

President Chain Store Corporation

Balance Sheet

At the End of December 31, 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	\$ 2,076,066	\$ 937,777	Notes payable	\$ 635,020	\$ 417,474
Short-term investments	4,953	242,978	Notes payable – related parties	874,655	913,682
Net accounts receivable	382,262	248,519	Accounts payable	219,022	160,490
Other receivable	389,869	325,351	Accounts payable – related parties	4,213,792	4,023,633
Inventories	2,755,466	2,202,557	Income taxes payable	607,843	354,071
Other current assets	<u>818,307</u>	<u>747,532</u>	Accrued expenses	2,055,289	1,697,540
Total current assets	<u>6,426,923</u>	<u>4,704,714</u>	Other accounts payable	3,786,256	2,445,152
			Cash in advance	845,605	585,543
Long-term investments (Equity method)	5,509,166	5,086,723	Current portion of long-term liabilities	<u>200,000</u>	-
Long-term investments (Cost method)	12,135,261	8,576,990	Total current liabilities	<u>13,437,482</u>	<u>10,597,585</u>
Long-term investments (Corporate bonds)	<u>60,000</u>	<u>100,000</u>			
Long-term investments	<u>17,704,427</u>	<u>13,763,713</u>	Long-term liabilities		
			Corporate bond	2,000,000	2,200,000
Fixed assets			Long-term loans	<u>1,320,000</u>	<u>500,000</u>
Cost:			Total long-term liabilities	<u>3,320,000</u>	<u>2,700,000</u>
Land	1,538,231	2,911,090			
Building	931,193	1,362,762	Other liabilities		
Operating equipment	8,078,982	7,689,213	Provision for retirement plan	359,752	362,063
Lease improvement	3,549,768	3,188,712	Deposits-in	<u>1,345,066</u>	<u>1,163,465</u>
Other equipment	<u>13,411</u>	<u>21,154</u>	Total other liabilities	<u>1,704,818</u>	<u>1,525,528</u>
Cost and revaluation	14,111,585	15,172,931	Total liabilities	<u>18,462,300</u>	<u>14,823,113</u>
Less: accumulated depreciation	<u>(7,157,200)</u>	<u>(6,189,521)</u>			
Construction in progress and prepayments for equipment	<u>0</u>	<u>210,402</u>	Shareholders' equity		
Total fixed assets	<u>6,954,385</u>	<u>9,193,812</u>	Capital		
			Common stock	9,151,604	9,151,604
Other assets					
Rent assets	1,014,082	0	Retained earnings		
Idle assets	325,232	0	Legal reserve	2,178,381	1,873,794
Deposit-out	878,875	819,318	Special reserve	55,758	-
Other assets-other	<u>331,501</u>	<u>713,381</u>	Unappropriated earnings	3,787,913	3,402,185
Total other assets	<u>2,549,690</u>	<u>1,532,699</u>	Cumulative translation adjustment	<u>(531)</u>	<u>(55,758)</u>
			Total shareholders' equity	<u>15,173,125</u>	<u>14,371,825</u>
Total assets	<u>\$33,635,425</u>	<u>\$29,194,938</u>	Liabilities and shareholders' equity	<u>\$33,635,425</u>	<u>\$29,194,938</u>

President Chain Store Corporation
Income Statement
For the period ended 31st December, 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	\$ 90,671,647	97%	\$ 78,390,063	97%
Other operating revenue	3,001,963	3%	2,553,036	3%
Total operating revenue	93,673,610	100%	80,943,099	100%
<u>Operating cost</u>				
Cost of goods sold	(65,514,526)	-70%	(56,383,842)	-70%
Gross profit	28,159,084	30%	24,559,257	30%
<u>Operating expenses</u>				
Selling expenses	(21,003,015)	-22%	(18,668,680)	-23%
General and administration expenses	(2,979,029)	-3%	(2,694,665)	-3%
Total operating expenses	(23,982,044)	-26%	(21,363,345)	-26%
Operating income	4,177,040	4%	3,195,912	4%
<u>Non-operating income</u>				
Investment gain on investment (equity method)	0	0%	28,638	0%
Dividends Income	192,709	0%	224,133	0%
Gain on disposal of fixed assets	18,816	0%	0	0%
Gain on disposal of investments	0	0%	140,592	0%
Gain on market price recovery of short-term investment	65,492	0%	49,311	0%
Others	544,477	1%	394,252	0%
Total non-operating income	821,494	1%	836,926	1%
<u>Non-operating expenses</u>				
Interest expenses	(76,657)	0%	(65,588)	0%
Loss on investments (equity method)	(56,311)	0%	0	0%
Loss on investments (cost method)	(85,480)	0%	(91,885)	0%
Loss on disposal of investments	(42,897)	0%	0	0%
Loss on disposal of fixed assets	0	0%	(42,082)	0%
Allowance for reduction of inventory to market	(66,429)	0%	0	0%
Others	(40,106)	0%	(47,375)	0%
Total non-operating expenses	(367,880)	0%	(246,930)	0%
Income before tax	4,630,654	5%	3,785,908	5%
Income Tax	(977,969)	-1%	(738,511)	-1%
Net Income After Tax	\$3,652,685	4%	\$3,047,397	4%
Earnings per share (in NT \$ dollars)				
	(pre-tax)	(after tax)	(pre-tax)	(after tax)
Net income	5.06	3.99	4.14	3.33

President Chain Store Corporation
Statement of Cash Flows
For the period ended 31st December, 2006 and 2005

Unit : NT\$ '000

	<u>2006</u>	<u>2005</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income:	\$ 3,652,685	\$ 3,047,397
Adjustments to reconcile net income to net cash provided by operating activities:		
Unrealized gain from short-term investments	(65,492)	(49,311)
Reversal of allowance for doubtful accounts	3,969	3,254
Alllowance for reduction of inventory to market	66,429	0
Depreciation	1,679,882	1,561,532
Depreciation-rent assets	3,879	0
Amortization	380,774	304,880
Investment (gain) loss recognized under equity method	56,311	(28,638)
Loss on permanent decline in value of long-term investments	85,480	91,885
Cash dividend from long-term investment under equity method	135,755	159,056
Gain on disposal of long-term investments	0	(167,555)
Loss on disposal of fixed assets	(18,816)	42,082
Changes in assets and liabilities:		
Accounts receivable	(133,743)	(8,046)
Other accounts receivable	(98,487)	419,262
Inventories	(619,338)	(146,907)
Other current assets	(56,565)	(6,657)
Deferred income tax	(13,104)	1,622
Notes payable	178,519	(126,498)
Accounts payable	248,691	(148,020)
Income tax payable	253,772	(107,276)
Accrued expenses	357,749	150,924
Other accounts payables	1,369,959	421,246
Advance receipts	260,062	229,058
Accrued pension liabilities	(2,311)	(10,747)
Net cash provided by operating activities	<u>7,726,060</u>	<u>5,632,543</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
(Increase) Decrease in short-term investments	303,517	(95,282)
(Increase) Decrease in other receivables-related parties	30,000	(30,000)
Acquistion of long-term investments - affiliates	(399,228)	(368,832)
Acquistion of long-term investments - non-affiliates	(4,058,825)	(1,250,750)
Proceeds due to the subsidiaries' capital reduction	255,020	49,399
Disposal of long-term investment on cash	0	554,625
Decrease in long-term corporate bonds	40,000	20,000
Increase in long-term bond	0	(120,000)
Acquistion of fixed assets	(1,428,981)	(3,802,620)
Proceeds from disposal of fixed assets	875,896	78,814
Increase in deposits-out	(59,557)	51,575
Acquistion of other assets	0	(255,381)
Net cash used for investing activities	<u>(4,442,158)</u>	<u>(5,168,452)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Increase in deposits-in	\$ 181,601	\$ 132,100
Increase (decrease) in long-term loans	820,000	500,000
Payment of cash dividends	(2,745,481)	(2,266,439)
Payment of directors' remuneration	(161,131)	(129,984)
Payments of property, plant and equipment acquired last year	(240,602)	(480,836)
Payments of other assets last year	<u>0</u>	<u>(10,500)</u>
Net cash provided by financing activities	<u>(2,145,613)</u>	<u>(2,255,659)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	1,138,289	(1,791,568)
BEGINNING BALANCE OF CASH AND CASH EQUIVALENT	<u>937,777</u>	<u>2,729,345</u>
ENDED BALANCE OF CASH AND CASH EQUIVALENT	<u>\$2,076,066</u>	<u>\$937,777</u>

Supplement disclosures of cash flow information

Interest paid	<u>\$77,025</u>	<u>\$66,161</u>
Income tax paid	<u>\$737,301</u>	<u>\$844,166</u>
<u>Investing and financing activities of partial payment on cash:</u>		
Purchase of property, plant and equipment	\$1,640,728	\$4,043,222
Less: ended balance of account payable on equipment	<u>(\$211,747)</u>	<u>(\$240,602)</u>
Cash purchase of property, plant and equipment	<u>\$1,428,981</u>	<u>\$3,802,620</u>