u>	<u>7,190,786</u>	<u>7</u>	<u>7,717,484</u>	<u>6</u>
3400	Other equity	3,727,302	4	3,659,643	3	3,371,766	3	3,773,795	3
3500	Treasury stock	(97,110)	-	(97,110)	-	(97,110)	-	(97,110)	-
31XX	Total equity attributable to owners of the Company	<u>28,687,953</u>	<u>27</u>	<u>29,555,886</u>	<u>26</u>	<u>28,073,377</u>	<u>26</u>	<u>28,591,140</u>	<u>24</u>
36XX	NON-CONTROLLING INTERESTS	<u>7,404,400</u>	<u>7</u>	<u>7,884,772</u>	<u>7</u>	<u>7,275,678</u>	<u>7</u>	<u>7,156,321</u>	<u>6</u>
3XXX	Total equity	<u>36,092,353</u>	<u>34</u>	<u>37,440,658</u>	<u>33</u>	<u>35,349,055</u>	<u>33</u>	<u>35,747,461</u>	<u>30</u>
	TOTAL	<u>\$ 106,823,902</u>	<u>100</u>	<u>\$ 112,486,967</u>	<u>100</u>	<u>\$ 108,552,257</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 Apr. 1 to June 30, 2014 and 2013, and Year ended June 30, 2014 and 2013

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

C o d e		From Apr. 1 to June 30, 2014		From Apr. 1 to June 30, 2013		Year ended June 30, 2014		Year ended June 30, 2013	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	REVENUES	\$10,604,931	100	\$10,917,147	100	\$21,685,126	100	\$22,414,361	100
5000	COSTS	<u>5,243,206</u>	<u>50</u>	<u>5,591,281</u>	<u>51</u>	<u>10,671,978</u>	<u>49</u>	<u>11,468,672</u>	<u>51</u>
5900	GROSS PROFIT	<u>5,361,725</u>	<u>50</u>	<u>5,325,866</u>	<u>49</u>	<u>11,013,148</u>	<u>51</u>	<u>10,945,689</u>	<u>49</u>
	OPERATING EXPENSES								
6100	Selling	277,014	2	326,094	3	626,686	3	652,694	3
6200	General and administrative	<u>4,520,460</u>	<u>43</u>	<u>4,681,335</u>	<u>43</u>	<u>9,026,226</u>	<u>41</u>	<u>9,215,777</u>	<u>41</u>
6000	Total operating expenses	<u>4,797,474</u>	<u>45</u>	<u>5,007,429</u>	<u>46</u>	<u>9,652,912</u>	<u>44</u>	<u>9,868,471</u>	<u>44</u>
6900	OPERATING INCOME	<u>564,251</u>	<u>5</u>	<u>318,437</u>	<u>3</u>	<u>1,360,236</u>	<u>7</u>	<u>1,077,218</u>	<u>5</u>
	NONOPERATING INCOME AND EXPENSES								
7190	Other income	45,457	-	36,633	-	71,110	-	78,152	-
7020	Other gains and losses	2,759	-	114,310	1	35,117	-	597,193	3
7050	Finance costs	(111,017)	(1)	(145,278)	(1)	(223,063)	(1)	(300,949)	(1)
7060	Share of profit (loss) of associates accounted for using equity method	<u>83,147</u>	<u>1</u>	<u>113,249</u>	<u>1</u>	<u>111,031</u>	<u>1</u>	<u>129,792</u>	<u>-</u>
7000	Total Non-operating income and expenses	<u>20,346</u>	<u>-</u>	<u>118,914</u>	<u>1</u>	<u>(5,805)</u>	<u>-</u>	<u>504,188</u>	<u>2</u>
7900	INCOME BEFORE INCOME TAX	584,597	5	437,351	4	1,354,431	7	1,581,406	7
7950	INCOME TAX EXPENSE	<u>148,451</u>	<u>1</u>	<u>155,228</u>	<u>1</u>	<u>416,853</u>	<u>2</u>	<u>351,118</u>	<u>1</u>
8200	NET INCOME	<u>436,146</u>	<u>4</u>	<u>282,123</u>	<u>3</u>	<u>937,578</u>	<u>5</u>	<u>1,230,288</u>	<u>6</u>
	OTHER COMPREHENSIVE INCOME								
8310	Other comprehensive income, before tax, exchange differences on translation	(27,345)	-	36,287	-	(4,842)	-	102,810	-
8325	Other comprehensive income, before tax, available-for-sale financial assets	261,817	3	108,740	1	47,839	-	(481,362)	(2)
8370	Share of other comprehensive income of associates accounted for using equity method	<u>41,801</u>	<u>-</u>	<u>88,461</u>	<u>1</u>	<u>22,096</u>	<u>-</u>	<u>6,227</u>	<u>-</u>
8300	Total other comprehensive income, net	<u>276,273</u>	<u>3</u>	<u>233,488</u>	<u>2</u>	<u>65,093</u>	<u>-</u>	<u>(372,325)</u>	<u>(2)</u>
8500	COMPREHENSIVE INCOME	<u>\$ 712,419</u>	<u>7</u>	<u>\$ 515,611</u>	<u>5</u>	<u>\$ 1,002,671</u>	<u>5</u>	<u>\$ 857,963</u>	<u>4</u>
	NET INCOME ATTRIBUTED TO :								
8610	Owners of parent	\$ 300,362	3	\$ 201,945	2	\$ 687,031	4	\$ 980,169	5
8620	Non-controlling interests	<u>135,784</u>	<u>1</u>	<u>80,178</u>	<u>1</u>	<u>250,547</u>	<u>1</u>	<u>250,119</u>	<u>1</u>
8600		<u>\$ 436,146</u>	<u>4</u>	<u>\$ 282,123</u>	<u>3</u>	<u>\$ 937,578</u>	<u>5</u>	<u>\$ 1,230,288</u>	<u>6</u>
	CONPREHENSIVE INCOME CONTRIBUTED TO :								
8710	Owners of parent	\$ 583,787	6	\$ 424,263	4	\$ 754,690	4	\$ 578,140	3
8720	Non-controlling interests	<u>128,632</u>	<u>1</u>	<u>91,348</u>	<u>1</u>	<u>247,981</u>	<u>1</u>	<u>279,823</u>	<u>1</u>
8700		<u>\$ 712,419</u>	<u>7</u>	<u>\$ 515,611</u>	<u>5</u>	<u>\$ 1,002,671</u>	<u>5</u>	<u>\$ 857,963</u>	<u>4</u>
	EARNINGS PER SHARE								
9750	Basic	<u>\$ 0.21</u>		<u>\$ 0.14</u>		<u>\$ 0.49</u>		<u>\$ 0.70</u>	
9850	Diluted	<u>\$ 0.21</u>		<u>\$ 0.14</u>		<u>\$ 0.49</u>		<u>\$ 0.70</u>	

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended June 30, 2014 and 2013

(In thousands of New Taiwan Dollars)

C o d e		Year ended June 30, 2014	Year ended June 30, 2013
	CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
A00010	INCOME BEFORE INCOME TAX	\$ 1,354,431	\$ 1,581,406
A20000	Adjustments to reconcile profit(loss)		
A20100	Depreciation expense	1,455,085	1,406,605
A20200	Amortization expense	12,763	11,677
A20300	Gain on reversal of losses on doubtful debts	(2,658)	(2,735)
A20400	Net loss (gain) on financial assets or liabilities at fair value through profit or loss	2,451	(14,867)
A20900	Finance costs	223,063	300,949
A23000	Loss (gain) on disposal of non-current assets classified as held for sale	(316)	-
A23500	Impairment loss on financial assets	1,027	-
A29900	Reversal of provisions	-	(12,216)
A29900	Amortization of prepayments	7,032	6,962
A29900	Amortization of prepayments for lease	160,298	159,511
A29900	Reversal unrealized purchase discounts	(15,700)	(12,500)
A29900	Reversal of deferred revenue	(101,136)	(63,770)
A22300	Share of loss (profit) of associates accounted for using equity method	(111,031)	(129,792)
A21200	Interest income	(49,408)	(71,419)
A21300	Dividend income	(21,702)	(6,733)
A22500	Loss (gain) on disposal of property, plant and equipment, net	11,778	19,603
A23100	Gains on disposals of investments	-	(379,826)
A23700	Loss for market price decline and obsolete and slow-moving inventories	16,120	17,232
A30000	Net changes in operating assets and liabilities		
A31110	Financial assets held for trading	6,757	-
A31130	Notes receivable	23,280	17,421
A31150	Accounts receivable	185,042	284,428
A31160	Notes and accounts receivable due from related parties	(27,684)	14,887

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(Continued)

C o d e		Year ended June 30, 2014	Year ended June 30, 2013
A31180	Other receivable	173,312	192,764
A31200	Inventories	342,780	552,504
A31230	Prepayments	(100,207)	245,330
A31240	Other current assets	15,500	(14,146)
A31990	Prepaid pension costs	2,647	2,706
A31990	Long-term prepayments for lease	(71,369)	-
A32130	Notes payable	(110,120)	(150,420)
A32150	Accounts payable	(5,401,173)	(5,209,555)
A32160	Notes and accounts payable to related parties	(84,994)	(88,821)
A32180	Other payables	(1,079,969)	(441,549)
A32210	Advance receipts	461,768	261,161
A32210	Deferred revenue	116,083	86,065
A32240	Accrued pension liabilities	(3,913)	(6,870)
A32230	Other current liabilities	(<u>25,970</u>)	(<u>55,108</u>)
A33000	Cash inflow (outflow) generated from operations	(2,636,133)	(1,388,900)
A33300	Interests paid	(223,453)	(235,615)
A33100	Interests received	63,511	58,267
A33500	Income tax returned	210,212	-
A33500	Income taxes paid	(<u>533,101</u>)	(<u>770,985</u>)
AAAA	Net cash flows from (used in) operating activities	(<u>3,118,964</u>)	(<u>2,337,233</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	(320,340)	736,298
B01200	Acquisition of financial assets at cost	-	(50,000)
B01800	Acquisition of investments accounted for using equity method	(360,000)	(90,000)
B02600	Proceeds from disposal of non-current assets classified as held for sale	582	-
B02700	Acquisition of property, plant and equipment	(1,038,575)	(2,085,309)
B02800	Proceeds from disposal of property, plant and equipment	133	3,411
B04100	Decrease (increase) in other receivable	296,016	(1,254,324)
B04500	Acquisition of intangible assets	(9,036)	(19,612)
B06700	Decrease (increase) in other non-current assets	(7,714)	(131,626)
B07600	Dividends received	<u>1</u>	<u>1</u>
BBBB	Net cash flows from (used in) investing activities	(<u>1,438,933</u>)	(<u>2,189,307</u>)

(Continued)

(Continued)

<u>C o d e</u>		<u>Year ended June 30, 2014</u>	<u>Year ended June 30, 2013</u>
	Cash flows from (used in) financing activities		
C00100	Increase in short-term loans	35,871,617	25,901,114
C00200	Decrease in short-term loans	(35,484,841)	(27,191,932)
C00500	Increase in short-term notes and bills payable	11,297,924	11,914,066
C00600	Decrease in short-term notes and bills payable	(10,291,092)	(12,871,349)
C01300	Repayments of bonds	(2,500,000)	-
C01600	Proceeds from long-term debt	23,659,639	19,950,000
C01700	Repayment of long-term debt	(22,524,000)	(21,595,952)
C04300	Increase in other non-current liabilities	(8,823)	59,992
C04500	Dividends paid by parent company	(21)	(5)
C05800	Dividends paid to non-controlling interests	(<u>122,387</u>)	(<u>197,462</u>)
CCCC	Net cash flows from (used in) financing activities	(<u>101,984</u>)	(<u>4,031,528</u>)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(<u>1,479</u>)	(<u>51,400</u>)
EEEE	Net increase (decrease) in cash and cash equivalents	(4,661,360)	(8,609,468)
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>\$ 8,560,045</u>	<u>\$ 8,184,635</u>

(Concluded)