

President Chain Store Corporation

Balance Sheet

At the End of September 30, 2005 and 2004

Unit : NT\$ '000

	<u>2005</u>	<u>2004</u>		<u>2005</u>	<u>2004</u>
Assets			Liabilities and Shareholders' equity		
Current assets			Liability		
Cash and cash equivalents	1,331,216	1,588,590	Notes payable	435,011	404,579
Short-term investments	66,624	947,306	Notes payable – related parties	645,405	1,097,064
Net accounts receivable	342,642	264,108	Accounts payable	224,902	205,732
Other receivable	369,244	444,741	Accounts payable – related parties	4,918,203	4,328,106
Inventories	2,611,367	2,107,131	Income taxes payable	439,398	157,411
Other current assets	<u>745,450</u>	<u>719,100</u>	Accrued expenses	1,967,750	1,637,859
Total current assets	<u>5,466,543</u>	<u>6,070,976</u>	Other accounts payable	3,328,527	2,425,682
			Cash in advance	754,883	460,958
Long-term investments (Equity method)	5,382,255	5,066,413	Current portion of long-term liabilities	<u>200,000</u>	-
Long-term investments (Cost method)	12,205,523	8,668,875	Total current liabilities	<u>12,914,079</u>	<u>10,717,391</u>
Long-term investments (Corporate bonds)	<u>80,000</u>	<u>120,000</u>			
Long-term investments	<u>17,667,778</u>	<u>13,855,288</u>	Long-term liabilities		
			Corporate bond	2,000,000	2,200,000
Fixed assets			Long-term loans	<u>1,350,000</u>	<u>760,000</u>
Cost:			Total long-term liabilities	<u>3,350,000</u>	<u>2,960,000</u>
Land	1,542,138	1,860,184			
Building	933,376	772,202	Other liabilities		
Operating equipment	8,003,446	7,584,382	Provision for retirement plan	360,373	374,256
Lease improvement	3,414,148	3,130,069	Deposits-in	<u>1,302,180</u>	<u>1,149,791</u>
Other equipment	<u>13,485</u>	<u>21,891</u>	Total other liabilities	<u>1,662,553</u>	<u>1,524,047</u>
Cost and revaluation	13,906,593	13,368,728	Total liabilities	<u>17,926,632</u>	<u>15,201,438</u>
Less: accumulated depreciation	(7,000,914)	(6,116,820)			
Construction in progress and prepayments for equipment	<u>534</u>	<u>210,247</u>	Shareholders' equity		
Total fixed assets	<u>6,906,213</u>	<u>7,462,155</u>	Capital		
			Common stock	9,151,604	9,151,604
Other assets					
Rent assets	883,674	-	Retained earnings		
Idle assets	336,227	-	Legal reserve	2,178,381	1,873,794
Deposit-out	866,450	808,255	Special reserve	55,758	-
Other assets-other	<u>486,237</u>	<u>699,957</u>	Unappropriated earnings	3,294,633	2,641,145
Total other assets	<u>2,572,588</u>	<u>1,508,212</u>	Cumulative translation adjustment	<u>6,114</u>	<u>28,650</u>
			Total shareholders' equity	<u>14,686,490</u>	<u>13,695,193</u>
Total assets	<u>\$32,613,122</u>	<u>\$28,896,631</u>	Liabilities and shareholders' equity	<u>\$32,613,122</u>	<u>\$28,896,631</u>

President Chain Store Corporation
Income Statement
For the period ended 30th September, 2005 and 2004

Expressed in NT '000

	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Operating revenue</u>				
Net sales	68,378,307	97.00%	59,333,704	97.00%
Other operating revenue	2,114,326	3.00%	1,837,790	3.00%
Total operating revenue	70,492,633	100.00%	61,171,494	100.00%
<u>Operating cost</u>				
Cost of goods sold	(49,475,832)	-70.19%	(42,828,875)	-70.01%
Gross profit	21,016,801	29.81%	18,342,619	29.99%
<u>Operating expenses</u>				
Selling expenses	(15,618,095)	-22.16%	(14,002,960)	-22.89%
General and administration expenses	(2,075,552)	-2.94%	(2,145,486)	-3.51%
Total operating expenses	(17,693,647)	-25.10%	(16,148,446)	-26.40%
Operating income	3,323,154	4.71%	2,194,173	3.59%
<u>Non-operating income</u>				
Investment gain on investment (equity method)	79,066	0.11%	52,539	0.09%
Dividends Income	192,709	0.27%	224,182	0.37%
Gain on disposal of fixed assets	17,216		0	
Gain on disposal of investments	0	0.00%	145,595	0.24%
Gain on market price recovery of short-term investment	11,005		44,161	
Others	396,186	0.56%	290,771	0.48%
Total non-operating income	696,182	0.99%	757,248	1.24%
<u>Non-operating expenses</u>				
Interest expenses	(57,555)	-0.08%	(51,341)	-0.08%
Loss on investments (cost method)	(15,217)	-0.02%	0	0.00%
Loss on disposal of fixed assets	0	0.00%	(41,855)	-0.07%
Others	(21,872)	-0.03%	(31,087)	-0.05%
Total non-operating expenses	(94,644)	-0.13%	(124,283)	-0.20%
Income before tax	3,924,692	5.57%	2,827,138	4.62%
Income Tax	(765,286)	-1.09%	(542,310)	-0.89%
Net Income After Tax	<u>\$3,159,406</u>	<u>4.48%</u>	<u>\$2,284,828</u>	<u>3.74%</u>
Earnings per share (in NT \$ dollars)	(pre-tax)	(after tax)	(pre-tax)	(after tax)
Net income	<u>4.29</u>	<u>3.45</u>	<u>3.09</u>	<u>2.50</u>

President Chain Store Corporation
Statement of Cash Flows
For the period ended 30th September, 2005 and 2004

Unit : NT\$ '000

	<u>2005</u>	<u>2004</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income:	\$ 3,159,406	\$ 2,284,828
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,259,648	1,146,719
Amortization	287,099	223,987
Unrealized gain from short-term investments	(11,005)	(44,161)
Reversal of allowance for doubtful accounts	(2,686)	(260)
Investment gain (loss) recognized under equity method	(79,066)	(52,539)
Loss on permanent decline in value of long-term investments	15,217	-
Cash dividend from long-term investment under equity method	135,755	141,723
Gain on disposal of long-term investments	0	(178,735)
Loss on disposal of fixed assets	(17,216)	41,855
Changes in assets and liabilities:		
Accounts receivable	(94,123)	(23,635)
Other accounts receivable	(41,207)	393,386
Inventories	(408,810)	(51,481)
Deferred income tax	(56,884)	2,411
Other current assets	(679)	20,986
Notes payable	(250,740)	43,989
Accounts payable	958,982	201,695
Accrued expenses	270,210	80,743
Other accounts payables	856,349	495,397
Income tax payable	85,327	(303,936)
Cash in advance	169,340	104,473
Accrued pension liabilities	(1,690)	1,446
Net cash provided by operating activities	<u>6,233,227</u>	<u>4,528,891</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
(Increase) Decrease in short-term investments	187,359	(804,760)
Increase in other receivables-related parties	0	(20,000)
Acquisition of long-term investments - affiliates	(190,349)	(180,000)
Acquisition of long-term investments - non-affiliates	(3,867,248)	(1,232,999)
Proceeds due to the subsidiaries' capital reduction	123,498	1,477
Disposal of long-term investment on cash	0	454,625
Acquisition of long-term corporate bonds	20,000	(120,000)
Acquisition of fixed assets	(848,544)	(1,783,851)
Proceeds from disposal of fixed assets	833,706	48,129
Increase in deposits-out	(47,132)	62,638
Acquisition of other assets	0	(161,064)
Net cash used for investing activities	<u>(3,788,710)</u>	<u>(3,735,805)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Increase in deposits-in	138,715	118,426
Increase (decrease) in long-term loans	850,000	760,000
Payment of cash dividends	(2,745,481)	(2,266,439)
Payment of directors' remuneration	(53,710)	(64,992)
Payments of property, plant and equipment acquired last year	(240,602)	(480,836)
Net cash provided by financing activities	(2,051,078)	(1,933,841)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	393,439	(1,140,755)
BEGINNING BALANCE OF CASH AND CASH EQUIVALENT	937,777	2,729,345
ENDED BALANCE OF CASH AND CASH EQUIVALENT	<u>\$1,331,216</u>	<u>\$1,588,590</u>

Supplement disclosures of cash flow information

Interest paid	<u>\$63,747</u>	<u>\$52,842</u>
Income tax paid	<u>\$736,843</u>	<u>\$843,834</u>
<u>Investing and financing activities of partial payment on cash:</u>		
Disposal of long-term investment on cash	\$0	\$554,625
Receivables of disposal of long-term investment, end of year	\$0	(100,000)
Perceived Cash inflow from long-term investment		<u>\$454,625</u>
Purchase of property, plant and equipment	\$1,008,750	\$1,865,840
Less: ended balance of account payable on equipment	(160,206)	(81,989)
Cash purchase of property, plant and equipment	<u>\$848,544</u>	<u>\$1,783,851</u>