

President Chain Store Corporation
Balance Sheet
At the End of September 30, 2004 and 2003

Unit : NT\$ '000

	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
Assets			Liabilities and Shareholders' equity		
Current assets			Liability		
Cash and cash equivalents	1,562,278	1,145,471	Notes payable	1,501,642	1,466,877
Short-term investments	947,306	1,640,786	Accounts payable	205,732	201,199
Net accounts receivable	264,108	257,780	Accounts payable-affiliates	4,328,106	4,316,181
Other receivable	444,741	278,935	Income taxes payable	157,411	333,878
Inventories	2,107,131	1,844,535	Accrued expenses	1,637,859	1,509,626
Other current assets	<u>719,100</u>	<u>778,347</u>	Other accounts payable	2,425,683	1,766,100
Total current assets	<u>6,044,664</u>	<u>5,945,854</u>	Advances from customers	<u>460,958</u>	<u>214,622</u>
Long-term investments (Equity method)	5,066,413	4,060,323	Total current liabilities	<u>10,717,391</u>	<u>9,808,483</u>
Long-term investments (Cost method)	8,668,875	8,790,032	Corporate bond	2,200,000	2,200,000
Long-term investments (Corporate bond)	<u>120,000</u>	<u>0</u>	Long-term debt	<u>760,000</u>	<u>200,000</u>
Long-term investments	<u>13,855,288</u>	<u>12,850,355</u>	Total long-term debt	<u>2,960,000</u>	<u>2,400,000</u>
Fixed assets			Other liabilities		
Land	1,860,184	1,860,184	Accrued pension liabilities	374,256	372,424
Building	772,202	772,202	Deposits-in	<u>1,149,791</u>	<u>1,001,529</u>
Machinery and equipment	7,584,382	6,732,675	Total other liabilities	<u>1,524,047</u>	<u>1,373,953</u>
Lease improvement	3,130,069	2,704,446	Total liabilities	<u>15,201,438</u>	<u>13,582,436</u>
Other equipment	<u>21,891</u>	<u>50,307</u>	Shareholders' equity		
Total cost	13,368,728	12,119,814	Capital		
Less: accumulate depreciation	(6,116,820)	(5,823,608)	Common stock	9,151,604	8,584,995
Prepaid machinery and equipment	<u>210,247</u>	<u>153,508</u>	Retained earnings		
Total fixed assets	<u>7,462,155</u>	<u>6,449,714</u>	Legal reserve	1,873,794	1,512,726
Other assets			Unallotted retained earnings	2,641,145	3,179,333
Deposit-out	834,567	846,934	Other adjustment in SH's equity		
Other assets-other	<u>699,957</u>	<u>795,283</u>	Total exchange currency adjustment	<u>28,650</u>	<u>28,650</u>
Total other assets	<u>1,534,524</u>	<u>1,642,217</u>	Total shareholders' equity	<u>13,695,193</u>	<u>13,305,704</u>
Total assets	<u>\$28,896,631</u>	<u>\$26,888,140</u>	Liabilities and shareholders' equity	<u>\$28,896,631</u>	<u>\$26,888,140</u>

President Chain Store Corporation
Income Statement
For the period end of September, 2004 and 2003

	Expressed in NT '000			
	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Operating revenue</u>				
Net sales	59,333,704	97.00%	56,916,278	97.33%
Other operating revenue	<u>1,837,790</u>	<u>3.00%</u>	<u>1,564,145</u>	<u>2.67%</u>
Total operating revenue	61,171,494	100.00%	58,480,423	100.00%
<u>Operating cost</u>				
Cost of goods sold	<u>(42,828,875)</u>	<u>-70.01%</u>	<u>(41,157,906)</u>	<u>-70.38%</u>
Gross profit	18,342,619	29.99%	17,322,517	29.62%
<u>Operating expenses</u>				
Selling expenses	<u>(14,002,960)</u>	<u>-22.89%</u>	<u>(13,278,363)</u>	<u>-22.71%</u>
General and administration expenses	<u>(2,145,486)</u>	<u>-3.51%</u>	<u>(1,447,328)</u>	<u>-2.47%</u>
Total operating expenses	<u>(16,148,446)</u>	<u>-26.40%</u>	<u>(14,725,691)</u>	<u>-25.18%</u>
Operating income	<u>2,194,173</u>	<u>3.59%</u>	<u>2,596,826</u>	<u>4.44%</u>
<u>Non-operating income</u>				
Investment gain under the equity method	52,539	0.09%	364,764	0.62%
Dividends income	224,182	0.37%	37,991	0.06%
Gain on disposal of investments	145,595	0.24%	32,876	0.06%
Gain on recovery of short-term investment revaluation	44,161	0.07%	109,307	0.19%
Others	<u>290,771</u>	<u>0.48%</u>	<u>347,889</u>	<u>0.59%</u>
Total non-operating income	<u>757,248</u>	<u>1.24%</u>	<u>892,827</u>	<u>1.53%</u>
<u>Non-operating expenses</u>				
Interest expenses	<u>(51,341)</u>	<u>-0.08%</u>	<u>(64,276)</u>	<u>-0.11%</u>
Other investment loss	0	0.00%	<u>(46,697)</u>	<u>-0.08%</u>
Loss on disposal of property, plant and equipment	<u>(41,855)</u>	<u>-0.07%</u>	<u>(42,493)</u>	<u>-0.07%</u>
Others	<u>(31,087)</u>	<u>-0.05%</u>	<u>(35,443)</u>	<u>-0.06%</u>
Total non-operating expenses	<u>(124,283)</u>	<u>-0.20%</u>	<u>(188,909)</u>	<u>-0.32%</u>
Income from continuing operations before income taxes	2,827,138	4.62%	3,300,744	5.64%
Income tax expense	<u>(542,310)</u>	<u>-0.89%</u>	<u>(129,387)</u>	<u>-0.22%</u>
Net Income	<u>\$2,284,828</u>	<u>3.74%</u>	<u>\$3,171,357</u>	<u>5.42%</u>
Earnings per share	(pre-tax)	(after tax)	(pre-tax)	(after tax)
Net income	<u>3.09</u>	<u>2.50</u>	<u>3.61</u>	<u>3.47</u>

President Chain Store Corporation
Statement of Cash Flows
For the period end of September, 2004 and 2003

Unit : NT\$ '000

	<u>2004</u>	<u>2003</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income:	2,284,828	3,171,357
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	(160)	0
Revenue converted from allowance for bad debt	(420)	0
Depreciation	1,146,719	995,283
Amortization	223,987	57,085
Reversal of provision for market value decline of short-term investments	(44,161)	(109,307)
Investment (gain) loss recognized under equity method	(52,539)	(364,764)
Loss on permanent decline in value of long-term investments	0	46,697
Cash dividends from equity subsidiaries	141,723	168,771
Gain on disposal of long-term investments	(178,735)	(92,958)
Loss on disposal of fixed assets	41,855	42,493
Changes in assets and liabilities:		
Accounts receivable	(23,635)	(14,545)
Other accounts receivable	273,706	233,474
Inventories	(51,481)	(42,852)
Deferred income tax	2,411	1,576
Other current assets	20,986	(958)
Notes payable	43,988	186,101
Accounts payable	201,695	649,705
Income tax payable	(303,936)	99,340
Accrued expenses and other accounts payable	576,141	1,042,770
Cash received in advance	104,473	75,701
Provision for retirement plan	<u>1,446</u>	<u>533</u>
Net cash provided by operating activities	<u>4,408,891</u>	<u>6,145,502</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Increase in short-term investments	(804,760)	(1,273,953)
Increase in long-term investments - subsidiaries	(180,000)	(115,692)
Increase in long-term investments - non-subsidiaries	(1,232,999)	(372,166)
Return of long-term investments	1,477	179,000
Proceeds from disposal of long-term investments	554,625	289,371
Increase in long-term corporate bonds	(120,000)	0
Purchase of property, plant and equipment	(1,783,851)	(987,784)
Proceeds from disposal of property, plant and equipment	48,129	10,438
Increase in guarantee deposits-out	62,638	(16,364)
Increase in other assets	(161,064)	(220,507)
Net cash used in investing activities	<u>(3,615,805)</u>	<u>(2,507,657)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Decrease in short-term loans	0	(250,000)
Decrease in commercial paper payable	0	(498,795)
Increase in guarantee deposit-in	118,426	129,098
Increase (decrease) in long-term loans	760,000	(1,950,000)
Payment of cash dividends	(2,266,439)	(1,374,217)
Payment of directors' remuneration	(64,992)	(47,989)
Increase in bonds payable	0	1,500,000
Payments of property, plant and equipment purchased in prior y	(480,836)	(633,892)
Net cash used in financing activities	<u>(1,933,841)</u>	<u>(3,125,795)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,140,755)	512,050
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,729,345	633,421
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$1,588,590</u>	<u>\$1,145,471</u>

Supplemental disclosures of cash flow information

Interest paid	\$52,842	\$58,453
Income tax paid	<u>\$843,834</u>	<u>\$28,471</u>
<u>Investing and financing activities with partial cash payment:</u>		
Purchase of property, plant and equipment	\$1,865,840	\$1,059,038
Less: accounts payable on equipment	(81,989)	(71,254)
Cash purchase of property, plant and equipment	<u>\$1,783,851</u>	<u>\$987,784</u>