

President Chain Store Corporation
Consolidated Financial Statements &
Independent Auditor's Report
January 1 to June 30 2006 and 2005
(Stock Code 2912)
【Translated Version】

Independent Auditor's Report

To: President Chain Store Corporation

We have reviewed the accompanying consolidated balance sheet of President Chain Store Corp. and the subsidiaries as of June 30, 2006 and 2005 and the related statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our review.

We conducted our review in accordance with Auditing Standards Communiqué No. 36 "Financial Statements Review" except for the events disclosed in the following paragraph. We have only performed analysis, comparison, and query instead of conducting our audit in accordance with generally accepted auditing principles in ROC. Therefore, we are unable to form an opinion on the consolidated financial statements referred to in the preceding paragraph.

As stated in Note 1 to the Consolidated Financial Statements, some of the financial statements of the business entities in the consolidated financial statements are not certified by CPAs and their assets amounted to NT\$11,610,432,000 and NT\$12,562,467,000 on June 30, 2006 and 2005, respectively, that represented a ratio of 25% and 28% to total consolidated assets. The net income in the period of January 1~June 30, 2006 and 2005 amounted to NT\$219,022,000 and NT\$126,417,000 that represented a ratio of 12% and 6% to total consolidated net income, respectively. As stated in Note 4(6) to the consolidated financial statements, President Chain Store Corp. and the subsidiaries had an investment loss from the invested company that was valued with Equity Method recognized for an amount of NT\$12,518,000 and NT\$44,013,000 on January 1~June 30, 2006 and 2005, respectively. Investment loss is valued in accordance with the uncertified financial statements of the invested company in the same periods. The long-term equity investment balance amounted to NT\$641,317,000 and NT\$469,442,000 on June 30, 2006 and 2005, respectively. As stated in Note 11(2) to the consolidated financial statements, some information about investment of President Chain Store Corp. and the subsidiaries are based on the uncertified financial statements of the invested company in the same periods and we do not have them reviewed.

According to our review, except for some of the financial statements of the subsidiaries and the invested company valued with Equity Method in the consolidated financial statement that may have caused minor adjustment to the consolidated financial statements afterwards, the financial statements referred in the first paragraph are present fairly in conformity with “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and generally accepted auditing principles without any modification or adjustment needed.

As stated in Note 3 to the consolidated financial statements, President Chain Store Corp. and the subsidiaries have applied Finance & Accounting Standards Communiqué No. 34 “Financial Products Accounting Principle” and No. 36 “Financial Product Accounting and Disclosure” since January 1, 2006 to have financial products valued and processed; also, goodwill is valued annually with loss booked but not amortized in accordance with Finance & Accounting Standard Communiqué No. 5 “Long-term Equity Investment Accounting Standard.”

Pricewaterhouse Coopers

Lin Tung-Chiao, CPA

Chen Mei-Tzu, CPA

September 4, 2006

President Chain Store Corp. & Subsidiaries
Consolidated Balance Sheet
June 30, 2006 & 2005

Currency expression: NTD 1,000

(Financial statements are reviewed but not audited according to generally accepted auditing standards)

	June 30 2006		June 30 2005			June 30 2006		June 30 2005	
	Amount	%	Amount	%		Amount	%	Amount	%
<u>Assets</u>						<u>Liabilities and Shareholders' Equity</u>			
Assets for lease (Notes IV (9), VII)	640,348	1	837,887	2		Other adjustments to shareholders' equity			
Idle Assets	323,450	1	1,060,383	2		Unrealized gains from financial			
Refundable deposits (Note VII)	1,675,610	4	1,443,227	3		instruments (Note IV)			
Other assets –miscellaneous (Note IV(14))	927,378	2	1,244,482	3		273,556	1	-	-
Total other assets	3,566,786	8	4,585,979	10		(23,213)	-	(55,758)	-
						Minority interest			
						1,783,020	4	1,527,306	3
						Total shareholders' equity			
						15,449,737	34	14,848,772	34
						Undertakings or contingent liabilities (Note			
						V, VIII)			
						Total liabilities and shareholders' equity			
Total Assets	\$ 46,017,340	100	\$ 44,188,935	100		\$ 46,017,340	100	\$ 44,188,935	100

The accompanying notes constituted an integral part of the financial statements. Please refer to the report of independent accountants dated Sep.4, 2006

President Chain Store Corp. & Subsidiaries
Consolidated Income Statement
January 1 to June 30, 2006 and 2005

Currency expression: NTD 1,000
(Unless otherwise specified)

(Financial statements are reviewed but not audited according to generally accepted auditing standards)

	<u>January 1 to June 30, 2006</u>		<u>January 1 to June 30, 2005</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Operating Revenue				
Sales	\$ 59,776,798	95	\$ 53,573,279	95
Other operating revenue (Note V)	<u>3,347,552</u>	<u>5</u>	<u>2,753,190</u>	<u>5</u>
Total operating revenue	63,124,350	100	56,326,469	100
Operating cost				
Cost of goods sold (Notes IV(18) and V)	(<u>44,062,369</u>)	(<u>70</u>)	(<u>39,179,559</u>)	(<u>70</u>)
Gross Profit	<u>19,061,981</u>	<u>30</u>	<u>17,146,910</u>	<u>30</u>
Operating expenses (notes IV (18))				
Selling expenses	(13,887,857)	(22)	(12,454,776)	(22)
General and administration expenses	(<u>2,968,769</u>)	(<u>5</u>)	(<u>2,434,019</u>)	(<u>4</u>)
Total operating expenses	(<u>16,856,626</u>)	(<u>27</u>)	(<u>14,888,795</u>)	(<u>26</u>)
Operating income	<u>2,205,355</u>	<u>3</u>	<u>2,258,115</u>	<u>4</u>
Non-operating incomes				
Interest	13,337	-	4,986	-
Gain on valuation of financial assets	-	-	21,912	-
Dividends Income	22,652	-	156,153	-
Gains on disposal of investment	41,554	-	2,722	-
Rent income	20,409	-	5,814	-
Other Income	<u>441,953</u>	<u>1</u>	<u>385,922</u>	<u>1</u>
Total non-operating income	<u>539,905</u>	<u>1</u>	<u>577,509</u>	<u>1</u>
Non-operating expenses				
Interest (note V)	(75,774)	-	(72,710)	-
Loss of value of financial instruments	(58,232)	-	-	-
Investment loss (equity method)(Note 4 (6))	(12,518)	-	(44,013)	-
Loss from the disposal of fixed assets	(4,392)	-	(90,419)	(1)
Allowance for reduction of inventory to market	(51,137)	-	-	-
Impairment (Note IV (5))	(89,988)	-	(15,217)	-
Miscellaneous expenses	(<u>63,883</u>)	-	(<u>42,523</u>)	-
Total non-operating expenses	(<u>355,924</u>)	-	(<u>264,882</u>)	(<u>1</u>)
EBT of continued operations	2,389,336	4	2,570,742	4
Income tax expense (Note IV (14))	(<u>638,401</u>)	(<u>1</u>)	(<u>584,569</u>)	(<u>1</u>)
Earnings of continued operations	1,750,935	3	1,986,173	3
Accumulated effects from changes in accounting principles (Note III)	<u>8,632</u>	-	<u>-</u>	-
Consolidated total net income (loss)	<u>\$ 1,759,567</u>	<u>3</u>	<u>\$ 1,986,173</u>	<u>3</u>
From:				
Consolidated net income (loss)	\$ 1,621,676	3	\$ 1,856,253	3
Minority equity net income (loss)	<u>137,891</u>	-	<u>129,920</u>	-
	<u>\$ 1,759,567</u>	<u>3</u>	<u>\$ 1,986,173</u>	<u>3</u>
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
	<u>taxation</u>	<u>Taxation</u>	<u>taxation</u>	<u>Taxation</u>
Basic EPS (Note IV (17))				
Earnings of continued operations	\$ 2.61	\$ 1.92	\$ 2.81	\$ 2.17
Minority equity	(<u>0.22</u>)	(<u>0.15</u>)	(<u>0.19</u>)	(<u>0.14</u>)
Net EPS current period	<u>\$ 2.39</u>	<u>\$ 1.77</u>	<u>\$ 2.62</u>	<u>\$ 2.03</u>

The accompanying notes constituted an integral part of the financial statements.
Please refer to the report of independent accountants dated Sep 4, 2006.

President Chain Store Corp. & Subsidiaries
Consolidated Statement of Retained Earnings
January 1 to June 30, 2006 and 2005

Currency expression: NTD 1,000

(Financial statements are reviewed but not audited according to generally accepted auditing standards)

	Capital stock in common shares	Retained Earnings			Shareholders' equity and adjustments		Minority equity	Total
		Statutory reserve	Special reserve	Unpaid income	Unrealized gains/losses of financial instruments	Accumulated conversion adjustments		
<u>January to June 30, 2005</u>								
Balance on January 1 2005	\$ 9,151,604	\$ 1,873,794	\$ -	\$ 3,402,185	\$ -	(\$55,758)	\$619,603	\$ 14,991,428
Appropriation of earnings								
Statutory reserve	-	304,587	-	(304,587)	-	-	-	-
Special reserve	-	-	55,758	(55,758)	-	-	-	-
Employee bonus	-	-	-	(107,421)	-	-	(107,421)	-
Remunerations to directors and supervisors	-	-	-	(53,710)	-	-	(53,710)	-
Cash dividends	-	-	-	(2,745,481)	-	-	(2,745,481)	-
June 30, 2005 Consolidated Total net income (loss)	-	-	-	1,856,253	-	-	129,920	1,986,173
Statement of Minority Equity	-	-	-	-	-	-	<u>777,783</u>	<u>777,783</u>
Balance at June 30, 2005	<u>\$ 9,151,604</u>	<u>\$2,178,381</u>	<u>\$55,758</u>	<u>\$1,991,481</u>	<u>\$ -</u>	<u>(\$55,758)</u>	<u>\$1,527,306</u>	<u>\$14,848,772</u>
<u>January to June 30, 2006</u>								
Balance on January 1, 2006	\$ 9,151,604	\$ 2,178,381	\$ 55,758	\$ 3,787,913	\$ -	(\$ 531)	\$ 1,682,040	\$ 16,855,165
Appropriation of earnings								
Statutory reserve	-	365,268	-	(365,268)	-	-	-	-
Special reserve	-	-	-	(200,559)	-	-	(200,559)	-
Employee bonus	-	-	(55,227)	55,227	-	-	-	-
Remuneration to directors and supervisors	-	-	-	(66,853)	-	-	(66,853)	-
Cash dividends	-	-	-	(3,111,546)	-	-	(3,111,546)	-
June 30, 2006 Consolidated Total net income (loss)	-	-	-	1,621,676	-	-	137,891	1,759,567
Unrealized net income (loss) of financial products	-	-	-	-	273,556	-	-	273,556
Adjustments of conversion from foreign long-term investments	-	-	-	-	-	(22,682)	(22,682)	-
Statement of Minority Equity	-	-	-	-	-	-	<u>(36,911)</u>	<u>(36,911)</u>
Balance at June 30, 2006	<u>\$ 9,151,604</u>	<u>\$ 2,543,649</u>	<u>\$ 531</u>	<u>\$ 1,720,590</u>	<u>\$ 273,556</u>	<u>(\$ 23,213)</u>	<u>\$ 1,783,020</u>	<u>\$ 15,449,737</u>

The accompanying notes constituted an integral part of the financial statements.
Please refer to the report of independent accountants dated Sep 4, 2006.

President Chain Store Corp. & Subsidiaries
Consolidated Statement of Cash Flow
January 1 to June 30, 2006 and 2005

Currency expression: NTD 1,000

(Financial statements are reviewed but not audited according to generally accepted auditing standards)

	January 1 to June 30, 2006	January 1 to June 30, 2005
<u>Cash flow from operations</u>		
Consolidated total net income (loss)	\$ 1,759,567	\$ 1,986,173
Adjustments		
Loss (Gain) on valuation of financial assets	58,232	(21,912)
Allowance for reduction of inventory to market	51,137	-
Depreciation	1,391,506	1,341,190
Amortizations	318,972	264,311
Impairment loss of financial assets carried at cost	89,988	15,217
Investment loss recognized under equity method	12,518	44,013
Loss from the disposal of fixed assets, net	4,392	90,419
Changes in asset and liability accounts		
Account receivables	201,348	(187,261)
Other receivables	(325,427)	(444,046)
Inventory	(166,022)	(2,229,806)
Other current assets	(374,131)	(902,498)
Deferred income tax	3,887	83,244
Note payables	(112,097)	(714,670)
Accounts payable	1,321,031	5,507,490
Payable income tax	(109,442)	244,698
Accrued expenses	(129,715)	373,143
Other payables	(780,662)	1,105,024
Cash in advance	155,131	351,820
Accrued pension liabilities	(14,457)	97,428
Net cash inflows from operation	3,355,756	7,003,977
<u>Cash flows from investments</u>		
Decrease (increase) in financial assets in which changes in fair values are recognized as gains or losses	(792,390)	(908,040)
Increase of financial assets for sales	(1,000)	-
Increase of loans receivable	-	(40,000)
Increase of financial assets valued at cost	(285,000)	(4,034,710)
Decrease financial assets on basis of cost	7,697	-
Decrease of bond investment	-	100,000
Cash paid for acquisition of fixed assets	(1,639,832)	(3,381,845)
Proceeds from disposition of fixed assets	43,423	54,732
Increase of other intangible assets	-	(3,940)
Increase in refundable deposits	(119,068)	(252,720)
Increase of other assets – others	(184,926)	(400,189)
Net cash outflows from investments	(2,971,096)	(8,866,712)

(Continue)

President Chain Store Corp. & Subsidiaries
Consolidated Statement of Cash Flow
January 1 to June 30, 2006 and 2005

Currency expression: NTD 1,000

(Financial statements are reviewed but not audited according to generally accepted auditing standards)

	January 1 to June 30, 2006	January 1 to June 30, 2005
<u>Cash flows from financing</u>		
Increase of short-term loan	\$ 809,399	\$ 101,735
Decrease of short-term bills payable	(554,032)	(119,260)
(Repayment) increase of the long-term loans	(807,831)	482,432
Increase in guarantee deposit received	106,295	252,029
Redemption of current portion of corporate bonds	(200,000)	-
Payment for long-term installment payable – beginning	(300,374)	-
Remunerations to directors and supervisors	(66,853)	(53,710)
Increase (decrease) of minority interest	(36,911)	777,783
Net cash inflows (outflows) from financing	(1,050,307)	1,441,009
Effect of subsidiary consolidated for the first time	-	2,691,544
Effect of exchange rate on financial statement	(22,682)	-
Increase (decrease) in cash and cash equivalence in current period	(688,329)	2,269,818
Balances of cash and cash equivalence at beginning	4,566,017	1,834,935
Balances of cash and cash equivalence at ending	<u>\$ 3,877,688</u>	<u>\$ 4,104,753</u>
<u>Supplementary information on cash flows</u>		
Interest paid in current period	<u>\$ 80,282</u>	<u>\$ 68,894</u>
Income tax paid in current period	<u>\$ 77,499</u>	<u>\$ 565,941</u>

The accompanying notes constituted an integral part of the financial statement.
Please refer to the report of independent accountants dated Sep 4, 2006.

President Chain Store Corp. & Subsidiaries

Notes to Consolidated financial statements

January 1 to June 30, 2006 & 2005

Currency expression: NTD 1,000
(Unless otherwise specified)

(Financial statements are reviewed but not audited according to generally accepted auditing standards)

I. Company history

(I) President Chain Store Corp. - President Chain Store Corporation

1. President Chain Store Corporation (hereinafter referred to as “the Company”) was duly incorporated in the Republic of China on June 10, 1987 under applicable legal rules. The principal business of the Company includes investment and operation of convenience stores, retailing and sale of foods and canned products, books, newspapers and magazines, and household items, as well as the import, export and distribution of the aforementioned products. In August 1997, Taiwan Stock Exchange Corporation approved the Company to list its stocks for trading on the Taiwan Stock Exchange. As of June 30, 2006, the Company has 27,600 employees (including part-time workers).
2. The parent and the final parent of the Company is Uni-President Enterprises Corp.

(II) Subsidiaries in the consolidated financial statements.

Name of the investor	Name of the subsidiary	Nature of business	Shareholding rate		Remark
			June 30 2006	June 30 2005	
President Chain Store Corporation	President Chain Store (BVI) Holdings Ltd.	Professional investment	100.00%	100.00%	
	Wisdom Distribution Service Corp.	Magazine logistics	100.00%	100.00%	
	President Transnet Corp.	Foods and necessities freight	70.00%	70.00%	
	Mech-President Corp.	Gas station and elevator production and sales	62.95%	62.95%	2
	Uni-President Cold-Chain Corp.	Frozen and low-temperature foods logistics	60.00%	60.00%	
	President Drugstore Business Corp.	Medicines & cosmetics stores	100.00%	100.00%	

Name of the investor	Name of the subsidiary	Nature of business	Shareholding rate		Remark
			June 30 2006	June 30 2005	
President Chain Store Corporation	President Direct Marketing Corp.	Selling of household goods by catalogs	100.00%	100.00%	
	Ren-Hui Investment Corp.	Professional investment	100.00%	100.00%	
	PCSC (China) Limited	Professional investment	100.00%	100.00%	
	Capital Inventory Services Corp.	Inventory consulting	100.00%	100.00%	
	President YiLan Art and Culture Corp.	Literature exhibitions	90.00%	90.00%	
	President Collect Services Co. Ltd.	Bill collect service	70.00%	70.00%	
	Uni-President Department Store Corp.	Retailing	70.00%	-	
	President Information Corp.	Business information management and consulting service	56.00%	70.00%	
	Uni-President Oven Bakery Corp.	Bakery retailing	60.00%	60.00%	
	Bank Pro E-Service Technology Co., Ltd.	E-commerce and software service sector	53.33%	53.33%	
	Duskin Serve Taiwan Co.	Selling and renting of cleaning instruments	51.00%	51.00%	
	Books.com. Co. Ltd.	Online bookstore	50.03%	50.03%	
	Muji Taiwan Co. Ltd.	Retailing	41.00%	41.00%	1
	Retail Support International Corp.	Logistics & delivery	25.00%	25.00%	1、2

Name of the investor	Name of the subsidiary	Nature of business	Shareholding rate		Remark
			June 30 2006	June 30 2005	
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Labuan) Holdings Ltd.	Professional investment	100.00%	100.00%	
	PCSC (Vietnam) Supermarket Ltd.	Chained store business	51.00%	51.00%	
Mech-President Corp.	Safety Elevator Corp.	Elevator installation and repair & maintenance	100.00%	100.00%	
	Mech-President (BVI)Corp.	General investment	100.00%	100.00%	
	President Jim Corp.	Gas station and others	60.00%	60.00%	
Mech-President (BVI)Corp.	Shanghai President Machine Corp.	Automobile services			
		Elevator, mechanical garage, and car wash production	100.00%	100.00%	
Retail Support International Corp.	Retail Support Taiwan Corp.	Foods room temperature logistics & delivery	51.00%	51.00%	2
	President Logistics International Corp.	Trucking	49.00%	49.00%	2、3
Wisdom Distribution Service Corp.	President Logistics International Corp.	Trucking	20.00%	20.00%	2、3
	Vision Distribution Service Corp.	Publisher	60.00%	60.00%	
Uni-President Cold-Chain Corp.	President Logistics International Corp.	Trucking	25.00%	25.00%	2、3
Retail Support Taiwan Corp.	President Logistics International Corp.	Trucking	6.00%	6.00%	2、3
President Logistics International Corp.	Chieh-Shuen Logistics International Corp.	Trucking	100.00%	100.00%	2
PCSC (China) Limited	PCSC (China) Drugstore Limited	Professional investment	100.00%	100.00%	
	PCSC (China) Supermarket Limited	Professional investment	100.00%	-	
PCSC (China) Drugstore Limited	President Cosmed Chain Store (Shen Zhen) Co.,Ltd.		65.00%	65.00%	

Name of the investor	Name of the subsidiary	Nature of business	Shareholding rate		Remark
			June 30 2006	June 30 2005	
President Cosmed Chain Store (Shen Zhen) Co.,Ltd.	Zhuhai Livzon Drugstore Chain Company Limited	Medicines & cosmetics stores	100.00%	-	
PCSC (China) Supermarket Limited	Shan Dong President Yinzuo Commercial Limited	Supermarkets	55.00%	-	
	PCSC (SICHUAN) Hypermarket Limited	Supermarkets	100.00%	-	
Uni-President Oven Bakery Corp.	Uni-President Oven Bakery (BVI) Corp.	Professional investment	100.00%	-	
Uni-President Oven Bakery (BVI) Corp.	Wuhan Uni-president Oven Fresh Bakery Co., Ltd.	Bakery retailing	100.00%	-	
President Chain Store (Labuan) Holdings Ltd.	Philippine Seven Corporation	Chained store business	56.59%	56.59%	
Philippine Seven Corporation	Convenience Distribution Inc.	Logistics & delivery	100.00%	100.00%	

1. 7-ELEEN Inc. is able to direct the finance, business operation, and personnel policy of Retail Support International Corp. and MUJI Co., Ltd.; therefore, they are deemed as a subsidiary of President Chain Store Corp. and are included in the consolidated financial statements in accordance with the amended Finance & Accounting Standard Communique No. 7 "Consolidated Financial Statements."
2. Except for the financial statements of Retail Support International Corp., Ltd. and MECH-President Corp. in the first half of 2006; also, the financial statements of Retail Support International Corp., Ltd., President Logistics International Corp., Chieh-Shuen Logistics International Corp., and Retail Support Taiwan Corp. in the first half of 2005, are certified by CPAs, other financial statements in the consolidated financial statements are uncertified.
3. Retail Support International Corp, Uni-President Cold Chain, Wisdom Distribution Service, and Retail Support Taiwan Corp., Ltd. together hold 100% stock shares of President Logistics International Corp.

(III) Other subsidiaries in the consolidated financial statements

President Chain Store Corp. or the subsidiaries own the control over the investment of the joint venture as follows:

Name of the investor	Names of the joint venture companies	Nature of business	Shareholding rate	
			June 30 2006	June 30 2005
President Chain Store Corporation	Mister Donut Taiwan Corp.	Bakery retailing	50.00%	50.00%
	Uni-President Takashimaya Co. Ltd. (Liquidated in September 2005)	Necessities	—	50.00%
	President Coffee Corp.	Coffee chain stores	30.00%	30.00%
	Uni-President Yellow Hat Corp.	Automobile department stores	30.00%	30.00%
President Chain Store (BVI) Holdings Ltd.	President Coffee (Cayman) Holdings Ltd.	Professional investment	30.00%	30.00%
President Coffee (Cayman) Holdings Ltd.	President Starbucks Coffee Shanghai Corp.	Coffee chain stores	100.00%	100.00%

President Chain Store Corp. had the uncertified financial statements of the aforementioned invested companies consolidated into each account of the consolidated financial statements in accordance with Finance & Accounting Standard Communiqué No. 31 “Joint Venture Accounting Standard.”

- (IV) Subsidiaries that are not included in the consolidated financial statements: None.
(V) Adjustment and process of accounting period by subsidiary: None.
(VI) Special business risk faced by subsidiaries overseas: No significant business risk to report.
(VII) The restriction on the fund transfer of subsidiary to parent company: None.
(VIII) The security of the parent company held by the subsidiary: None.
(IX) The convertible corporate bond and stock shares issued by the subsidiary: None.

II. Summary of significant accounting policies

This consolidated financial statements has been prepared in accordance with the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and accounting principles generally accepted in the Republic of China. Significant accounting policies are explained as follows:

(I) Consolidated financial statements standard

President Chain Store Corp. has the subsidiaries that are with over 50% stock share with voting right held directly or indirectly or the wholly controlled subsidiaries included in the consolidated financial statements. President Chain Store Corp. has the income and expense of the subsidiaries that have become wholly owned subsidiaries of President Chain Store Corp. consolidated into the Income Statement upon occurrence. President Chain Store Corp. has the income and expense of the wholly owned subsidiaries that have become general subsidiaries of President Chain Store Corp. eliminated from the consolidated Income Statement upon occurrence and without having the consolidated financial statements of prior periods adjusted retroactively.

The major transactions between President Chain Store Corp. and the subsidiaries and the Balance Sheet accounts are written off.

(II) Exchange rate for the financial statements of subsidiaries in foreign currency

For the currency translation of the financial statements of subsidiaries, all assets and liabilities accounts are to be translated according to the exchange rate on the Balance Sheet date. In terms of Shareholders' Equity, except for the beginning retained earnings are to be carried forward according to the translated ending balance from the prior period, is to be translated according to the historical exchange rate. Dividend is to be translated according to the exchange rate on the announcement date. Income Statement is to be translated according to the weighted average exchange rate. Exchange difference is booked in the "Cumulative translation adjustment" account and is debited or credited to Shareholders' Equity.

(III) Foreign currency exchanges

1. The accounts of the Company and Subsidiaries in bookkeeping are expressed in NT Dollars. Transactions in foreign currencies shall be converted into NT Dollars on the basis of the spot exchange rate as of the day of transactions for bookkeeping. Differences resulting from the exchange are recognized as net income (loss).
2. The balances of foreign currency assets or liabilities at the end of the accounting period shall be adjusted on the basis of the spot exchange rate as of the balance sheet day. Differences resulting from the exchange are recognized as net income (loss). Differences resulting from the exchange between the Company and foreign investees through advances for payment shall be recognized as adjustments to shareholders' equity.
3. Non-monetary assets or liabilities expressed in foreign currencies shall be estimated on the basis of fair values and the changes thereof shall be recognized as gains or losses at the end of the accounting period. Adjustments on the basis of the spot exchange rate as of the balance sheet day shall be made and the spread from the exchange shall be stated as net income (loss). For assets or liabilities in which changes in fair value shall be recognized as adjustments to shareholders' equity, adjustments shall be made on the basis of the spot exchange rate as of the balance sheet day. The spread from the exchange shall be recognized as adjustments to shareholders' equity. For assets or liabilities estimated not on the basis of fair value, use the historical exchange rate as of the transaction day for estimation.

(IV) Cash equivalent

Cash equivalent is a short-term investment with high liquidity that is in conformity with the following:

1. Can be converted into cash at any time.
2. Will be due soon and its value will not be affected by interest rate changes.

The Statement of Cash Flow of President Chain Store Corp. is prepared on the basis of cash and cash equivalent.

(V) Current assets and noncurrent assets

The construction underwriting business of MECH-President Corp., the subsidiary of President Chain Store Corp., is usually for a business cycle over one year; therefore, the related assets and liabilities are classified into the category of current and noncurrent according to the business cycle while other accounts are classified according to the fiscal year.

Assets that are in conformity with the following requirements are classified as current assets:

1. Cash and cash equivalent
2. Trade-oriented accounts or the short-term accounts that are to be cashed in twelve months from the Balance Sheet dates.
3. The accounts that are to be cashed, sold, or used in the business cycle.

Assets other than current assets are noncurrent assets.

(VI) Financial assets and liabilities in which changes in fair value are recognized as gains or losses

1. Bookkeeping shall be made as of the day of trade for equity assets or liabilities, and as of the delivery day for warrants and rights. Initial recognition of the financial instruments in bookkeeping estimation shall be made on the basis of fair value.
2. Financial assets and liabilities in which changes in fair value are recognized as gains or losses shall be estimated on the basis of fair value and in which changes are recognized as gains or losses. For stocks with public quotations in centralized markets, the fair value shall be the price at close in open market as of the balance sheet day. For open-ended funds, the fair value shall be the net asset value of the funds as of the balance sheet day.
3. The particulars of accounting for the period on and before December 31, 2005 are specified in Note III.

(VI) Financial assets available for sales

1. The transaction day accounting principle is adopted for the bookkeeping of equity investments whereby financial instruments shall be estimated on the basis of fair value in initial recognition plus the acquisition cost or issuance cost.
2. Financial assets available for sales are estimated on the basis of fair value. Any change in the value is recognized as adjustments to shareholders' equity. The fair value of stocks with public quotations in centralized markets is their respective price at close in the open market as of the balance sheet day.
3. Recognize as impairment loss with supporting evidence. Should there be decrease in the amount of subsequent impairment, recognize as adjustments to shareholders' equity for the decrease in impairment of equity items.
4. The particulars of accounting for the period on and before December 31, 2005 are specified in Note III.

(VIII) Financial assets carried at cost

1. The transaction day accounting principle is adopted for the bookkeeping of financial instruments and shall be estimated on the basis of fair values in initial recognition plus the acquisition cost or issuance cost.
2. Recognize as impairment loss with incriminating evidence. The amount of impairment loss cannot be reversed.
3. The particulars of accounting for the period on and before December 31, 2005 are specified in Note III.

(IX) Financial derivatives for hedges

1. Financial derivatives for trade: option trades shall be recognized on the basis of fair value as of the day of trade. For derivative trade other than options, state the fair value as zero on the day of trade. Estimation on derivatives trade shall be based on the fair

value as of the balance sheet day, any change in fair value shall be recognized as assets or liabilities and current gains and losses.

2. Derivatives for hedges: if derivatives meet all the conditions for accounting of hedging instruments, the effect of any change in the fair value of the instruments and the hedged objects after offsetting shall be recognized as follows in bookkeeping:

(1) Hedge of fair value: Any gain or loss deriving from derivatives, or, any gain or loss in the carrying value of derivative instruments resulting from exchange rate fluctuations, shall be recognized as current gains or losses. Any gain or loss of the hedges resulting from hedging is the carrying value of the hedges and hence shall be immediately recognized as current gains or losses

(2) Hedge of cash flows: Any gain or loss of the hedging instruments shall be recognized as adjustments to shareholders' equity.

(X) Allowance for uncollectible accounts

Duly amortized based on the receivability of the notes, accounts and other receivables at end of the term

(XI) Inventories

The company, Philippine Seven Corporation, Uni-President Oven Bakery Corp., President Drugstore Business Corp., Uni-President Yellow Hat Corp., Muji Taiwan Co. Ltd., President Cosmed Chain Store (Shen Zhen) Co.,Ltd. and Zhuhai Livzon Drugstore Chain Company Limited

Inventory is booked at the cost. Cost is based on the Retailing Method.

Other consolidated subsidiaries

Inventory is booked at the cost. In terms of cost, Retail Support International Corp. and PCSC (SICHUAN) Hypermarket Limited adopt First-in-First-out method while others adopt the weighted average method. Inventory is valued at yearend in accordance with the Lower of Total Cost or Total Market Price Method. For the Lower of Cost or Market Price Method, the market price of inventory is the net cash value or replacement cost depending on the nature of inventory. Inventory obsolete and loss in valuation is booked in the Income Statement.

(XII) Long-term investments under equity method (Including joint venture)

1. The Company adopts the equity method in the accounting of investees where the Company holds more than 20% of their voting shares or where the Company has significant influence. From 2006 onward, if the cost of investments exceeds the fair value of identifiable net assets, the spread can be recognized as goodwill and be subject to impairment test yearly. Spread being amortized in previous years cannot be adjusted retrospectively.
2. For investees accounted for under the equity method since January 1, 2005, and on which the Company may exercise significant influence but is not in dominant position, their losses so recognized losses shall be limited to zero basing on the book value of investments and advances to specific investee and state for recognized loss in proportion to the investments in such investees unless the Company has acted in favor of specific investee as guarantor or attempts to continue its support of the investee. In this case, the Company shall assume all the losses of the investees even if the amount exceeds the original shareholders' equity of the investees. If such investees resume a profit position subsequently, the Company has the top priority for the entitlement to such profits until the assumed losses have been fully recovered.
3. In making overseas investments accounted for under the equity method, the "accumulated conversion adjustments" resulting from the conversion between the currencies expressed in the financial statements of the investees and the Company shall be recognized as adjustments to shareholders' equity.
4. President Chain Store Corp. and the subsidiaries have the joint venture of the wholly owned business entities processed with Equity Method. Consolidated financial statements are prepared semi-annually and annually according to the Proportional Consolidation Method since 2005.
5. The particulars of accounting for the period on and before December 31, 2005 are specified in Note III.

(XIII) Construction accounting

Construction cost is summed up by project and with income and loss recognized in accordance with Construction Complete Method or Percentage of Completion Method. Accrued construction cost is booked in the “Construction in progress” account and the proceeds collected from customers during construction is booked in the “Construction collections” account and it is to be settled in the year of construction completed and booked in the “Operating income” account and “Operating cost” account. Construction that is for over one year is to be recognized and booked in accordance with the Percentage of Completion Method. The percentage of completion is assessed in accordance with Percentage of Cost Method or Percentage of Working Hours Method and with income and loss recognized proportionally to the percentage of completion. If the construction is with loss expected, it is to be recognized entirely and immediately upon occurrence. If the loss is expected to go down in the future, the loss amount is to be reversed as income upon occurrence. If the amount of construction in progress exceeds construction collections for one project, the construction collections are credited to the construction in progress and are booked in the “Current assets” account; otherwise, construction in progress is debited to the collections and booked in the “Current liabilities” account.

(XIV) Fixed assets and non-operating assets

1. Bookkeeping of fixed assets shall be made on the basis of the cost of acquisition. The interest accrued from the acquisition of assets to the point the assets can be available for use may be capitalized.
2. Depreciation shall be made under the average method. With the exception of improvement in capital lease when term of lease is less than five years, all other fixed assets are depreciated with their years of services plus one year of residual value. For assets continued to be in service after the previous period of services, the residual value shall be subject to depreciation along the subsequent years of services. Buildings and construction have 5 to 55 years of service. Other assets have 2 to 25 years of services for depreciation purpose.
3. Spending on repair and maintenance is recognized as expenses for current period. Major additions or improvement shall be capitalized and depreciated. In assets sold or retired, the cost and accumulated depreciations shall be written off against each other. Any capital gains or losses thereof shall be recognized as current gains or losses.
4. Fixed assets that are not used for business operation are booked in the “Other assets” account according to the lower of net fair value or book value and with the depreciation expense booked in the “Non-operating expense” account.

(XV) Deferred expenses

Deferred expenses shall be accounted for on the basis of acquisition cost and amortized under the average method for 2~5 years.

(XVI) Impairment of non-financial assets

1. Effective January 1, 2005, if the recoverable amount of assets falls below the book values of such assets due to the change in economic environment or the occurrence of a specific event, the resulting impairment loss shall be stated as recognized losses. Recoverable amount refers to the net fair value of specific asset or its value for use, whichever is higher. Net fair value refers to the net proceeds to be received under fair trade of specific asset. Value for use refers to the expected amount of cash flows generated by specific assets in subsequent years of service under discount value method.
2. An impairment loss in previous years could be reversed if there is a subsequent recovery after previous impairment loss was recognized and stated as current income. Recognized impairment of goodwill shall not be reversed.

(XVII) Pension Plan

1. Pension costs under defined benefit pension plan are recognized on the basis of actuarial calculations. Net pension cost covers the cost of service in current period, interest, anticipated return on fund assets, and the amortizations of unrecognized transitional net payment obligations and pension incomes or losses. Unrecognized transitional net payment obligations are amortized for a period of 15 years.
2. If the pension fund regulation is defined as pension benefits, pension fund contribution on accrual basis shall be recognized as pension cost for current period.

(XVIII) Income Tax

1. The Company adopts Financial Accounting Standards No. 22 “Accounting for Income Taxes” to compute income tax and recognize the deferred tax effect from temporary differences. The tax effect of taxable temporary differences is recognized as deferred income tax liabilities; while the tax effect of deductible temporary differences, operating loss carryforward and income tax credit are recognized as deferred income tax assets. Valuation allowance is recognized on deferred income tax assets that are not expected to be realized. Deferred income tax assets or liabilities are classified into current and noncurrent items in accordance with the nature of the balance sheet account and the period of expected realization.
2. The levy of 10% income tax on undistributed earnings under the new Tax Code is recognized as income tax expenses incurred in the year of shareholders meeting resolution.
3. Pursuant to Financial Accounting Standards No. 12 on “Accounting for Tax Credits”, tax credits on the acquisition of specific machinery and equipment, human resources training are accounted for as deductions for current year as income tax expenses.
4. Adjustments of tax liabilities carried forward are added to income tax expenses in current year.

(XIX) Recognition of revenue and cost

Revenue shall be recognized in the process of gaining profits and recognized as realized or to be realized. Related costs are recognized with corresponding items of revenue. Expenses shall be recognized on an accrual basis as stated as current expenses.

(XX) Earnings per share

The Company computes the earnings per share by the weighted-average method. Earnings for additional quantity of shares through the capitalization of retained earnings or capital surplus into capital stocks shall be adjusted irrespective of the duration of circulation of such additional shares. Earnings for new shares shall be computed on the basis of the outstanding period.

(XXI) Delivery day accounting

The Company and domestic subsidiaries have adopted the principle of delivery day accounting where applicable. Changes in fair values of asset transactions between the transaction day and the delivery day carried at cost or cost after amortization will not be recognized. For assets whose change in fair value are recognized as gains or losses, such changes shall be recognized as current gains or losses. For assets available for disposal, such changes shall be recognized as adjustments to shareholders' equity.

(XXII) Accounting estimations

The company and domestic subsidiaries prepared its consolidated financial statements in accordance with generally accepted accounting principles in the Republic of China, and has made necessary estimation, assessment and disclosures on the amount stated or contingencies, including certain assumptions and estimations. The actual results may vary from the assumptions and estimations, however.

III. Reasons for Changes in accounting principles and effect

(I) Financial instruments

1. Effective January 1, 2006, the Company and domestic subsidiaries have adopted the principles under Financial Accounting Standards No. 34 on “Financial Instruments: Recognition and Measurement” and No. 36 on “Financial Instruments: Disclosure and Presentation” in its accounting policies. The Company has reclassified some account titles on or before December 31, 2005 in accordance with the Guidelines Governing the Preparation of Financial Reports By Securities Issuers and Financial Accounting Standards No. 34 on “Financial Instruments: Recognition and Measurement” and No. 36 on “Financial Instruments: Disclosure and Presentation”.

2. Account titles used in bookkeeping on and before December 31, 2005:

(1) Short-term investments

Short-term investments are carried at cost under the moving average method. Valuation of investments is made under the lower of the cost and market price method at the end of the accounting period. Losses from falling prices are recognized as current losses. In comparing the cost with market price of stocks listed in centralized market, the average market price at close for the last month of the accounting period is taken as the market price. For open-end funds, the net asset value per unit as of the balance sheet day of the respective fund shall be taken as the market price.

(2) Long-term investments under equity method

The Company adopts the method of the lower of the cost and market price in the valuation of investees (listed companies) where the Company holds less than 20% of their voting shares with public quotations in the centralized market. Unrealized loss resulting from the falling price or market price below the cost shall be debited to shareholders' equity. For investees not listed in the centralized market, valuation is made on the basis of cost. If however evidence suggests that the recovery of such value is unlikely due to significant impairment, it is recognized as investment loss and stated as current losses.

(3) Derivative trade – Interest Rate Swap contracts:

No actual transfer of principal in IRS trade and only a memorandum will be signed for transaction purposes. Payable or receivable interest of IRS contracts not held for trading accrued in the period from the contract settlement day and the balance sheet day shall be recognized as adjustments to interest expenses on hedging.

3. Such changes in accounting principles resulted in an increase of NT\$273,556 under the title of other adjustment to shareholders' equity as of June 30, 2006 (recognized as “unrealized income/loss of financial instrument). The effect to the income position of the Company and domestic subsidiaries in the period from January 1 to June 30, 2006, is explained as follows:

	Amount	EPS (NTD)
Net income before tax of the continuing department	\$ -	\$ -
Income tax expense	-	-
Net income of the continuing department	-	-
Effect of changes in accounting policies (Less: Effect of income tax \$0)	8,632	0.01
Consolidated total net income (loss)	<u>\$ 8,632</u>	<u>\$ 0.01</u>

(II) No amortization for goodwill

1. The company and domestic subsidiaries have adopted the principles under amended Financial Accounting Standards No. 1, 5, 7, 25 and 35 since January 1, 2006 whereby goodwill shall no longer be subject to amortization. Under such changes, consolidated total assets as of June 30, 2006 have increased by \$82,127. Similarly, net income in the period from January 1 to June 30, 2006 has also increased by \$82,127 and EPS by \$0.09.
2. Before Dec. 31, 2005, the Company adopts the equity method on the accounting of investees where it holds more than 20% of voting shares or is in a dominant position. The differences between the cost as of the investment day and net worth of the investees are amortized along a period of 5 to 10 years.

(III) Impairment of non-financial assets

Effective January 1, 2005, the Company and domestic subsidiaries have adopted the newly announced Financial Accounting Standards No. 35 on "Impairment of Assets". Such change in accounting principles does not affect the presentation in the consolidated financial statements of the company and domestic subsidiaries for the period from January 1 to June 30, 2005.

IV. Summary on major account titles

(I) Cash and cash equivalence

	June 30 2006	June 30 2005
Cash and petty cash for stores	\$ 531,747	\$ 388,521
Current account deposits and checking account deposits	2,207,918	2,453,705
Time deposit	373,906	41,870
cash equivalence		
Investments in Repos	764,117	1,220,657
	<u>\$ 3,877,688</u>	<u>\$ 4,104,753</u>

(II) Financial instruments with changes in fair values are recognized as gains or losses -current

	June 30 2006	June 30 2005
Financial instruments held for disposals		
Stocks with public quotations	\$ 410,611	\$ 268,723
Open-ended funds	1,369,391	1,276,306
	<u>1,780,002</u>	<u>1,545,029</u>
Valuation Adjustment	(64,055)	(65,783)
	<u>\$ 1,715,947</u>	<u>\$ 1,479,246</u>

(III) Inventories

	<u>June 30 2006</u>	<u>June 30 2005</u>
Merchandises	\$ 5,953,473	\$ 4,970,216
Raw material and physical material and work-in-process goods	157,286	173,925
	6,110,759	5,144,141
Less: Allowance for inventory losses	(136,955)	(29,650)
	<u>\$ 5,973,804</u>	<u>\$ 5,114,491</u>

(IV) Financial instruments available for disposal-noncurrent

	<u>June 30 2006</u>	<u>June 30 2005</u>
Stock with public quotations	\$ 140,534	\$ 140,534
Valuation Adjustment	293,530	-
	<u>\$ 434,064</u>	<u>\$ 140,534</u>

(V) Financial instruments carried at cost -noncurrent

	<u>June 30 2006</u>	<u>June 30 2005</u>
Stocks listed in the emerging market	\$ 2,432,917	\$ 2,432,917
Stocks with no public quotation	10,669,466	10,189,531
Subtotal	13,102,383	12,622,448
Accumulated impairment	(89,988)	(15,217)
Total	<u>\$ 13,012,395</u>	<u>\$ 12,607,231</u>

The instruments held by the company and domestic subsidiaries have no public quotations in open market and there is no fair value for estimation. Therefore, they are estimated on the basis of cost.

(VI) Long-term investment under the equity method

Investees	<u>June 30 2006</u>		<u>June 30 2005</u>	
	Amount	Proportion of shareholding	Amount	Proportion of shareholding
<u>Valued with Equity Method</u>				
Uni-President Development Corp.	\$ 180,285	20.00	\$ 184,855	20.00
Q-ware Systems & services Corp.	178,338	22.68	-	-
President Pharmaceutical Corp.etc.	282,694	20.00	284,587	20.00
		~48.33		~47.95
	<u>\$ 641,317</u>		<u>\$ 469,442</u>	

The long-term equity investment loss valued with Equity Method in the first half of 2006 and 2005 amounted to NT\$12,518 and NT\$44,013, respectively, in accordance with the uncertified financial statements of the invested company.

(VII) Joint venture

The amount in each account of the joint venture belongs to President Chain Store Corp. is illustrated as follows and please refers to Note 1(3) for the investment object of the joint venture in details.

	January 1 to June 30 2006	January 1 to June 30 2005
Current assets	\$ 387,710	\$ 437,111
Noncurrent assets	\$ 311,646	\$ 249,432
Current liabilities	\$ 282,500	\$ 210,097
Long-term debt	\$ 5,821	\$ 4,917
Income	\$ 741,123	\$ 622,516
Cost and expense	\$ 713,666	\$ 682,718

(VIII) Accumulated depreciation

	June 30 2006	June 30 2005
Buildings and construction	\$ 437,680	\$ 241,831
Transportation equipment	1,092,765	815,167
Operating equipment	6,785,264	5,906,967
Leasehold improvement	3,059,809	2,390,833
Other equipment	619,339	363,454
	<u>\$ 11,994,857</u>	<u>\$ 9,718,252</u>

(IX) Assets for lease

	June 30 2006		
	Initial cost	Accumulated depreciation	Book value
Land	\$ 461,168	\$ -	\$ 461,168
Buildings and plant	182,520	(3,340)	179,180
	<u>\$ 643,688</u>	<u>(\$ 3,340)</u>	<u>\$ 640,348</u>

	June 30 2005		
	Initial cost	Accumulated depreciation	Book value
Land	\$ 575,717	\$ -	\$ 575,717
Buildings and plant	263,423	(1,253)	262,170
	<u>\$ 839,140</u>	<u>(\$ 1,253)</u>	<u>\$ 837,887</u>

(X) Accrued expenses

	June 30 2006	June 30 2005
Payable salaries and bonuses	\$ 1,299,915	\$ 1,090,533
Payable incentives for franchisee	431,827	574,051
Payable fees for system development and maintenance	112,728	111,947
Other	1,179,406	946,375
	<u>\$ 3,023,876</u>	<u>\$ 2,722,906</u>

(XI) Other payables

	June 30 2006	June 30 2005
Bill collected for others	\$ 2,734,185	\$ 2,732,303
Payable cash dividends	3,111,546	2,745,481
Payable employee bonuses	200,559	107,421
Payable for acquisition of fixed assets	175,089	189,133
Other	519,787	689,124
	<u>\$ 6,741,166</u>	<u>\$ 6,463,462</u>

(XII) Outstanding bonds

	Term	June 30 2006	June 30 2005
1 st tranche of secured bonds	2002.01.16~2007.01.18	\$ 700,000	\$ 700,000
2 nd tranche of secured bonds	2003.06.10~2008.06.13	1,300,000	1,500,000
		<u>2,000,000</u>	<u>2,200,000</u>
Less: Current portion		(900,000)	(200,000)
		<u>\$ 1,100,000</u>	<u>\$ 2,000,000</u>

1. The issuance of the 1st tranche of secured corporate bonds

The Company has pledged with China Development Industrial Bank and Bank of Taiwan Chun Lun Branch for the issuance of its 1st tranche of secured bonds. This issue of bonds shall be redeemed in full at maturity at coupon rate of 2.8%. Simple interest shall be payable once annually in accordance with the coupon rate from the date of issuance.

According to the agreement binding the Company and Bank of Taiwan for entrusting the latter for surety in the issuance of bonds, this issue of bonds may be used only for the retirement of bank loans and reducing the spending on interest.

2. The issuance of the 2nd tranche of secured corporate bonds

The Company has pledged with Taipei Fubon Bank and Bank of Taiwan Chung Lun Branch for the issuance of its 2nd tranche of secured bonds under the following terms and conditions:

- (1) Issue A: amounted to NT\$800 million and redemption at the 3rd, 4th and 5th anniversaries are 25%, 25%, and 50% respectively at coupon rate of 1.4%. Simple interest payable once annually in accordance with the coupon rate from the date of issuance.
- (2) Issue B: amounted to NT\$700 million at coupon rate of 4% less LIBOR rate or 4% less promissory note rate for 180 days renewable semi-annually. Simple interest is payable once semi-annually.

(XIII) Pension Fund

1. The Company has instituted the regulations for defined pension plan under the “Labor Standards Law” applicable to the years of services of employees before July 1, 2005, the day that the new “Labor Pension Act” has come into full force. Such regulations are also applicable to employees who elect to continue the calculation of their subsequent years of service under the “Labor Standards Law”. Each employee shall be entitled to 2 basis points for each year of service if he or she has served the Company for 15 years or less. One basis point will be added to each additional year of service beyond the said period of 15 years up to the maximum of 45 basis points. Pension will be payable on the basis of the average basic salaries of the employee within the last six months prior to retirement and the length of service. The Company contributes 2% to 4.42% of the total salaries of the employees to the special pension fund account with the Central Trust of China supervised by the Employee Pension Fund Reserve Supervisory Committee. The pension plan of Philippine Seven Corporation is a Reciprocal Appropriation Pension Plan.
2. The new law provided a defined contribution to pension plan. Effective July 1, 2005, the Company shall contribute the amount equivalent to 6% of the monthly salary of respective native employees to the individual pension accounts of the employees at Labor Insurance Bureau. Retired employees may claim for pension disbursement in accordance with the status of their individual accounts and the cumulative contribution in the account through monthly payment or in lump sum.
3. The subsidiary of President Chain Store Corp. in China has pension fund reserved for an amount equivalent to certain percentage of monthly salary according to the Pension Law of the People’s Republic of China. The pension fund of each employee is managed and arranged by Chinese government and the responsibility of the subsidiary is to have pension fund reserved monthly.

(XIV) Income Tax

1. Income tax and payable income tax

	January 1 to June 30, 2006	January 1 to June 30, 2005
Payable income tax	\$ 608,357	\$ 623,227
Temporary differences of net deferred income tax assets		
Net changes	(3,887)	(83,224)
Carried forward income tax liabilities	32,882	43,213
Income tax amount under the new taxation system	812	501
Prepaid income tax	237	872
Income tax expenses	<u>\$ 638,401</u>	<u>\$ 584,569</u>
Item of income tax expenses		
Income tax expenses	\$ 638,401	\$ 546,761
10% surtax on undistributed incomes	-	37,808
	<u>\$ 638,401</u>	<u>\$ 584,569</u>

2. Item of deferred income tax assets are shown as follows:

	June 30 2006		June 30 2005	
	Amount	Effect of income tax	Amount	Effect of income tax
Current items (stated as other current assets in statement)				
Temporary difference				
Allowance for inventory loss in valuation	\$ 134,601	\$ 33,650	\$ -	\$ -
Bad debts	19,985	4,996	20,468	5,117
Unrealized expense	50,902	12,726	-	-
Employee fringe benefits	24,059	6,015	4,427	1,107
Loss credit	173,922	43,481	155,117	38,779
Investment credit		17,492		-
		118,360		45,003
Less: allowance for reevaluation losses		(4,491)		-
Deferred tax assets – current (booked in the “Other current assets” account)		\$ 113,869		45,003
Non-current items				
Temporary differences				
Losses from overseas investments	\$ 456,916	\$ 114,229	\$ 677,807	\$ 169,452
Finance and tax difference of pension	69,698	17,399	27,221	6,805
Employees fringe benefits	59,492	14,873	5,749	1,442
Loss credit	971,552	242,888	1,131,744	282,936
Investment credit		20,182		166
		409,571		460,801
Less: allowance for reevaluation losses		(340,275)		(321,018)
Deferred tax assets – noncurrent (booked in the “Other assets” account)		\$ 69,296		\$ 139,783

3. Income tax returns filed by the company have been approved by taxation authorities up to tax year 2003.
4. The Company has the following deductions not being consumed in the period January 1 to June 30, 2006 under applicable legal rules on eligible deductible items:

Legal sources	Deductible items	Total deductible amount	Unconsumed deductible balance	Last credit year
Statute for the Encouragement of Industrial Upgrading	Human resources training	\$ 6,734	1,515	2006~2009
	Automation equipment and technology	51,243	36,159	2007~2009

5. Up to June 30, 2006, the loss credit of the subsidiary that can be carried forward to future net income amounted to NT\$1,145,474 and it expires on 2010.

6. Details of unpaid incomes are shown as follows:

	<u>June 30 2006</u>	<u>June 30 2005</u>
Unpaid incomes carried forward to 1997	\$ 31,142	\$ 31,142
Unpaid incomes carried forward from 1998	<u>1,689,448</u>	<u>1,960,339</u>
Total	<u>\$ 1,720,590</u>	<u>\$ 1,991,481</u>

7. Information on new taxation system:

	<u>June 30 2006</u>	<u>June 30 2005</u>
Balance of shareholders deduction account	<u>\$ 1,039,141</u>	<u>\$ 960,311</u>
	<u>2005</u>	<u>2004</u>
Tax credit rate of retained earnings distributed	<u>\$ 30.60%</u>	<u>\$ 29.93%</u>

(XV) Capital Stock

The Company has 960,000,000 authorized shares with 915,160,436 shares outstanding at NT\$10/share as of June 30, 2006 and 2005.

(XVI) Retained Earnings

1. The Articles of Incorporation of the Company dictate that, earnings in the year after account settlement shall be subject to corporate income tax under law, followed by the offsetting of losses carried forward. 10% of the remainder shall be allocated as statutory reserve and special may also be allocated as there is debit to shareholders' equity. The earnings net of the aforementioned deductions plus the unpaid incomes carried forward may be distributed to shareholders under proposal by the Board and at the approval of the shareholders general meeting. Remunerations to directors and supervisors shall be at 2% of the earnings and employee bonus shall be no less than 0.2% of the earnings. Dividend and bonus to shareholders shall be 80% to 100% of the income attributable to shareholders net of remunerations to directors and supervisors and employee bonus (of which 50% to 100% shall be paid out in cash dividend). The remainder of the earnings shall be resolved by the shareholders general meeting for distribution. The shareholders general meeting of the Company resolved on June 14, 2006 for an amendment to the Articles of Incorporation of the Company whereby remunerations to directors and supervisors are reduced to 1% from the previous level of 2%.
2. Statutory reserve may be used only for offsetting losses carried forward and increased capitalization. If the balance of statutory reserve reaches 50% of the paid-in capital, half of the 50% shall be retained and the remainder may be capitalized as capital stock.
3. Under the resolutions of the shareholder general meeting, cash dividend paid out for the periods of January 1 to June 30, 2006 and 2005, amounted to NT\$3.4/share and NT\$3/share, respectively.

(XVII) Earnings per share of common stock

	January 1 to June 30 2006				
	Amount		Weighted average quantity of outstanding shares	EPS (currency: NTD)	
	Before taxation	After taxation		Before taxation	After taxation
Basic EPS					
Consolidated net income (loss)	<u>\$2,391,055</u>	<u>\$1,621,676</u>	<u>915,160,436</u>	<u>\$ 2.61</u>	<u>\$ 1.77</u>

	January 1 to June 30 2005				
	Amount		Weighted average quantity of outstanding shares	EPS (currency: NTD)	
	Before taxation	After taxation		Before taxation	After taxation
Basic EPS					
Consolidated net income (loss)	<u>\$2,570,742</u>	<u>\$1,856,253</u>	<u>915,160,436</u>	<u>\$ 2.81</u>	<u>\$ 2.03</u>

(XVIII) Human resources spending, depreciation, depletion and amortization

Human resources spending, depreciations, depletion and amortization are recognized as operating expenses specified as follows:

	January 1 to June 30 2006		
	Classified as operating cost	Classification of operating expense	Total
Human resources expenses			
Salaries	\$ 720,708	\$ 3,499,917	\$ 4,220,625
Labor and health insurance	59,762	261,115	320,877
Pension fund	47,777	184,252	232,029
Other human resources expenses	25,412	187,670	213,082
	<u>\$ 853,659</u>	<u>\$ 4,132,954</u>	<u>\$ 4,986,613</u>
Depreciations	<u>\$ 245,166</u>	<u>\$ 1,146,340</u>	<u>\$ 1,391,506</u>
Depletions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Amortizations	<u>\$ 7,206</u>	<u>\$ 311,766</u>	<u>\$ 318,972</u>

Human resources spending, depreciations, depletion and amortization are recognized as operating expenses specified as follows:

	January 1 to June 30 2005		
	Classified as operating cost	Classification of operating expense	Total
Human resources expenses			
Salaries	\$ 554,469	\$ 2,696,843	\$ 3,251,312
Labor and health insurance	50,161	189,466	239,627
Pension fund	11,922	81,606	93,528
Other human resources expenses	73,275	170,206	243,481
	<u>\$ 689,827</u>	<u>\$ 3,138,121</u>	<u>\$ 3,827,948</u>
Depreciations	<u>\$ 223,359</u>	<u>\$ 1,117,831</u>	<u>\$ 1,341,190</u>
Depletions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Amortizations	<u>\$ 3,548</u>	<u>\$ 260,763</u>	<u>\$ 264,311</u>

(Blank hereunder)

V. Related Party Transactions

(I) Names of related parties and their relationship with the company

<u>Name of related parties</u>	<u>Relationship with the company</u>
Uni-President Enterprises Corp.	Investing company that has President Chain Store Corp. valued with Equity Method
President Musashino Corp.	Subsidiary of Uni-President Enterprises Corp.
Presco Netmarketing Inc.	"
Tung Ang Enterprise Corp.	Secondary subsidiary of President Chain Store Corp.
President Packing Inc. Corp. (PPI).	Invested company valued with Equity Method by. Uni-President Enterprises Corp.
President Securities Corp.	"
Nanlien International Corp.	"
Uni-President Dream Parks Corp.	"
President Natural Industrial Corp.	"
President Coffee (Cayman) Holdings Ltd.	Invested company valued with Equity Method by President Chain Store (BVI) Holdings Ltd.
President Starbucks Coffee Shanghai Corp.	A subsidiary of President Coffee (Cayman) Holdings Ltd.
Tong-Ho Development Corp.	The Company is a director
President Technology Corp.	"
Allianz President Life Insurance Co., Ltd.	"
President Tokyo Corp.	The Director of the company is also a Director of President Chain Store Corp.
Lien Bo Enterprises	Invested company valued with Equity Method by Nanlien International Corp.
Ryohin Keikaku Co.,Ltd.	The investing company that has MUJI Co., Ltd. valued with Equity Method.
Duskin Co Ltd.	The investing company that has Mister Donut valued with Equity Method.
Formosan Magazine Press, INC.	The investing company that has Vision Distribution Service Corp. valued with Equity Method.
Beingspa	A substantial related party
President Organics, Co.	Investees of the Company under equity method
President Coffee Corp.	"
Mister Donut Taiwan Corp.	"
Uni-President Yellow Hat Corp.	"
Q-ware Systems & services Corp.	
President Pharmaceutical Corp.	
21 Century Enterprise Co., Ltd.	"
Uni-President Development Corp.	"
Store Sites Holdings Inc.	Invested company valued with Equity Method by Philippine Seven Corp.

(II) Major transactions with related parties

1. Other operating incomes – marketing bonuses

	<u>January 1 to June 30, 2006</u>		<u>January 1 to June 30, 2005</u>	
	<u>Amount</u>	<u>Percentage of the amount under the same account title</u>	<u>Amount</u>	<u>Percentage of the amount under the same account title</u>
Uni-President Dream Parks Corp.	\$ -	-	\$ 25,449	4
Others	955	-	7,269	1
	<u>\$ 955</u>	<u>-</u>	<u>\$ 32,718</u>	<u>5</u>

2. Purchase (net of purchase incentive bonuses)

	<u>January 1 to June 30, 2006</u>		<u>January 1 to June 30, 2005</u>	
	<u>Amount</u>	<u>Ratio to the total purchase amount (net) of President Chain Store Corp.</u>	<u>Amount</u>	<u>Ratio to the total purchase amount (net) of President Chain Store Corp.</u>
Uni-President Enterprises Corp.	\$ 4,578,127	12	\$ 4,058,769	6
Tung Ang Enterprise Corp.	993,404	3	962,633	2
President Musashino Corp.	552,744	1	499,070	1
Lien Bo Enterprises	458,297	1	320,537	-
others	488,765	1	120,449	-
	<u>\$ 7,071,337</u>	<u>18</u>	<u>\$ 5,961,458</u>	<u>9</u>

The terms and conditions for the purchase from the related party of President Chain Store Corp. and subsidiaries are identical to the terms and conditions for general suppliers.

3. Compensation on defective merchandise (debited to cost of goods sold)

	<u>January 1 to March 31, 2006</u>		<u>January 1 to March 31, 2005</u>	
	<u>Amount</u>	<u>Percentage of the amount under the same account title</u>	<u>Amount</u>	<u>Percentage of the amount under the same account title</u>
Uni-President Enterprises Corp.	\$ 22,155	12	\$ 17,110	11

4. Receivables (payables to) from related parties

	<u>June 30, 2006</u>		<u>June 30, 2005</u>	
	<u>Amount</u>	<u>Percentage of the amount under the same account title</u>	<u>Amount</u>	<u>Percentage of the amount under the same account title</u>
<u>Accounts receivable</u>				
Uni-President Dream Parks Corp.	\$ -	-	\$ 16,956	2
Others	30,533	2	12,595	1
	<u>\$ 30,533</u>	<u>2</u>	<u>\$ 29,551</u>	<u>3</u>

	June 30, 2006		June 30, 2005	
	Amount	Percentage of the amount under the same account title	Amount	Percentage of the amount under the same account title
<u>Other receivables</u>				
Uni-President Enterprises Corp.	\$ 141,924	12	\$ 157,876	14
Others	15,040	2	3,073	-
	<u>\$ 156,964</u>	<u>14</u>	<u>\$ 160,949</u>	<u>14</u>
<u>Note and account payables</u>				
Uni-President Enterprises Corp.	\$ 1,124,933	10	\$ 1,256,764	11
Tung Ang Enterprise Corp.	192,447	2	223,880	2
Others	419,658	3	336,985	3
	<u>\$ 1,737,038</u>	<u>15</u>	<u>\$ 1,817,629</u>	<u>16</u>
<u>Payables</u>				
Uni-President Enterprises Corp.	\$ 2,471	-	\$ 15,216	1
Others	38,556	1	6,176	-
	<u>\$ 41,027</u>	<u>1</u>	<u>\$ 21,392</u>	<u>1</u>

5. Property trade

- (1) The subsidiaries –President Transnet, Uni-President, and Chieh–Shuen Logistics International purchased transportation equipment from the related party in the first half of 2006 and 2005 as follows:

	January 1 to June 30 2006	January 1 to June 30 2005
President Tokyo Corp.	<u>\$ 66,493</u>	<u>\$ 117,063</u>

- (2) Up to June 30, 2006 and 2005, the installment payable to President Tokyo for the fixed assets acquired by the subsidiaries with installment payment is as follows:

	June 30 2006	June 30 2005
Installment payable	\$ 292,202	\$ 384,542
Discount of installment payable	(17,360)	(37,441)
Net amount	274,842	347,101
Less: Amount due in one year	(117,775)	(165,574)
	<u>\$ 157,067</u>	<u>\$ 181,527</u>

Long-term installment payable will be repaid before June 2011 accordingly.

6. Financing – to related party

President Chain Store Corp.

		First half of 2006			
		Maximum balance amount			
	Date	Amount	Ending balance	Annual Interest rate	Total interest income
21 Century Enterprise Co., Ltd.	Jan. 2006~ Feb. 2006	\$ 5,000	\$ -	2.51%~2.52%	\$ 19

Subsidiary – Ren-Hui Investment Corp.

	First half of 2005				
	Maximum balance amount		Ending balance	Annual Interest rate	Total interest income
Date	Amount				
Beingspa	Jan. 2005~ Jun. 2005	\$ 40,000	\$ 40,000	2.57%~2.9%	\$ 401

7. Financing – from related party (booked in the “Other accounts payable” account)

Convenience distribution Inc.

	First half of 2006				
	Maximum balance amount		Ending balance	Annual Interest rate	Total interest income
Date	Amount				
Store Sites Holding Inc.	Jan. 2006~ Jun. 2006	PHP9,000,000	PHP9,000,000	10%	\$ 307

8. Commitment

- (1) Subsidiaries - MUJI Taiwan Co., Ltd. has an Authorization Agreement signed with MUJI Co., Ltd to authorize MUJI Taiwan Co., Ltd. to manage “MUJI Licensed Store” in Taiwan, R.O.C. and to use the related information and sales technology. According to the Authorization Agreement signed, MUJI Taiwan Co., Ltd. is to have royalty paid throughout the contract period for an amount equivalent to certain percentage of net sales amount.
- (2) Mister Donut Taiwan Corp. has an agreement signed with Duskin for trademark and technology collaboration in 2004 to operate and manage “DUSKIN Mister Donut Franchise.” According to the agreement signed, Mister Donut Taiwan Corp. is to have royalty paid throughout the contract period for an amount equivalent to certain percentage of total sales amount.
- (3) President Coffee Corp. has an agreement signed with Starbucks Inc. for business operation to operate and manage “Starbucks.” According to the agreement signed, President Coffee Corp. is to have royalty paid throughout the contract period for an amount equivalent to certain percentage of total monthly sales amount per store.

VI. Assets pledged under lien

The book value of the assets used as collateral for the long-term and short-tem loan and credit guarantee by President Chain Store Corp. and the subsidiaries on June 30, 2006 and 2005:

Assets	June 30 2006	June 30 2005	Collateral
Land	\$ 314,492	\$ 404,524	Long-term and short-tem loan and endorsement
Building and construction	191,433	317,577	Long-term and short-tem loan and endorsement
Transportation equipment	617,435	304,210	Long-term and short-tem loan and endorsement
Operating instrument and other equipment	86,794	272,433	Long-tem loan
Mortgaged time deposit	16,893	11,422	Contract security deposit
	<u>\$ 1,227,047</u>	<u>\$ 1,310,166</u>	

VII. Materiality and Contingencies

1. The Company and Philippine Seven Corporation have entered into an agreement with 7-ELEVEn Inc. of the USA on long-term technology joint venture. Under this agreement, the Company shall pay the latter royalties at an agreed percentage of the monthly sales of each retail location within the term of contract.
2. Subsidiary – President Transnet has an agreement signed with YAMATO TRANSPORT CORPORATION on January 24, 2000 for trademark and technology collaboration to operate and manage “Home delivery business.” According to the agreement signed, President Transnet is to have royalty paid throughout the contract period for an amount equivalent to certain percentage of total monthly logistics sales amount.
3. Up to June 30, 2006, the subsidiary - MECH-President Corp. has a note payable owed to customer for an amount of NT\$18,751 as engineering guarantee.
4. The Company and Uni-President Enterprises Corp. have entered into a construction engineering agreement with Ta Chen Construction & Engineering Corp. for appointing the latter to build a research center building for donation to National Cheng Kung University. The contract sum amounted to \$230,000 (tax included), and shall be paid for by the Company and Uni-President Enterprises Corp in equal halves. The Company estimated an amount of \$45,285 payable for construction in the period of January 1 to June 30, 2006 under the account title of “spending on donations”. As of June 30, 2006, the Company has recognized accumulated donations amounting to \$83,905.
5. President Chain Store Corp. has the arcade of President International Building (booked in the “Leased asset” account) leased to a non-related party for a period of 18 years and 6.5 months from June 15, 2005 on. The rent is charged for an amount equivalent to certain percentage of sales amount.
6. The Company and Subsidiaries have leased spaces from unrelated parties for business under relevant lease agreements with terms ranging from 3 years to 12 years. As of June 30, 2006, the Company has prepaid rents and refundable deposits amounting to \$706,978 and \$1,473,328 respectively. These two items are listed under the title of “other current assets” and “refundable deposits”. The Company has the following projections in rent payables and related spending:

Lease term	Total rents
June 1 to December 31, 2006	\$ 3,577,909
2007	5,834,838
2008	5,457,427
2009	4,808,579
2010 and beyond	11,755,344
	<u>\$ 31,434,097</u>

VIII. Losses from major accidents

None.

IX. Subsequent events

None.

X. Miscellaneous

(I) Consolidated financial statements

Some subtitles of major account titles used in the consolidated financial statements for the period of January 1 to June 30, 2005 have been reclassified. They are compared with the consolidated financial statements for the period of January 1 to June 30, 2006.

(II) Information on fair value

	June 30, 2006		
	Book value	Fair value	
		Amount determined by open quotations	Amount estimated by appraisal method
Non-Derivatives			
Assets			
Financial instruments whose book values are equal to fair value	\$ 6,533,678	Note	Note
Financial instruments held for trading	1,715,947	\$ 1,715,947	\$ -
Financial instruments carried at cost	13,012,395	-	-
Financial instruments available for disposals	435,064	435,064	-
Refundable deposits	1,675,610	-	1,537,452
Liabilities			
Financial liabilities whose book values are equal to fair values	\$23,878,712	Note	Note
Corporate Bond Payable	2,000,000	\$ -	\$ 2,000,000
Long-term loan	1,049,729	-	1,049,729
Long-term notes and accounts payable	274,842	-	274,842
Guarantee deposit received	1,679,119	-	1,516,565
Derivatives			
Interest rate SWAP	(\$ 19,975)	\$ -	(\$ 19,975)

	June 30, 2005		
	Book value	Fair value	
		Amount determined by open quotations	Amount estimated by appraisal method
Non-Derivatives			
Assets			
Financial instruments whose book values are equal to fair value	\$ 6,261,919	Note	Note
Financial instruments held for trading	1,479,246	\$ 1,485,701	\$ -
Financial instruments carried at cost	12,607,231	-	-
Financial instruments available for disposals	140,534	458,994	-
Refundable deposits	1,443,227	-	1,325,253
Liabilities			
Financial liabilities whose book values are equal to fair values	\$22,428,455	Note	Note
Corporate Bond Payable	2,000,000	\$ -	\$ 2,200,000
Long-term loan	1,502,466	-	1,502,466
Long-term notes and accounts payable	565,280	-	565,280
Guarantee deposit received	1,421,189	-	1,256,851
Derivatives			
Interest rate SWAP	\$ -	\$ -	(\$ 22,272)

Note: The carrying values of short-term financial instruments as stated in the balance sheet have been adopted as their fair value, as the discounted values of such instruments are insignificant. These are the amounts determined not by open quotations or estimation. This method is applicable to cash and cash equivalent, notes and account receivables, other receivables, note and account payables, income tax payables, payables and other payables.

The Company and Subsidiaries adopted the following methods and assumptions on the valuation of the fair value of financial instruments:

1. The fair value of financial assets for sale, such as, in the listing market, is the market price.
2. Fair value of refundable deposits and receipts in advance are estimated on the basis of anticipated discount rate with reference to the interest rate offered by Postal Savings and Remittances Bureau for 1 year time deposit.
3. The fair value of corporate bond payable, long-term loan, and long-term notes and accounts payable is based on the discounted value of the expected cash flow. Discount rate is based on the similar long-term loan rate (identical due date) provided to President Chain Store Corp. and the subsidiaries. If the discount rate is similar to the long-term loan rate of President Chain Store Corp. and the subsidiaries, fair value is estimated according to the book value.
4. The other trade party provides the fair value of derivatives.

(III) Management of Financial Risks and Hedge policy

1. The risk management policy adopted by the company and subsidiaries aim at hedging off operational risks. To this end, the company and subsidiaries deals with derivatives for covering financial exposure. The selection of specific instruments shall be able to hedge off the risks in interest expenses, assets and liabilities deriving from operations.
2. The Finance Department of the company is responsible for the supervision and control of derivatives. In practice, this department shall monitor the exposure resulting from derivative trades and assess the market price regularly. If the department discovers unusual situations on transaction and exposure it should, take necessary and immediate action and report to the board. The department also evaluates the performance of the derivatives regularly to ensure their conformity to company policy in operations and the risks so assumed are within the toleration threshold of the company.

(IX) Information on primary financial risks

1. Equity investment

(1)Market Risk

Financial instruments for which changes in fair value are recognized as gains and losses and financial instruments available for disposal invested by the company and subsidiaries are stocks issued by listed companies and they are under the influence of market price fluctuation. Financial instruments invested by the Company and carried at cost have no open quotation in the centralized market. Therefore, there is no anticipated major market risk.

(2)Credit Risk

The orders for financial instruments for which changes in fair value are recognized as gains and losses and financial instruments available for disposal invested by the company and subsidiaries are placed via the centralized market and the counterparties are of good credit standing. As such, there is no anticipated breach of contract by counterparties. Further, counterparties of investments in financial instruments carried at cost have been subject to evaluation on their credit standing. Therefore, there is also no anticipated major credit risk.

(3)Liquidity Risk

Financial instruments which change in fair value are recognized as gains and losses and financial instruments available for disposal invested by the company and subsidiaries have public quotations in open market. As such, they are expected to be disposed of quickly at prices approximating to fair value in the market without difficulty.

Financial instruments invested by the company and carried at cost have no open quotation in the centralized market. Therefore, there is anticipated liquidity risk.

(4)Cash Flow Risks deriving from interest rate fluctuation

Equity class financial instruments invested by the company are not interest bearing instruments and there will be no cash flow risk deriving from interest rate fluctuation.

2. Accounts receivable

(1)Market risk

The accounts receivable of President Chain Store Corp. and the subsidiaries will due in 45 days; therefore, it is concluded to be without significant market risk.

(2)Credit risk

The debtors of President Chain Store Corp. for accounts receivable are with good credit and it is processed through the credit approval procedure; therefore, it is concluded to be without significant credit risk.

(3)Liquidity risk

Accounts receivable will due in 45 days; therefore, it is concluded to be without significant liquidity risk.

(4)Cash Flow Risks deriving from interest rate fluctuation

Accounts receivable will due in 45 days; therefore, it is concluded to be without significant cash flow risk from interest rate fluctuation.

3. Bond class financial instrument liabilities

(1)Market risk

The secured bonds issued by the Company are bearing fixed rate and floating rate. For bonds bearing floating interest rate, the Company has undertaken IRS contracts for hedging off interest risk deriving from interest rate fluctuation in the market. Therefore, there is no anticipated major market risk.

(2)Credit risk

There is no credit risk.

(3)Liquidity risk

The Company has sufficient working capital to cover capital needs. As such, there is no anticipated major liquidity risk.

(4)Cash Flow Risks deriving from interest rate fluctuation

For bonds bearing fixed rate, there is no cash flow risk deriving from interest rate fluctuation. For bonds bearing floating rate, any fluctuation of interest rate in the market affects corresponding fluctuation of the effective rate applicable to the bonds issued by the Company. As such, cash flow fluctuation is anticipated. However, the Company has undertaken IRS contract for hedging off such risk deriving from interest rate fluctuation.

4. Payables

(1)Market risk

All payables of the company and subsidiaries are current, and therefore there is no anticipated market risk.

(2)Credit risk

There is no credit risk.

(3)Liquidity risk

All payables of the company and subsidiaries are current, the company and subsidiaries have sufficient working capital to cover all capital needs. Therefore, there is no anticipated major liquidity risk.

(4)Cash Flow Risks deriving from interest rate fluctuation

There is no cash flow risk deriving from interest rate fluctuation.

5. Loans

(1)Market risk

Loan interest is charged according to fixed rate and floating rate. Loan interest charged at a fixed rate contains market risk.

(2)Credit risk

Free of credit risk

(3)Liquidity risk

President Chain Store Corp. and the subsidiaries are with sufficient working capital to support fund demand; therefore, it is concluded to be without significant liquidity risk.

(4)Cash Flow Risks deriving from interest rate fluctuation

A. The long-term loan of President Chain Store Corp. and the subsidiaries is a debt with floating rate; therefore, debt effective rate will change along with market rate and that causes future cash flow to fluctuate. Under the circumstance, when market rate goes up by 1%, cash outflow within one year will go up by NT\$10,497.

B. The short-term loan of President Chain Store Corp. and the subsidiaries will due in one year and are expected without any significant risk to occur.

6. Derivatives

The Company has entered into IRS contracts with ABN-AMRO for hedging off risks to its corporate bonds deriving from interest rate fluctuation. Within the term of the contract, the bank charges interest from the Company at 4% less LIBOR rate for 6 months or 4% less the interest for promissory note of 180 days on the basis of every six months. Fixed interest rate at 1.46% will be paid out. The nominal principals and fair value are shown as follows:

	June 30,2006		June 30,2005	
	<u>Nominal principal</u>	<u>Fair Value</u>	<u>Nominal principal</u>	<u>Fair Value</u>
Interest rate swap (IRS)	\$ 700,000	(\$ 19,975)	\$ 700,000	(\$ 22,272)

(1)Market risk

The IRS contracts secured by the Company are for hedges only. Therefore, gains or losses resulting from interest rate fluctuation in the market will by and large be offset by the hedges of the contract and therefore no significant market risk in terms of price is anticipated.

(2)Credit risk

The Company deals with international financial institutions in good standing. Therefore, breach of contract by counterparties is unlikely and the possibility of credit risk is low.

(3)Liquidity risk

Interest rate applicable to the IRS contracts secured by the Company is determined and the Company has sufficient working capital to meet related capital needs. Therefore, there is no anticipated major liquidity risk.

(4)Cash Flow Risks deriving from interest rate fluctuation

The kind of IRS contracts the Company deals with is instruments bearing floating rate and fixed interest payment. Therefore, there is no anticipated cash flow risk deriving from interest rate fluctuation.

7. Credit Risk of off balance sheet financial instruments

The company and subsidiaries act as guarantor for a third party for loans in accordance with the “Procedure for Guarantee and Endorsement”, and only acts in favor of subsidiaries and stakeholders with business transactions. Since the Company can have proper information on their credit standing, no collateral is demanded. If respective stakeholder is liable for breach of contract, the amount of possible losses may be approximately offset by the receipts in advance.

XI. Disclosures

(I) Information on major transactions

(For the supplemental disclosure of the invested company, CPAs certify only the financial statement of Retail Support International Corp., Ltd. and MECH-President Corp. while others are not. The transactions conducted between subsidiaries are written off before the consolidated financial statements are composed. The following disclosures are for reference only.)

Disclosure on major transactions of the Company in the period of January 1 to June 30, 2006 is specified as follows:

1. Loans to third parties

<u>Lenders</u>	<u>Borrowers</u>	<u>Account titles</u>	<u>Maximum balance in current period</u>	<u>Balance at ending</u>	<u>Interest range</u>	<u>Nature of loans</u>	<u>Amount of business transactions</u>	<u>Reasons necessary for offering short-term loans</u>	<u>Allowance for doubtful accounts</u>	<u>Collaterals</u>		<u>Limit of loans to particular borrower (Note 2)</u>	<u>Limit of total loans (Note 2)</u>
										<u>Name</u>	<u>Value</u>		
President Chain Store Corp.	21 Century Enterprise Co., Ltd.	Other receivables	\$ 5,000	\$ -	2.51% ~ 2.52%	Note 1	\$ -	working capital	\$ -	-	\$ -	\$ 50,000	\$ 5,466,687
	Uni-President Yellow Hat Corp.	Other receivables	\$ 20,000	-	2.82%	Note 1	-	working capital	-	-	-	\$ 50,000	\$ 5,466,687

Note 1: Necessary for granting short-term loans.

Note 2: The Company limits its loans to external parties at 40% of its net worth. For particular enterprise which is a business partner to the Company, maximum loans may be up to NT\$100,000 or the total amount of business

2. Act as guarantor in favor of a third party

<u>Name of Guarantor</u>	<u>Name of Guarantee</u>			<u>Limit of guarantee with Collateral to particular enterprise (Note)</u>	<u>Maximum Balance loan in current period</u>		<u>Guarantee with collateral</u>	<u>Accumulated amount of guarantee in proportion to the net worth stated in the financial statements of the most recent period</u>	<u>Upper limit for guarantee (note)</u>
	<u>Company Name</u>	<u>Affiliation</u>			<u>Balance at ending</u>				
President Chain Store (BVI) Holdings Ltd.	President Transnet Corp.	subsidiary	\$ 2,733,343	\$ 200,000	\$ -	None	-	\$ 6,833,359	
	President Drugstore Business Corp.	subsidiary	2,733,343	235,000	235,000	None	1.72%	6,833,359	
	Retail Support International Corp.	business relation	2,733,343	450,000	450,000	None	3.29%	6,833,359	
	President Information Corp.	subsidiary	2,733,343	8,000	8,000	None	0.06%	6,833,359	
	President Yilan Art and Culture Corp.	subsidiary	2,733,343	65,000	65,000	None	0.48%	6,833,359	
	Mech-President Corp.	subsidiary	2,733,343	USD 1 million	USD 1 million	None	0.24%	6,833,359	
	Philippine Seven Corp.	subsidiary of a subsidiary	2,733,343	USD 4 million	USD 4 million	None	1.59%	6,833,359	
				PHP 260 million	PHP 180 million			6,833,359	
							<u>7.38%</u>		

Note: The upper limit of total guarantee undertaken by the Company is 50% of the net worth, and to particular enterprise is 20% of the net worth.

3. Holding of marketable securities at ending

Holder of securities	Types and names of securities	Affiliation with security issuers	Account titles	Quantity of shares /units at ending	Book value	Proportion of shareholding	Market price	Remarks
President Chain Store corp.	Ton Yi Industrial Corp.	None	Financial instruments which changes in fair values are recognized as gains or losses -current	(skipped)	\$ 403,301	-	\$ 340,877	
	UPAMC JAMES BOND Fund	"	"	"	545,000	-	545,269	
					948,301		<u>886,146</u>	
			Less: Allowance for valuation adjustments		(62,155)			
					<u>\$ 886,146</u>			
	President Chain Store (BVI) Holdings Ltd	Investees of the Company under equity method.	Long-term investments under equity method	46,405,458	\$ 1,179,412	100%	\$ 1,179,062	
	Ren-Hui Investment Corp.	"	"	85,303,933	858,914	100.00%	858,705	
	Mech-President Corp.	"	"	37,331,360	420,270	62.95%	420,549	
	Uni-President Cold-Chain Corp.	"	"	19,563,272	361,625	60.00%	351,898	
	President Drugstore Business Corp.	"	"	28,800,000	374,280	100.00%	375,741	
	President Yilan Art and Culture Corp.	"	"	18,000,000	88,220	90.00%	87,459	
	President Information Corp.	"	"	12,853,212	192,905	56.00%	187,337	
	President Transnet Corp.	"	"	70,000,000	219,287	70.00%	207,694	
	Wisdom Distribution Service Corp.	"	"	9,432,540	187,165	100.00%	188,299	
	PCSC (China) Limited	"	"	14,322,000	330,470	100.00%	330,533	
	Uni-President Development Corp.	"	"	20,000,000	180,285	20.00%	180,285	
	Mister Donut Taiwan Corp.	"	"	10,000,000	135,288	50.00%	134,209	
	Uni-President Oven Bakery Corp.	"	"	17,400,000	110,441	60.00%	105,931	
	President Coffee Corp.	"	"	9,313,920	154,038	30.00%	154,039	
	Retail Support International Corp.	"	"	5,000,000	97,956	25.00%	91,332	
	Q-ware Systems & services Corp.	"	"	19,157,920	178,335	22.68%	163,414	
	Muji Taiwan Co. Ltd. etc.	"	"	(skipped)	551,198	20.00%	521,392	
					<u>\$ 5,620,092</u>	~100.00%		
	President Securities Corp.	-	Financial instruments available for disposal – noncurrent	29,328,669	\$ 434,064	2.57%	434,064	
	Presicarre Corp.	-	Financial instruments carried at cost –noncurrent	70,605,016	\$ 6,818,529	19.50%	-	
	Toppoly Optoelectronics Corp.	-	"	146,448,927	\$ 1,609,160	4.19%	-	
	President International Development Corp.	-	"	142,500,000	1,656,500	19.00%	-	
	New Century Info Comm Co. Ltd. etc.	The Company is a director	"	50,000,000	500,000	3.33%	-	
		Skipped	"	(skipped)	1,598,098	0.02%	-	
			"		<u>\$ 12,182,287</u>	~19.93%	-	
	Corporate Bond of Retail Support International Corp.	Investees of the Company under equity method.	Investments in bonds with no open quotations	-	\$ 40,000	-	40,000	

4. The amount of the same securities cumulatively bought or sold that exceeds NT\$100 million or 20% of the paid-in capital.

Name of <u>buyer_seller</u>	Types and names <u>of securities</u>	Account <u>titles</u>	Counter <u>parties</u>	<u>Affiliation</u>	<u>At beginning</u>		<u>Bought</u>		<u>Sold</u>			<u>At ending</u>		
					<u>Quantity of shares</u>	<u>Amount</u>	<u>Quantity of shares</u>	<u>Amount</u>	<u>Quantity of shares</u>	<u>Amount</u>	<u>Carrying cost</u>	<u>Capital gain</u>	<u>Quantity of shares</u>	<u>Amount</u>
President Chain Store Corp.	Upamc James Bond Fund	Note 1	Not applicable	Not applicable	-	\$ -	451,355,187	\$6,894,000	415,775,045	\$6,350,721	\$6,349,000	\$1,721	35,580,142	\$545,000
	Jf (Taiwan) First Bond Fund	"	"	"	-	-	13,261,105	200,000	13,261,105	200,042	200,000	42	-	-
	Taiwan	"	"	"	-	-	52,826,243	750,000	52,826,243	750,278	750,000	278	-	-
	Shinkong Chi-Shin Fund	"	"	"	-	-	48,595,808	545,000	48,595,808	545,182	545,000	182	-	-
	ABN AMRO SELECT BOND FUND	"	"	"	-	-	78,140,452	890,000	78,140,452	890,368	890,000	368	-	-
	Mega Diamond Bond Fund	"	"	"	-	-	168,157,867	2,435,000	168,157,867	2,435,765	2,435,765	765	-	-
	Prudential Financial Bond Fund	"	"	"	-	-	109,206,244	1,443,000	109,206,244	1,443,506	1,443,000	506	-	-
	Fuh-Hwa Global Bond Fund	"	"	"	-	-	11,432,950	145,000	11,432,950	145,065	145,000	65	-	-
	FUHWA BOND FUND	"	"	"	-	-	22,578,988	290,000	22,578,988	290,160	290,000	160	-	-
	GRAND CATHAY BOND FUND	"	"	"	-	-	8,600,893	100,000	8,600,893	100,176	100,000	176	-	-
	CITC CASH RESERVES	"	"	"	-	-	28,500,000	285,000	-	-	-	-	-	-
	Tong-jeng Development Corp.	Note 2	Raise capital by issuing new shares	"	114,000,000	1,371,500	28,500,000	285,000	-	-	-	-	142,500,000	1,656,500

Note 1: Recognized under the account title of "Financial instruments in which changes in fair value are recognized as gains or losses – current".

Note 2: Recognized under the account title of "Financial instruments carried at cost – noncurrent".

5. The acquisition of real estate exceeding NT\$100 million or 20% of the paid-in capital: None.
 6. The disposition of real estate exceeding NT\$100 million or 20% of the paid-in capital: None.
 7. Purchase and sales with related parties exceeding NT\$100 million or 20% of the paid-in capital:

<u>Buyer/seller</u>	<u>Counterparties</u>	<u>Affiliations</u>	<u>Status of trade</u>			<u>Special terms and conditions of trade and reasons</u>		<u>Account, note receivables (payables)</u>		<u>Remark</u>
			<u>Purchase (sales)</u>	<u>Amount</u>	<u>Percentage to total purchase (sales)</u>	<u>Credit term</u>	<u>Unit price</u>	<u>Credit term</u>	<u>Balance</u>	
President Chain Store Corp.	Retail Support International Corp.	Investees of the Company under equity method	Purchase	\$20,672,974	61	O/A settlement from 10~80 days	Note	No significant difference	\$ 3,444,066	48
	Uni-President Cold-Chain Corp.	Subsidiary	"	7,464,270	22	O/A settlement from 15~30 days	"	"	1,935,113	19
	Wisdom Distribution Service Corp.	"	"	2,685,736	8	O/A settlement from 20~35 days	"	"	874,851	12
	Uni-President Enterprises Corp.	Parent	"	767,225	2	O/A settlement from 30~45 days	No significant difference	"	151,730	2
	Q-ware Systems & services Corp.	Investees of the Company under equity method	"	117,989		O/A settlement from 30~40 days	"	"	66,952	1
	President Transnet Corp.	Subsidiary	Cost of operation	342,636	1	O/A settlement 15 days	The cost of home delivery, not applicable here	"	55,453	1

Note: cost of purchase with Retail Support International Corp., Uni-President Cold-Chain Corp. and Wisdom Distribution Service Corp. is based on the agreed rates on merchandises and utensils plus commissions.
 8. Receivables from related parties exceeding NT\$100 million or 20% of the paid-in capital.
 9. Derivative trade: Note X (3)

(Blank hereunder)

(II) Information on Investees

1. Information on investees:

<u>Investor name</u>	<u>Name</u>	<u>Location</u>	<u>Investees</u> <u>Major investments</u>	<u>Initial amount of investments</u>		<u>Holding at ending</u>			<u>Income status of investees</u>	<u>Recognized return on (loss from) investment by company</u>		<u>Remark</u>
				<u>End of current period</u>	<u>End of previous period</u>	<u>Quantity of shares</u>	<u>Proportion</u>	<u>Book value</u>				
President Chain Store Corp.	President Chain Store (BVI) Holdings Ltd.	BVI	Professional investments	\$ 1,520,766	\$ 1,520,766	46,405,458	100.00%	\$ 1,179,412	\$ 15,891	\$ 15,969	Subsidiary	
	Ren-hui Investment Corp.	Taipei City	Professional investments	853,037	853,037	85,303,733	100.00%	858,914	7,299	7,299	"	
	Mech-president corp.	Tainan County	Gasoline stations, cables	364,683	364,683	37,311,360	62.95%	420,270	22,310	13,767	"	
	Uni-president Cold-chain Corp.	Tainan County	Frozen foods, low-temperature logistics	237,437	237,437	19,563,272	60.00%	361,625	65,122	39,408	"	
	President Drugstore Business Corp.	Taipei City	Retailing of medicines and daily items	396,000	396,000	28,800,000	100.00%	374,280	26,836	25,374	"	
	President Yilan Art and Culture Corp.	Yilan County	Art and cultural exhibition	180,000	180,000	18,000,000	90.00%	88,220	(13,354)	(12,063)	"	
	President Information Corp.	Taipei City	Business management consulting services	93,348	135,956	12,853,212	56.00%	192,905	37,894	25,012	"	
	President Transnet Corp.	Taipei county	Foods and utensils retailing and shipping	711,576	711,576	70,000,000	70.00%	219,287	50,058	31,290	"	
	Wisdom Distribution Service Corp.	Taipei City	Magazine delivery	50,000	50,000	9,432,540	100.00%	187,165	29,261	29,823	"	
	PCSC (China) Limited	BVI	Professional investments	468,060	159,096	14,322,000	100.00%	330,470	(46,517)	(46,580)	"	
	Uni-president Development Corp.	Taipei City	Construction of transportation depots	200,000	200,000	20,000,000	20.00%	180,285	(24,405)	(4,881)	Note 1	
	Mister Donut Taiwan Corp.	Taipei City	Bakery	100,000	100,000	10,000,000	50.00%	135,288	34,517	18,307	"	
	Uni-president Oven Bakery corp.	Taipei City	Bread and pastry retailer	221,700	221,700	17,400,000	60.00%	110,441	(16,192)	(8,348)	"	
	President Coffee Corp.	Taipei City	Coffee and accessories trade	59,400	59,400	9,313,920	30.00%	154,038	41,855	12,555	Note 1	
	Retail Support International Corp.	Chungli City	Room-temperature food logistics	91,414	91,414	5,000,000	25.00%	97,956	71,347	17,763	"	
	Q-ware Systems & Services Corp.	Taipei City	Internet service provider	191,577	--	19,157,720	22.68%	178,338	(55,760)	(12,644)	"	
	Muji Taiwan co. Ltd.	-	-	808,790	756,291	Skipped	20.00% ~100%	551,198	Skipped	4,165	Note 2	
Retail Support International Corp. etc.	President Logistics International Corp. etc.	-	-	733,724	469,365	Skipped	6.00% ~100%	633,543	Skipped	Not applicable	-	

Note 1: Investee of the Company under the equity method.

Investees				Initial amount of investments				Holding at ending				Recognized return on (loss from) investment by company	Remark
<u>Investor name</u>	<u>Name</u>	<u>Location</u>	<u>Major business activities</u>	<u>End of current period</u>	<u>End of previous period</u>	<u>Quantity of shares</u>	<u>Proportion</u>	<u>Book value</u>	<u>Income status of investees</u>				
President Chain Store (BVI) Holdings Ltd.	President Coffee (Cayman) Holdings Ltd.	Cayman Islands	Professional investments	USD 1,800,000	USD 1,800,000	1,800,000	30.00%	USD 2,728,000	USD 963,000	Not applicable	Note		
	President Chain Store (Labuan) Holdings Ltd.	Labuan	Professional investments	USD 26,684,000	USD 20,684,000	20,684,321	100.00%	USD 13,189,000	(USD 6,000)	"	subsidiary of a subsidiary Note		
	Presiclerc Limited	BVI	Professional investments	USD 11,649,000	USD 9,476,000	10,594,600	48.33%	USD 1,064,000	(USD 1,805,000)	"	Note		
	T&T Supermarket Inc.	Canada	Food and household goods retailing	CAD 12,000,000	CAD 12,000,000	200	20.00%	CAD 5,414,000	CAD 4,992,000	"	"		
	PCSC (Vietnam) Supermarket Limited	Vietnam	Food and household goods retailing	USD 461,000	USD 461,000	674,200	51.00%	USD 505,000	VND 1,048,906,000	"	subsidiary of a subsidiary		
President Chain Store (Labuan) Holdings Ltd.	Philippine Seven Corp.	Philippines	Food and household goods retailing	USD 20,656,000	USD 20,656,000	134,257,625	56.59%	USD 13,179,000	(PHP 172,000)	"	"		
Philippine Seven Corp.	Convenience Disribution Inc.	Philippines	-	PHP 87,742,000	PHP 87,742,000	-	40.00% ~100.00%	PHP 80,661,000	Skipped	"	Skipped		
PCSC (China) Limited	PCSC (China) Drugstore Limited	BVI	Professional investments	USD 14,272,000	USD 4,982,000	-	100.00%	USD 10,165,000	Skipped	"	subsidiary of a subsidiary		
PCSC (China) Drugstore Limited	President Cosmed Chain Store (Shen Zhen) Co.,Ltd.	China	Household goods retailing	USD 3,932,000	USD 3,932,000	-	65.00%	USD 2,523,000	(RMB 5,622,000)	"	"		
President Cosmed Chain Store (Shen Zhen) Co.,Ltd.	Zhuhai Livzon Drugstore Chain Company Limited	China	Medicine retailing	RMB 4,200,000	-	-	100.00%	RMB 7,355,000	RMB 400,000	"	"		
PCSC (China) Supermarket Limited	Shan Dong President Yinzuo Commercial Limited	China	Wholesaling and retailing of goods	USD 10,278,000	-	-	55.00% ~100.00%	USD 7,586,000	Skipped	"	"		

Note: Investee of the subsidiary under the equity method.

2. Information of investees where the Company has direct or indirect control:

(1) Loans to third parties

<u>Lenders</u>	<u>Borrowers</u>	<u>Account titles</u>	<u>Maximum balance at the end of current period</u>	<u>Balance at ending</u>	<u>Interest range</u>	<u>Nature of loans</u>	<u>Amount of business transactions</u>	<u>Reasons necessary for offering short-term loans</u>	<u>Allowance for doubtful accounts</u>	<u>Collateral</u>		<u>Limit of loans to particular borrower (Note 2)</u>	<u>Limit of total loans (Note 2)</u>
										<u>Name</u>	<u>Value</u>		
Philippine Seven Corp.	Convenience Distribution Inc.	Other receivables	PHP 17,500,000	-	10%	Note 1	-	working capital	\$ -	-	\$ -	Note 2	Note 2
Store Sites Holdings Inc.	Convenience Distribution Inc.	Other receivables	PHP 9,000,000	PHP 9,000,000	10%	Note 1	-	working capital	-	-	-	Note 3	Note 3
Mech-President Corp.	Shanghai President Machine Corp.	Other receivables	USD 1,000,000	-	3.5%	Note 1	-	working capital	-	-	-	Note 4	Note 4

Note 1: Necessary for granting short-term loans.

Note 2: The Company limits its loans to external parties at 40% of its net worth. Short-term loan to particular enterprise for necessity is up to PHP\$50 million

Note 3: The Company limits its loans to external parties at 40% of its net worth. Short-term loan to particular enterprise for necessity is up to PHP\$10 million

Note 4: The Company limits its loans to external parties at 40% of its net worth. For particular enterprise which is a business partner of the Company, maximum loans may be up to NT\$100,000 or the total amount of business transaction, whichever is lower. Short-term loan to particular enterprise for necessity is up to \$50,000.

(2) Act as guarantor in favor of a third party

<u>Name of Guarantor</u>	<u>Name of Guarantee</u>			<u>Limit of guarantee to particular enterprise (Note)</u>			<u>Guarantee with collateral</u>	<u>Accumulated amount of guarantee in proportion to the net worth stated in the financial statements of the most recent period</u>	<u>Upper limit for guarantee (note)</u>
	<u>Company Name</u>	<u>Affiliation</u>	<u>Maximum balance</u>	<u>Balance at ending</u>	<u>Guarantee with collateral</u>				
President Information Corp.	President Drugstore Business Corp.	A subsidiary of President Chain Store Corp.	Note	\$ 2,000	\$ 2,000	\$ -	-	0.68%	Note
Mech-President Corp.	President Jing Corp.	A subsidiary of President Chain Store Corp.	Note	21,700	-	-	-	-	Note

Note: Upper limit of guarantee undertaken by the Company at 50% of its net work and to particular enterprise at 20% of its net worth.

(3) Holding of marketable securities at ending:

<u>Holder of securities</u>	<u>Types and names of securities</u>	<u>Affiliation with security issuers</u>	<u>Account titles</u>	<u>Quantity of shares at ending</u>	<u>Book value</u>	<u>Proportion of shareholding</u>	<u>Market price</u>	<u>Remark</u>
President Coffee Corp.	CAPITAL INCOME FUND etc.	None	Financial instruments which changes in fair values are recognized as gains or losses -current	-	\$ 210,000	-	\$ 210,294	
Wisdom Distribution Service Corp.	Fuh-Hwa Fund	-	"	-	139,000	-	139,363	
President Direct Marketing Corp. etc.	Cathay Bond Fund etc.	-	"	-	627,801	-	630,492	
President Jing Corp.	Ta Chong Bond Fund	-	Financial instruments available for disposal –current	-	1,000	-	1,000	
Ren-Hui Investment Corp.	Toppoly Optoelectronics Corp.	-		62,800,000	690,037	-	690,037	
Retail Support Taiwan Corp. etc.	President Logistics International Corp.	-	Financial instruments carried at cost –noncurrent	-	5,720	-	5,720	
President Chain Store (BVI) Holdings Ltd.	Global Strategic Investment Inc. etc.	-	"	-	USD 4,318,000	-	USD 4,318,000	
Retail Support International Corp.	Retail Support Taiwan Corp. etc.	-	"	-	123,323	-	124,673	
Wisdom Distribution Service Corp. etc.	President Logistics International Corp.	-	Long-term investments under equity method	-	474,857	-	475,468	
President Chain Store (BVI) Holdings Ltd.	President Chain Store (Labuan) Holdings Ltd. etc.	-	"	-	USD 22,900,000	-	USD 32,497,000	
President Chain Store (Labuan) Holdings Ltd.	Philippine Seven Corp.	subsidiary	"	134,257,625	USD 13,179,000	56.59%	PHP 332,731,000	
Philippine Seven Corp.	Convenience Distribution Inc. etc.	-	"	-	PHP 80,661,000	-	PHP 88,640,000	
PCSC (China) Limited	PCSC (China) Drugstore Limited etc.	subsidiary	"	-	USD 10,165,000	-	USD 10,165,000	
PCSC (China) Drugstore Limited	President Cosmed Chain Store (Shen Zhen) Co., Ltd.	subsidiary	"	-	USD 2,523,000	65.00%	RMB 23,664,000	
President Cosmed Chain Store (Shen Zhen) Co., Ltd.	Zhuhai Livzon Drugstore Chain Company Limited	subsidiary	"	-	RMB 7,355,000	100.005	RMB 3,599,000	
PCSC (China) Supermarket Limited	Shan Dong President Yinzuo Commercial Limited etc.	subsidiary	"	-	USD 7,586,000	-	RMB 52,634,000	

(4) The amount of the same security cumulatively bought or sold exceeding NT\$100 million or 20% of the paid-in capital:

Name of buyer, seller	Types and names of securities	Account titles	Counter parties	Affiliation	At beginning		Bought		Sold				At ending	
					Quantity of shares	Amount	Quantity of shares	Amount	Quantity of shares	Amount	Carrying cost	Capital gain	Quantity of shares	Amount
Retail Support Taiwan Corp.	UPAMC JAMES BOND Fund	Note	Not applicable	Not applicable	1,496,687	\$ 22,781	8,045,728	\$ 122,980	8,624,031	\$ 131,789	\$ 131,688	\$ 101	918,384	\$ 14,073
President Information Corp.	UPAMC JAMES BOND Fund	"	"	"	1,934,122	29,388	9,218,814	140,747	11,022,381	168,300	168,136	164	130,555	1,999
Vision Distribution Service Corp.	ABN AMRO BOND FUND	"	"	"	1,753,122	26,000	7,036,813	105,000	5,427,729	81,077	81,000	77	3,362,206	50,000
	JIH SUN BOND FUND	"	"	"	3,200,637	43,000	742,208	10,000	3,942,845	53,290	53,000	290	-	-
	Barits Bond Fund	"	"	"	3,735,603	44,500	-	-	3,022,061	36,347	36,000	347	713,542	8,500
	Fuh-Hwa Bond Fund	"	"	"	-	-	6,206,777	82,000	4,314,647	57,068	57,000	68	1,892,130	25,000
President Logistics International Corp.	ABN AMRO BOND FUND	"	"	"	1,473,698	22,433	9,057,410	138,350	10,292,974	157,240	157,134	106	238,134	3,649
	UPAMC HOME RUN BOND Fund	"	"	"	3,091,564	42,772	9,095,148	126,370	11,997,508	166,670	166,505	165	189,204	2,637
Retail Support International Corp.	ABN AMRO BOND FUND	"	"	"	1,391,323	21,184	41,453,913	633,156	42,845,236	654,625	654,340	285	-	-
	NITC Bond Fund	"	"	"	-	-	6,161,696	1,003,261	5,984,225	974,683	974,260	423	177,471	29,001
Wisdom Distribution Service Corp.	ABN AMRO BOND FUND	"	"	"	3,642,659	54,000	44,407,557	662,000	46,767,022	697,590	697,000	590	1,283,194	19,000
	JIH SUN BOND FUND	"	"	"	4,760,199	64,000	30,548,932	412,000	30,928,546	417,241	417,000	241	4,380,585	59,000
	Fuh-Hwa Bond Fund	"	"	"	-	-	55,074,025	728,000	50,464,660	667,364	667,000	364	4,609,366	61,000
President Coffee Corp.	FUH-HWA ALBATROSS FUND	"	"	"	2,882,699	32,100	11,815,341	132,100	14,698,040	164,540	164,200	340	-	-
	Fuh-Hwa Bond Fund	"	"	"	1,189,363	15,000	7,499,493	95,000	8,688,856	110,064	110,000	64	-	-
Mech-President Corp.	FUBON CHI-HSIANG FUND	"	"	"	-	-	20,007,545	210,000	20,007,545	210,055	210,000	55	-	-
	Union Bond Fund	"	"	"	-	-	10,821,920	130,000	10,821,920	130,033	130,000	33	-	-
	JF (Taiwan) First Bond Fund	"	"	"	-	-	8,624,587	120,000	8,624,587	120,038	120,000	38	-	-
	CITC CASH RESERVES	"	"	"	-	-	12,028,909	140,000	12,028,909	140,034	140,000	34	-	-
	Ta Chong Bond Fund	"	"	"	-	-	7,738,112	100,000	7,738,112	100,034	100,000	34	-	-
	NITC Taiwan Bond Fund	"	"	"	71,942	1,000	10,030,575	140,000	10,102,517	140,033	141,000	33	-	-

Note: Recognized under the account title of "financial instruments in which changes in fair value are recognized as gains or losses –current"

(5) The acquisition of real estate exceeding NT\$100 million or 20% of the paid-in capital: None.

(6) The disposition of real estate exceeding NT\$100 million or 20% of the paid-in capital: None.

(7) Purchase and sales with related parties exceeding NT\$100 million or 20% of the paid-in capital:

Buyer/seller	Counterparties	Affiliations	Status of trade				Special terms and conditions of trade and reasons		Account, note receivables (payables)		Remark
			Purchase (sales)	Amount	Percentage to total purchase (sales)	Credit term	Unit price	Credit term	Balance	Percentage to total note, account receivables (payables)	
Uni-President Cold-Chain Corp.	Uni-President Enterprises Corp.	Investor of this company under the equity method	Purchase	\$ 3,140,065	46%	O/A settlement from 30~45 days	No significant difference	No significant difference	(841,646)	(45%)	
	President Musashino Corp.	A subsidiary of Uni-President Enterprises Corp.	"	552,744	1%	O/A settlement from 25~30 days	"	"	(103,788)	(6%)	
	President Chain Store Corp.	Parent	sales	7,532,227	99%	O/A settlement from 15~30 days	"	"	1,443,330	97%	
Retail Support International Corp.	President Chain Store Corp.	Investor of this company under the equity method	"	20,893,649	91%	O/A settlement from 10~18 days	"	"	3,428,108	87%	
	Uni-President Enterprises Corp.	Investor of this company under the equity method	Purchase	548,142	3%	O/A settlement from 20~40 days	"	"	(111,722)	(2%)	
	Lien Bo Enterprises	Affiliate	"	458,297	2%	O/A settlement from 20~70 days	"	"	(108,619)	(2%)	
	Tung Ang Enterprise Corp.	Affiliate	"	906,381	5%	O/A settlement 30 days	"	"	(173,642)	(3%)	
	President Drugstore Business Corp.	A subsidiary of President Chain Store Corp.	sales	1,224,151	5%	O/A settlement 50 days	"	"	440,188	11%	
	President Pharmaceutical Corp.	Investees of President Chain Store (BVI) Holdings Ltd. under equity method	Purchase	105,492	1%	O/A settlement from 30~60 days	"	"	(40,203)	(1%)	
	President Coffee Corp.	Investees of President Chain Store (BVI) Holdings Ltd. under equity method	sales	122,152	1%	O/A settlement 30 days	"	"	22,157	1%	
President Information Corp.	President Chain Store Corp.	Parent	Service income	256,026	78%	O/A settlement 30 days	"	"	87,141	77%	
President Transnet Corp.	President Chain Store Corp.	Parent	sales	343,602	22%	O/A settlement 65 days	"	"	55,737	17%	
Wisdom Distribution Service Corp.	President Chain Store Corp.	Parent	"	2,706,833	98%	O/A settlement from 20~35 days	"	"	902,963	98%	
President Drugstore Business Corp.	Retail Support International Corp.	Investees of President Chain Store Corp. under equity method	Purchase	1,473,243	98%	O/A settlement 50 days	"	"	(424,680)	(97%)	
Retail Support Taiwan Corp.	Retail Support International Corp.	Parent	sales	104,771	83%	O/A settlement from 15~20 days	"	"	18,732	67%	
Vision Distribution Service Corp.	Wisdom Distribution Service Corp.	Parent	"	154,084	50%	O/A settlement 40 days	"	"	42,982	41%	
President Logistics International Corp.	Retail Support International Corp.	Parent	"	213,408	37%	O/A settlement 20 days	"	"	45,956	30%	
	Uni-President Cold-Chain Corp.	A subsidiary of President Chain Store (BVI) Holdings Ltd.	"	191,051	34%	O/A settlement from 45 days	"	"	72,002	47%	
Chieh-Shuen Logistics International Corp.	President Transnet Corp.	A subsidiary of President Chain Store (BVI) Holdings Ltd.	sales	137,520	73%	O/A settlement 65 days	"	"	46,905	83%	

(8) Receivables from related parties exceeding NT\$100 million or 20% of the paid-in capital.

Company of receivables on book	Counterparties	Affiliation	Balance of Receivables With Related Party	Turnover Rate	Overdue Receivables with Related Party		Receivables with Related Party After Period Collection	Allowance for doubtful accounts
					Amount	Processing by		
Uni-President Cold-Chain Corp.	President Chain Store Corp.	Parent	\$ 1,433,330	6	\$ -	-	\$ 1,438,335	\$ -
Retail Support International Corp.	President Drugstore Business Corp.	A subsidiary of President Chain Store Corp.	440,188	3	-	-	290,732	-
	President Chain Store Corp.	Investor of this company under the equity method	3,428,108	7	-	-	1,347,018	-
Wisdom Distribution Service Corp.	President Chain Store Corp.	Parent	902,963	3	-	-	902,963	-

(9) Trading of Derivative Products: None.

(III) Information on investments in China

1. Basic information on direct investments in China

Names of investees in Mainland China	Main Operations	Paid-up Capital	Investment Method	Amount remitted from Taiwan in accumulation at the beginning of the present term	Investment Remittance or Regain during the fiscal Year		Amount remitted from Taiwan in accumulation at the end of the present term	The Company's Direct or Indirect Investment Holding Ratio	Investment Profit or Loss for the Current Period (Note 5)	Book Value of Investment at the End of the Period	Investment return already remitted back as of the present term
					Remittance	Regain					
Shanghai President Coffee Corp.	Coffee and accessories trade	USD 4,000,000	Invested through the third region (Note 1)	USD 2,000,000	-	-	USD 2,000,000	30%	USD 365,000	USD 3,035,000	-
Presiclerc (Shautou) Ltd.	Food processing, packing and sales	USD 5,200,000	Invested through the third region (Note 2)	USD 2,470,000	-	-	USD 2,470,000	48.33%	USD 95,000	(USD 968,000)	-
Presiclerc (Qingdao) Ltd.	Food processing, packing and sales	USD 5,000,000	Invested through the third region (Note 2)	USD 2,185,000	-	-	USD 2,185,000	48.33%	USD 496,000	(USD 1,655,000)	-
Presiclerc (Beijing) Ltd.	Food processing, packing and sales	USD 4,238,000	Invested through the third region (Note 2)	USD -	-	-	USD -	36.40%	USD 249,000	(USD 253,000)	-
President Cosmed Chain Store (Shen Zhen) Co.,Ltd.	Household goods retailing	RMB 50,000,000	Invested through the third region (Note 3)	USD 3,932,000	-	-	USD 3,932,000	65%	USD 468,000	USD 2,523,000	-
Shan Dong President Yinzuo Commercial Limited	Wholesaling and retailing of goods	RMB 60,000,000	Invested through the third region (Note 4)	USD 4,078,000	-	-	USD 4,078,000	55%	USD 278,000	USD 4,031,000	-
PCSC (SICHUAN) Hypermarket Limited	Wholesaling and retailing of goods	RMB 50,000,000	Invested through the third region (Note 4)	USD 6,200,000	-	-	USD 6,200,000	100%	USD 1,249,000	USD 3,555,000	-

Amount accumulated, remitted from Taiwan for investment in Mainland China at the end of the current term	Investment Amount Approved by Investment Commission of MOEAIC	Mainland China Investment Ceiling As Regulated by Investment Commission of MOEAIC
USD 20,865,000	USD 23,928,000	NTD 4,233,343

Note 1: Invested through President Coffee (Cayman) Holdings Ltd., the investee of President Chain Store (BVI) Holdings Ltd.

Note 2: Invested through Presiclere Limited, the investee of President Chain Store (BVI) Holdings Ltd.

Note 3: Invested through PCSC (China) Drugstore Ltd., the subsidiary of PCSC (China) Ltd.

Note 4: Invested through PCSC (China) Supermarket Ltd., the subsidiary of PCSC (China) Ltd.

Note 5: These figures were based on unaudited financial statements of investees covering the same period.

2. Information on major transactions, prices, terms and conditions of payment, unrealized gains/losses of investees in China directly and indirectly held by the Company via a third country and information helpful for understanding the effect of investment in China on the presentation of the financial statements.

(1) Amount and percentage of purchase made and the balances of related payables at the ending of period and percentage: None.

(2) Amount and percentage of sales and the balances of related receivables at the ending of period and percentage: None.

(3) Amount of asset trade and the resulting gains and losses: None.

(4) Balances of guarantee or collaterals pledged at ending of period and the purposes: None.

(5) Upper limit of loans, balance at ending of period, interest range and total interests: None.

(6) Other gains and losses or significant financial issues in current period: None.

(IV) The business relation, transactions and transaction amount conducted between the parent company and subsidiary and among the subsidiaries

Name of trade party	Corresponding trade party	Relation with the trade party	Business transactions			Ratio to consolidated total income or total assets
			Account	Amount	Trade terms and conditions	
President Chain Store Corporation	Retail Support International Corp.	Parent company vs. subsidiary	Purchase	\$ 20,678,974	O/A settlement from 10~80 days	33%
		"	Other operating income	109,210		0%
	"	Purchase discount	319,138		1%	
	"	Packaging expense	190,638		0%	
	"	Miscellaneous income	209,896		0%	
	"	Prepayment	15,960		0%	
	"	Notes payable	215,445		0%	
	"	Accounts payable	3,228,621		7%	
	"	Expense payable	29,339		0%	
	Uni-President Cold-Chain Corp.	"	Purchase	7,464,270	O/A settlement from 15~30 days	12%
			Purchase discount	50,383		0%
			Miscellaneous income	100,095		0%
			Other operating income	19,092		0%
	Wisdom Distribution Service Corp.	"	Accounts payable	1,395,113		3%
			Purchase	2,685,736	O/A settlement from 20~35 days	4%
			Notes payable	427,145		1%
	President Transnet Corp.	"	Accounts payable	447,706		1%
			Purchase	342,636	O/A settlement 15 days	1%
			Accounts payable	55,453		0%
	President Information Corp.	"	Freight charge		O/A settlement 30 days	0%
Information system process and maintenance expense			248,400	O/A settlement 30 days	0%	
Prepaid expense			14,338		0%	
Capital Inventory Services Corp.	"	Expense payable	80,516		0%	
		Inventory count expense	66,713	O/A settlement 15 days	0%	
		Expense payable	23,107		0%	
		Other payable	13,135		0%	
President Coffee Corp.	"	Other income - other	14,436		0%	
President Drugstore Business Corp.	"	Non-operating income	13,046		0%	
President Direct Marketing Corp.	"	Purchase	21,535		0%	
Books.com. Co. Ltd.	"	Sales revenue	19,241		0%	
					0%	
Retail Support International Corp.	President Drugstore Business Corp.	Subsidiary vs. subsidiary	Sales revenue	1,521,899	O/A settlement 50 days	2%
		"	Sales discount	303,226		0%
		"	Other payable	14,855		0%
	President Coffee Corp.	"	Accounts receivable	439,292		1%
			Sales revenue	122,304	O/A settlement 30 days	0%
			Accounts payable	19,340		0%
			Accounts receivable	22,157		0%
"	Logistics income	3,133		0%		

Name of trade party	Corresponding trade party	Relation with the trade party	Business transactions			Ratio to consolidated total income or total assets
			Account	Amount	Trade terms and conditions	
	Wisdom Distribution Service Corp.	"	Sales revenue	63,757	O/A settlement 30 days	0%
		"	Sales discount	3,654		0%
		"	Accounts receivable	15,366		0%
	Bank Pro E-Service Technology Co., Ltd.	"	Purchase	33,055	O/A settlement 30 days	0%
		"	Accounts payable	3,191		0%
	Retail Support Taiwan Corp.	"	Storage & delivery expense	107,809	O/A settlement from 15~20 days	0%
	President Logistics International Corp.	"	Freight charge	213,332	O/A settlement from 15~20 days	0%
		"	Expense payable	4,821		0%
	Uni-President Cold-Chain Corp.	"	Sales revenue	10,459	O/A settlement 30 days	
Uni-President Cold-Chain Corp.	President Coffee Corp.	"	Purchase	65,150	O/A settlement from 30~45 days	0%
		"	Accounts payable	14,780		0%
	President Logistics International Corp.	"	Expense payable	57,195	O/A settlement 45 days	0%
		"	Freight charge	192,206		0%
	President Direct Marketing Corp.	"	Purchase	10,266	O/A settlement 30 days	0%
President Information Corp.	President Transnet Corp.	"	Sales revenue	15,570	O/A settlement 60 days	0%
		"	Accounts receivable	16,626		0%
Uni-President Oven Bakery Corp.	Uni-President Cold-Chain Corp.	"	Sales revenue	18,792	O/A settlement 30 days	0%
		"	Accounts receivable	19,963		0%
Wisdom Distribution Service Corp.	Vision Distribution Service Corp.	"	Purchase	154,094	O/A settlement 40 days	0%
		"	Accounts payable	20,744		0%
President Logistics International Corp.	Uni-President Cold-Chain Corp.	"	Sales revenue	191,206	O/A settlement from 40~65 days	0%
		"	Accounts receivable	57,195		0%
President Transnet Corp.	President Direct Marketing Corp.	"	Service income	10,664	O/A settlement 90 days	0%
	President Collect Services Co. Ltd.	"	Service income	24,669	O/A settlement 90 days	0%
		"	Expense payable	27,084		0%
	Chieh-Shuen Logistics International Corp.	"	Expense payable	46,401	O/A settlement from 40~65 days	0%

January 1 to June 30 2005

Name of trade party	Corresponding trade party	Relation with the trade party	Business transactions			Ratio to consolidated total income or total assets
			Account	Amount	Trade terms and conditions	
President Chain Store Corporation	Retail Support International Corp.	Parent company vs. subsidiary	Purchase	\$ 20,122,347	O/A settlement from 10~80 days	36%
		"	Accounts payable	4,269,518		10%
	Uni-President Cold-Chain Corp.	"	Purchase	6,814,010	O/A settlement from 15~30 days	12%
		"	Accounts payable	1,555,511		4%
	Wisdom Distribution Service Corp.	"	Purchase	2,478,554	O/A settlement from 20~35 days	4%
		"	Accounts payable	947,182		2%
	President Transnet Corp.	"	Purchase	311,470	O/A settlement 15 days	1%
		"	Accounts payable	55,388		-
	President Information Corp.	"	Information system process and maintenance expense	220,686	O/A settlement 30 days	-
		"	Expense payable	61,524		-
	Capital Inventory Services Corp.	"	Inventory count expense	57,540	O/A settlement 30 days	-
		"	Expense payable	20,377		-
	Duskin Serve Taiwan Co.	"	General affairs expense	20,743	O/A settlement 30 days	-
	"	Expense payable	4,972		-	
Retail Support International Corp.	President Drugstore Business Corp.	Subsidiary vs. subsidiary	Sales revenue	949,734	O/A settlement 50 days	2%
		"	Accounts receivable	330,521		1%
	President Coffee Corp.	"	Sales revenue	137,791	O/A settlement from 30~45 days	-
	"	Accounts receivable	25,024		-	
Wisdom Distribution Service Corp.	"	Sales revenue	272,361	O/A settlement 35 days	-	
	"	Accounts receivable	148,543		-	
President Information Corp.	Uni-President Cold-Chain Corp.	"	Sales revenue	8,144	O/A settlement 60 days	-
		"	Accounts receivable	1,079		-
	Retail Support International Corp.	"	Sales revenue	3,577	O/A settlement 60 days	-
		"	Accounts receivable	652		-
	President Coffee Corp.	"	Sales revenue	1,782	O/A settlement 60 days	-
		"	Accounts receivable	233		-
	President Transnet Corp.	"	Sales revenue	24,282	O/A settlement 60 days	-
		"	Accounts receivable	12,409		-
	Wisdom Distribution Service Corp.	"	Sales revenue	5,616	O/A settlement 60 days	-
		"	Accounts receivable	921		-
	Uni-President Cold-Chain Corp.	"	Collections	5,010	O/A settlement 60 days	-
President Transnet Corp.	"	Collections	5,772	O/A settlement 60 days	-	

January 1 to June 30 2005

Name of trade party	Corresponding trade party	Relation with the trade party	Business transactions			Ratio to consolidated total income or total assets
			Account	Amount	Trade terms and conditions	
President Coffee Corp.	President YiLan Art and Culture Corp.	Subsidiary vs. subsidiary	Sales revenue	\$ 1,170	O/A settlement 30 days	-
			Accounts receivable	160		-
	Retail Support International Corp.	"	Sales revenue	4,010	O/A settlement 30 days	-
			Accounts receivable	153		-
President Direct Marketing Corp.	Uni-President Cold-Chain Corp.	"	Sales revenue	2,825	O/A settlement 30 days	-
			Accounts receivable	872		-
	President Transnet Corp.	"	Sales revenue	33,523	O/A settlement 30 days	-
			Other receivable	4,821		-
Bank Pro E-Service Technology Co., Ltd.	Retail Support International Corp.	"	Purchase	11,484	O/A settlement 45 days	-
			Accounts payable	5,616		-
Uni-President Oven Bakery Corp.	Retail Support International Corp.	"	Sales revenue	52,216	O/A settlement 30 days	-
			Accounts receivable	4,297		-
	Uni-President Cold-Chain Corp.	"	Sales revenue	10,895	O/A settlement 30 days	-
			Accounts receivable	11,440		-
Muji Taiwan Co. Ltd.	Retail Support International Corp.	"	Freight charge	8,903	O/A settlement 30 days	-
			Expense payable	3,217		-
Wisdom Distribution Service Corp.	Books.com. Co. Ltd.	"	Sales revenue	20,511	O/A settlement 30 days	-
			Accounts receivable	3,028		-
President Logistics International Corp.	Retail Support Taiwan Corp.	"	Sales revenue	35,309	O/A settlement 20 days	-
			Accounts receivable	7,820		-
	Uni-President Cold-Chain Corp.	"	Sales revenue	177,605	O/A settlement 45 days	-
			Accounts receivable	70,168		-
	Retail Support International Corp.	"	Sales revenue	159,663	O/A settlement 20 days	-
			Accounts receivable	34,344		-
Chieh-Shuen Logistics International Corp.	President Transnet Corp.	"	Sales revenue	116,548	O/A settlement 65 days	-
			Accounts receivable	59,802		-
Retail Support Taiwan Corp.	Retail Support International Corp.	"	Sales revenue	108,615	O/A settlement from 15~20 days	-
			Accounts receivable	24,520		-
President Coffee Corp.	Retail Support International Corp.	"	Purchase	127,971	O/A settlement from 30~45 days	-
			Accounts payable	23,336		-

XII. Financial information by department

Not applicable.