

President Chain Store Corporation
Balance Sheet
At the End of Dec. 31, 2007 and 2006

Unit : NT\$ '000

	<u>2007</u>	<u>2006</u>		<u>2007</u>	<u>2006</u>
Assets			Liabilities and Shareholders' Equity		
Current assets			Current liability		
Cash and cash equivalents	\$5,878,691	\$3,238,414	Derivative financial liabilities for hedgin— current	\$5,070	\$-
Financial assets— current— whose changes in fair value are recognized in earning	2,690,000	131,073	Notes payable	668,869	1,086,381
Bond portfolios with no active marke — current	-	20,000	Notes payable-related parties	801,107	1,457,735
Net accounts receivable	351,697	301,572	Accounts payable	268,964	191,285
Other receivable	406,462	427,335	Accounts payable-related parties	5,211,898	4,992,827
Inventories	2,992,748	2,880,782	Income taxes payable	641,120	662,224
Prepayments	842,100	668,050	Accrued expenses	2,269,906	2,421,968
Other current assets – other	<u>189,943</u>	<u>217,094</u>	Other accounts payable	5,553,230	4,557,458
Total current assets	<u>13,351,641</u>	<u>7,884,320</u>	Advance receipts	1,030,519	1,023,146
Funds and long-term investments			Current portion of long-term liabilities	<u>1,100,000</u>	<u>900,000</u>
Available-for-sale financial assets— non current	739,868	514,718	Total current liabilities	<u>17,550,683</u>	<u>17,293,024</u>
Financial assets measured at cos — non curren	11,809,168	12,381,271	Long-term liability		
Long-term investments (Equity method)	<u>6,728,202</u>	<u>6,352,509</u>	Derivative financial liabilities for hedgin— non curren	-	14,994
Total funds and long-term investments	<u>19,277,238</u>	<u>19,248,498</u>	Corporate bonds	-	1,100,000
Fixed assets			Long-term debt	<u>6,700,000</u>	-
Costs			Total long-term liabilitie	<u>6,700,000</u>	<u>1,114,994</u>
Land	1,534,726	1,534,725	Other liability		
Building	931,189	930,971	Accrued pension liabilities	357,894	358,480
Machinery and equipment	9,742,905	8,486,401	Guarantee Deposit received	<u>1,774,455</u>	<u>1,569,094</u>
Lease improvement	4,609,762	3,986,263	Total other liabilities	<u>2,132,349</u>	<u>1,927,574</u>
Other equipment	<u>12,659</u>	<u>13,241</u>	Total liabilities	<u>26,383,032</u>	<u>20,335,592</u>
Total costs	16,831,241	14,951,601	Shareholders' equity		
Less: accumulated depreciation	<u>(9,186,707)</u>	<u>(8,101,857)</u>	Capital		
Construction in progress and prepayments for equipment	-	<u>1,578</u>	Paid-in Capital	9,151,604	9,151,604
Total net fixed assets	<u>7,644,534</u>	<u>6,851,322</u>	Retained earnings		
Intigable assets			Legal reserve	2,925,882	2,543,649
Cost of computer software	<u>90,380</u>	<u>73,097</u>	Special reserve	-	531
Other assets			Unappropriated retained earnings	3,649,236	3,921,243
Assets leased to others	1,306,976	999,648	Other adjustment in SH's equity		
Idle assets	-	321,498	Unrealized revaluation gains	469,191	359,191
Refundable deposit	957,408	937,603	Cumulative translation adjustment	<u>58,567</u>	<u>6,956</u>
Other assets-other	<u>9,335</u>	<u>2,780</u>	Total shareholders' equity	<u>16,254,480</u>	<u>15,983,174</u>
Total other assets	<u>2,273,719</u>	<u>2,261,529</u>	Total Liabilities and Shareholders' Equity	<u>\$42,637,512</u>	<u>\$36,318,766</u>
Total Assets	<u>\$42,637,512</u>	<u>\$36,318,766</u>			

President Chain Store Corporation
Income Statement
For the period ended Dec. 31, 2007 and 2006

Expressed in NT\$ '000

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Operating revenue</u>				
Net sales	\$98,885,377	97%	\$96,628,741	97%
Other operating revenue	3,478,464	3%	3,350,877	3%
Total operating revenue	102,363,841	100%	99,979,618	100%
<u>Operating cost</u>				
Cost of goods sold	(70,619,544)	-69%	(69,736,937)	-70%
Gross profit	31,744,297	31%	30,242,681	30%
<u>Operating expenses</u>				
Selling expenses	(24,445,774)	-24%	(22,789,148)	-23%
General and administration expenses	(2,444,990)	-2%	(2,939,532)	-3%
Total operating expenses	(26,890,764)	-26%	(25,728,680)	-26%
Operating income	4,853,533	5%	4,514,001	5%
<u>Non-operating income</u>				
Gain on valuation of financial assets	3,607	0%	7,734	0%
Dividend Income	48,656	0%	191,251	0%
Gain on disposal of investments	99,257	0%	-	-
Rental income	60,249	0%	46,059	0%
Other income	695,324	1%	658,910	1%
Total non-operating income	907,093	1%	903,954	1%
<u>Non-operating expenses</u>				
Interest expenses	(87,170)	0%	(68,770)	0%
Investment loss(equity method)	(285,905)	0%	(79,287)	0%
Loss on disposal of fixed assets	(34,008)	0%	(20,516)	0%
Loss on disposal of investments	-	-	(17,984)	0%
Impairment losses	(499,177)	0%	(127,297)	0%
Other expenses	(44,300)	0%	(46,513)	0%
Total non-operating expenses	(950,560)	-1%	(360,367)	0%
Income before tax	4,810,066	5%	5,057,588	5%
Income Tax	(1,187,653)	-1%	(1,235,633)	-1%
Cumulative effect of changes in accounting principles	-	-	373	0%
Net Income After Tax	<u>\$3,622,413</u>	<u>4%</u>	<u>\$3,822,328</u>	<u>4%</u>
Earnings per share				
	(pre-tax)	(after tax)	(pre-tax)	(after tax)
Net income	<u>\$5.26</u>	<u>\$3.96</u>	<u>\$5.53</u>	<u>\$4.18</u>

President Chain Store Corporation
Statement of Cash Flows
For the period ended Dec. 31, 2007 and 2006

Unit : NT\$ '000

	<u>2007</u>	<u>2006</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income:	\$3,622,413	\$3,822,328
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (Gain) on valuation of financial assets	(3,607)	(7,734)
Decrease of allowance for uncollectible accounts	(168)	(6,685)
Allowance for reduction of inventory to market	(9,437)	(56,530)
Depreciation	1,727,239	1,675,866
Amortization	77,935	254,908
Gain on disposal of financial assests measured at cost	(119,747)	-
Financial assests measured at cost- impairment losses	499,177	127,297
Cash dividend from long-term investment under equity method	307,362	234,690
Investment loss (gain) recognized under equity method	285,905	79,287
Gain on disposal of long-term investment (equity method)	-	(52,380)
Loss (gain) on disposal of fixed assets	34,008	20,516
Changes in assets and liabilities:		
Accounts receivable	(50,125)	80,690
Other accounts receivable	21,041	(30,781)
Inventories	(102,529)	(68,786)
Prepaid expense	(174,050)	18,809
Other current assets-others	22,812	(101,841)
Deferred income tax	3,064	16,911
Notes payable	(1,074,140)	1,034,441
Accounts payable	296,750	751,298
Income tax payable	(21,104)	54,381
Accrued expenses	(152,062)	366,679
Other accounts payable	887,261	704,105
Advance receipts	7,373	177,541
Accured pension liabilities	(586)	(1,272)
Net cash provided by operating activities	<u>6,084,785</u>	<u>9,093,738</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
(Increase) Decrease in Financial assets— current— whose changes in fair value are recognized in earnings	(2,555,320)	(118,386)
Acquisition of long-term investment-cost method	(269,055)	(570,000)
Proceeds from disposal of financail assets measured at cost	361,415	7,697
Capital reduction for cost method investment	66,947	-
Acquisition of long-term investment-equity method	(1,009,057)	(1,143,979)
Proceeds from disposal of long-term investment-equity method	-	94,989
Decrease of bond portfolios with no active market	20,000	40,000
Purchase of fixed assets	(2,446,952)	(1,554,848)
Proceeds from disposal of fixed assets	15,174	46,794
Purchase of computer software	(90,380)	-
Increase in refundable deposits	(19,805)	(58,728)
Other assets- other increase	(10,118)	-
Net cash used by investing activities	<u>(5,937,151)</u>	<u>(3,256,461)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Increase in guarantee deposit received	\$205,361	\$224,028
Increase (decrease) in long-term loans	6,700,000	(1,320,000)
Payback of corporate bond	(900,000)	(200,000)
Payment of cash dividends	(3,203,062)	(3,111,545)
Payment of directors' remuneration & employees' bonus	(309,656)	(267,412)
Net cash provided by financing activities	<u>2,492,643</u>	<u>(4,674,929)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	2,640,277	1,162,348
BEGINNING BALANCE OF CASH AND CASH EQUIVALENT	3,238,414	2,076,066
ENDED BALANCE OF CASH AND CASH EQUIVALENT	<u>\$5,878,691</u>	<u>\$3,238,414</u>

Supplement disclosures of cash flow information

Interest paid	\$101,577	\$70,456
Income tax paid	<u>\$1,205,693</u>	<u>\$1,164,341</u>

Investing and financing activities of partial payment on cash:

Purchase of property, plant and equipment	\$2,555,463	\$1,621,945
Add: beginning balance of account payable on equipment	278,844	211,747
Less: ended balance of account payable on equipment	(387,355)	(278,844)
Cash purchase of property, plant and equipment	<u>\$2,446,952</u>	<u>\$1,554,848</u>