

**President Chain Store Corporation**  
**Balance Sheet**  
December 31, 2004 and 2003

Unit : NT\$ '000

	<u>2004.12.31</u>	<u>2003.12.31</u>		<u>2004.12.31</u>	<u>2003.12.31</u>
<b>Assets</b>			<b>Liabilities and Shareholders' Equity</b>		
Current assets			Current liabilities		
Cash and cash equivalents	937,777	2,729,345	Notes payable	417,474	425,135
Short-term investments	242,978	98,385	Notes payable-related parties	913,682	1,032,519
Accounts receivable-net	248,519	240,473	Accounts payable	160,490	181,740
Other receivables	325,351	717,867	Accounts payable-related parties	4,023,633	4,150,403
Inventories	2,202,557	2,055,650	Income tax payable	354,071	461,347
Prepayments	<u>747,532</u>	<u>742,072</u>	Accrued expenses	1,697,540	1,557,116
Total current assets	<u>4,704,714</u>	<u>6,583,792</u>	Other payables	2,445,152	2,264,140
			Cash received in advance	585,543	356,485
Long-term investments			Total current liabilities	<u>10,597,585</u>	<u>10,428,885</u>
Long-term investments (Equity method)	5,086,723	4,797,951			
Long-term investments (Cost method)	8,576,990	7,990,890	Long-term liabilities		
Long-term investments (Corporate bonds)	<u>100,000</u>	<u>0</u>	Bonds payable	2,200,000	2,200,000
Long-term investments	<u>13,763,713</u>	<u>12,788,841</u>	Long-term loans	<u>500,000</u>	<u>0</u>
			Total long-term liabilities	<u>2,700,000</u>	<u>2,200,000</u>
Property, Plant and Equipment					
Cost:			Other liabilities		
Land	2,911,090	1,860,184	Provision for retirement plan	362,063	372,810
Buildings	1,362,762	772,201	Deposits-in	<u>1,163,465</u>	<u>1,031,365</u>
Operating equipment	7,689,213	7,042,634	Total other liabilities	<u>1,525,528</u>	<u>1,404,175</u>
Leasehold improvements	3,188,712	2,954,537	Total liabilities	<u>14,823,113</u>	<u>14,033,060</u>
Other equipment	<u>21,154</u>	<u>48,884</u>			
Cost and revaluation	15,172,931	12,678,440	<b>Shareholders' Equity</b>		
Less: Accumulated depreciation	<b>(6,189,521)</b>	<b>(6,024,237)</b>	Common stock	9,151,604	8,584,995
Construction in process and advances to suppliers	<u>210,402</u>	<u>178,815</u>	Retained earnings		
Total Property, Plant and Equipment	<u>9,193,812</u>	<u>6,833,018</u>	Legal reserve	1,873,794	1,512,726
			Unappropriated earnings	3,402,185	3,680,418
Other assets			Cumulative translation adjustment	<b>(55,758)</b>	<u>28,650</u>
Deposits-out	819,318	870,893	Total shareholders' equity	<u>14,371,825</u>	<u>13,806,789</u>
Others	<u>713,381</u>	<u>763,305</u>			
Total other assets	<u>1,532,699</u>	<u>1,634,198</u>			
<b>Total assets</b>	<b><u>\$29,194,938</u></b>	<b><u>\$27,839,849</u></b>	<b>Liabilities and shareholders' equity</b>	<b><u>\$29,194,938</u></b>	<b><u>\$27,839,849</u></b>

**President Chain Store Corporation**  
**Income Statement**  
Years ended December 31 of 2004 and 2003

unit:\$NT '000

	<u>2004</u>		<u>2003</u>		<u>YOY</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>		
<b><u>Operating revenues</u></b>						
Net sales	78,390,063	96.85%	75,744,481	97.28%	3.49%	
Others	<u>2,553,036</u>	<u>3.15%</u>	<u>2,117,135</u>	<u>2.72%</u>	<u>20.59%</u>	
<b>Total operating revenues</b>	80,943,099	100.00%	77,861,616	100.00%	3.96%	
<b><u>Operating costs</u></b>						
Cost of goods sold	<u>(56,383,842)</u>	<u>-69.66%</u>	<u>(54,489,672)</u>	<u>-69.98%</u>	<u>3.48%</u>	
<b>Gross profit</b>	24,559,257	30.34%	23,371,944	30.02%	5.08%	
<b><u>Operating expenses</u></b>						
Selling expenses	<u>(18,699,298)</u>	<u>-23.10%</u>	<u>(17,750,068)</u>	<u>-22.80%</u>	<u>5.35%</u>	
General and administration expenses	<u>(2,668,531)</u>	<u>-3.30%</u>	<u>(2,300,472)</u>	<u>-2.95%</u>	<u>16.00%</u>	
<b>Total operating expenses</b>	<u>(21,367,829)</u>	<u>-26.40%</u>	<u>(20,050,540)</u>	<u>-25.75%</u>	<u>6.57%</u>	
<b>Operating income</b>	<u>3,191,428</u>	<u>3.94%</u>	<u>3,321,404</u>	<u>4.27%</u>	<u>-3.91%</u>	
<b><u>Non-operating income</u></b>						
Investment gain under the equity method	28,638	0.04%	411,979	0.53%	-93.05%	
Dividends income	224,133	0.28%	38,366	0.05%	484.20%	
Gain on disposal of investments	140,592	0.17%	0	0.00%		
Gain on recovery of short-term investment revaluation	49,311	0.06%	170,426	0.22%	-71.07%	
Others	<u>394,252</u>	<u>0.49%</u>	<u>323,148</u>	<u>0.42%</u>	<u>22.00%</u>	
<b>Total non-operating income</b>	<u>836,926</u>	<u>1.03%</u>	<u>943,919</u>	<u>1.21%</u>	<u>-11.33%</u>	
<b><u>Non-operating expenses</u></b>						
Interest expenses	<u>(65,588)</u>	<u>-0.08%</u>	<u>(79,007)</u>	<u>-0.10%</u>	<u>-16.98%</u>	
Other investment loss	<u>(91,885)</u>	<u>-0.11%</u>	<u>(155,801)</u>	<u>-0.20%</u>	<u>-41.02%</u>	
Loss on disposal of property, plant and equipment	<u>(42,082)</u>	<u>-0.05%</u>	<u>(48,959)</u>	<u>-0.06%</u>	<u>-14.05%</u>	
Loss on disposal of investments	0	0.00%	<u>(16,318)</u>	<u>-0.02%</u>		
Others	<u>(42,891)</u>	<u>-0.05%</u>	<u>(30,506)</u>	<u>-0.04%</u>	<u>40.60%</u>	
<b>Total non-operating expenses</b>	<u>(242,446)</u>	<u>-0.30%</u>	<u>(330,591)</u>	<u>-0.42%</u>	<u>-26.66%</u>	
<b>Income from continuing operations before income taxes</b>	<b>3,785,908</b>	<b>4.68%</b>	<b>3,934,732</b>	<b>5.05%</b>	<b>-3.78%</b>	
<b>Income tax expense</b>	<u>(738,511)</u>	<u>-0.91%</u>	<u>(253,126)</u>	<u>-0.33%</u>	<u>191.76%</u>	
<b>Net Income</b>	<b><u>\$3,047,397</u></b>	<b><u>3.76%</u></b>	<b><u>\$3,681,606</u></b>	<b><u>4.73%</u></b>	<b><u>-17.23%</u></b>	
<b>Earnings per share</b>	(pre-tax)	(after tax)	(pre-tax)	(after tax)	(pre-tax)	(after tax)
<b>Net income(unit:\$NTD)</b>	<u><b>4.14</b></u>	<u><b>3.33</b></u>	<u><b>4.30</b></u>	<u><b>4.02</b></u>	<u><b>-3.72%</b></u>	<u><b>-20.72%</b></u>

**President Chain Store Corporation**  
**Statement of Cash Flows**  
**Years ended December 31 of 2004 and 2003**

Unit : NT\$ '000

	<u>2004</u>	<u>2003</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Net Income:	3,047,397	3,681,606
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Provision for doubtful accounts	3,254	22,587
Depreciation	1,561,532	1,335,635
Amortization	304,880	124,638
Reversal of provision for market value decline of short-term investments	(49,311)	(170,426)
Investment (gain) loss recognized under equity method	(28,638)	(411,979)
Loss on permanent decline in value of long-term investments	91,885	155,801
Cash dividends from equity subsidiaries	159,056	168,770
Gain on disposal of long-term investments	(167,555)	(92,958)
Loss on disposal of property, plant and equipment	42,082	48,959
<b>Changes in assets and liabilities:</b>		
Accounts receivable	(8,046)	2,762
Other receivables	419,262	(228,045)
Inventories	(146,907)	(253,967)
Prepayments	(6,657)	39,048
Notes payable	(126,498)	249,445
Accounts payable	(148,020)	464,468
Income tax payable	(107,276)	226,809
Accrued expenses	150,924	292,449
Other payables	421,246	851,191
Cash received in advance	229,058	217,564
Deferred income tax	1,622	(2,154)
Provision for retirement plan	(10,747)	919
Net cash provided by operating activities	<u>5,632,543</u>	<u>6,723,122</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
(Increase)decrease in short-term investments	(95,282)	329,567
Increase in loans receivable--related parties	(30,000)	
Increase in deposits-out	51,575	(40,323)
Increase in long-term investments - subsidiaries	(368,832)	(805,729)
Increase in long-term investments - non-subsidiaries	(1,250,750)	(381,704)
Return of long-term investments	49,399	179,000
Proceeds from disposal of long-term investments	554,625	979,408
Increase in long-term corporate bonds	(120,000)	0
Return of long-term corporate bonds	20,000	0
Purchase of property, plant and equipment	(3,802,620)	(1,311,135)
Proceeds from disposal of property, plant and equipment	78,814	13,249
Increase in other assets	(255,381)	(245,583)
Net cash used in investing activities	<u>(5,168,452)</u>	<u>(1,283,250)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Net cash used in financing activities	<u>(2,255,659)</u>	<u>(3,343,948)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,791,568)</b>	<b>2,095,924</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,729,345</b>	<b>633,421</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$937,777</u></b>	<b><u>\$2,729,345</u></b>
<b><u>Supplemental disclosures of cash flow information</u></b>		
Interest paid	\$66,161	\$72,055
Income tax paid	\$844,166	\$29,185
<b><u>Investing and financing activities with partial cash payment:</u></b>		
Purchase of property, plant and equipment	\$4,043,222	\$1,791,971
Less: accounts payable on equipment	(240,602)	(480,836)
Cash purchase of property, plant and equipment	<u>\$3,802,620</u>	<u>\$1,311,135</u>
Purchase of other assets	\$255,381	\$256,083
Less: accounts payable on other assets	-	(10,500)
Cash purchase of other assets	<u>\$255,381</u>	<u>\$245,583</u>