

President Chain Store Corp.
Consolidated Financial Statements & Independent Auditor's
Report
2012Q1 and 2011Q1
(Stock Code 2912)

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President Chain Store Corp. and Subsidiaries
Consolidated Financial Statements & Independent Auditor's Report of 2012Q1 and
2011Q1
Index

| Item | Page |
|--|----------------|
| I. Cover | 1 |
| II. Index | 2 ~ 3 |
| III. Independent Auditor's Report | 4 ~ 5 |
| IV. Consolidated Balance Sheet | 6 ~ 7 |
| V. Consolidated Income Statement | 8 |
| VI. Consolidated Statement of Change in Shareholders' Equity | Not applicable |
| VII. Consolidated Statement of Cash Flow | 9 ~ 10 |
| VIII. Notes to consolidated financial statements | 11 |
| (I) Company History | 11 |
| (II) Notes to principal accounting policy | 11 ~ 16 |
| (III) Reasons and effect of change in accounting principle | 17 |
| (IV) Notes to major account titles | 17 ~ 22 |
| (V) Related Party Transactions | 23 ~ 25 |
| (VI) Pledged Assets | 26 |
| (VII) Major undertaking and contingency | 26 ~ 28 |
| (VIII) Loss from major accidents | 28 |
| (IX) Materiality after the period | 28 |
| (X) Miscellaneous | 29 ~ 31 |

| Item | Page |
|--|---------|
| (XI) Supplementary Disclosure | 32 ~ 35 |
| 1. Information on major trade | 32 |
| 2. Information on direct investment | 32 |
| 3. Information on investment in Mainland China | 32 |
| 4. Business relationship, transaction, and transaction amount between parent company and subsidiary | 32 ~ 35 |
| (XII) Operating segment information | 36 ~ 38 |
| (XIII) Adopt IFRSs related matters | 38 ~ 43 |

Independent Auditor's Report

(101) MOF.FS.Tzi No. 12000142

To: President Chain Store Corp. and Subsidiaries

We have audited the consolidated balance sheet of President Chain Store Corporation and subsidiaries as of March 31, 2012 and the consolidated income statement and statement of cash flow for the period of January 1 and March 31, 2012. 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 do not have audited the consolidated financial statements of President Chain Store Corporation and subsidiaries as of 2011Q1; therefore, we do not have an audit opinion expressed but with the attachments enclosed for reference only.

We conducted our review in accordance with Statements of Auditing Standards No. 36 "Engagements to Review Financial Statements" except for the events disclosed in the following paragraph. We have not audited the financial statements in accordance with generally accepted auditing standards, but rather analyzed, compared, and examined; therefore, we cannot have an opinion issued accordingly.

As stated in Note II (I) and IV (VI) to the consolidated financial statements, the financial statements of the subsidiaries included in the company and subsidiaries' 2012Q1 consolidated financial statements, long-term equity investment valued with Equity Method, and the related information disclosed in Note XI are valued and disclosed in accordance with the unaudited financial statements of the invested company. The total consolidated assets on March 31, 2012 (including long-term equity investment valued with Equity Method for an amount of NT\$764,165,000) were NT\$36,951,426,000 accounted for 49% of the total consolidated assets. The total consolidated liabilities amounted to NT\$30,826,316,000, which accounted for 63% of the total consolidated liabilities. The net income for the period of January 1 and March 31, 2012 amounted to NT\$527,959,000, accounted for 27% of the total profit and loss.

According to our audit, in addition to the subsidiaries included in the consolidated financial statements, the financial statements of the invested company valued with Equity Method, and the information of the invested company illustrated in Note XI that require adjustment and disclosure when the audited financial statements are available, the 2012Q1 consolidated financial statements referred to above are in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and R.O.C. generally accepted principle and without any adjustment needed.

President Chain Store Corporation plans to have the consolidated financial statements of the company and subsidiaries prepared in accordance with the "International Financial Reporting Standards (IFRSs)" approved by Financial Supervisory Commission, Executive Yuan since January 1, 2013 and "Regulations Governing the Preparation of Financial Reports by Securities Issuers" applicable in 2013. President Chain Store Corporation has the information of IFRSs implementation disclosed in Note XIII in accordance with the FSC.jen.shen.tzi No. 0990004943 Letter dated February 2, 2010. The requirements of IFRSs could be changed; therefore, the impact of IFRSs implementation can only be identified in actual practice.

PRICEWATERHOUSECOOPERS

Hsiao Chun-Yuan

CPA

Tseng Hui-Chin

Financial Supervisory Commission, Executive Yuan,
R.O.C. Securities and Futures Bureau

Approved certification document: FSC(VI).tzi No.
0960042326

Former SEC, Ministry of Finance

Certificate No.: (79) Tai-Tsai-Cheng (I) No. 27815

May 3, 2012

President Chain Store Corp. and Subsidiaries
Consolidated Balance Sheet
March 31, 2012 and 2011

(The 2012Q1 financial statements are reviewed but not audited in accordance with generally accepted auditing principle)
(The 2011Q1 financial statements are not reviewed and are for reference only)

Currency unit: NT\$1,000

| | Assets | Note | March 31, 2012 | | March 31, 2011 | |
|------------------------------|---|-------------------------|----------------------|------------|----------------------|------------|
| | | | Amount | % | Amount | % |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalence | IV(I) | \$ 14,892,536 | 20 | \$ 15,116,215 | 21 |
| 1310 | Financial assets- current- whose changes in fair value are recognized in earnings | IV(II) | 7,272,808 | 10 | 6,323,131 | 9 |
| 1140 | Net accounts receivable | V | 5,038,285 | 7 | 4,031,611 | 6 |
| 1164 | Other receivables | V | 1,422,343 | 2 | 1,761,750 | 2 |
| 120X | Inventories | IV(III) | 10,130,808 | 13 | 9,109,974 | 13 |
| 1260 | Prepayments | VII | 2,467,197 | 3 | 1,739,561 | 2 |
| 1281 | Other current assets | | 241,713 | - | 675,939 | 1 |
| 11XX | Total current assets | | <u>41,465,690</u> | <u>55</u> | <u>38,758,181</u> | <u>54</u> |
| Funds and investments | | | | | | |
| 1450 | Financial assets in available-for-sale-non current | IV(IV) | 1,109,630 | 2 | 1,542,484 | 2 |
| 1480 | Financial assets measured at cost - noncurrent | IV(V) | 7,749,156 | 10 | 8,635,509 | 12 |
| 1421 | Long-term investments (Equity method) | IV(VI) | 764,165 | 1 | 666,411 | 1 |
| 14XX | Total funds and investments | | <u>9,622,951</u> | <u>13</u> | <u>10,844,404</u> | <u>15</u> |
| Fixed assets | | | | | | |
| | | IV(VIII), VI and VII | | | | |
| Costs | | | | | | |
| 1501 | Land | | 2,208,137 | 3 | 2,207,670 | 3 |
| 1521 | Building | | 3,068,015 | 4 | 2,819,028 | 4 |
| 1551 | Transportation equipment | | 3,667,794 | 5 | 3,018,015 | 4 |
| 1571 | Operating equipment | | 18,249,728 | 24 | 17,335,828 | 25 |
| 1631 | Lease improvement | | 10,986,177 | 15 | 10,042,110 | 14 |
| 1681 | Other equipment | | 3,853,212 | 5 | 3,688,973 | 5 |
| 15X8 | Revaluation increments | | 55,374 | - | 55,374 | - |
| 15XY | Total costs and revaluation | | <u>42,088,437</u> | <u>56</u> | <u>39,166,998</u> | <u>55</u> |
| 15X9 | Less: accumulated depreciation | | (23,883,917) | (32) | (22,619,149) | (32) |
| 1599 | Less: accumulated impairment | | (90,114) | - | (10,895) | - |
| 1670 | Construction in progress and prepayments for equipment | | 1,005,829 | 1 | 320,645 | 1 |
| 15XX | Total net fixed assets | | <u>19,120,235</u> | <u>25</u> | <u>16,857,599</u> | <u>24</u> |
| Intangible assets | | | | | | |
| 1750 | Cost of computer software | | 334,764 | 1 | 265,586 | - |
| 1760 | Goodwill | | 579,869 | 1 | 398,521 | 1 |
| 1780 | Other intangible assets | | 180,655 | - | 216,211 | - |
| 17XX | Total intangible assets | | <u>1,095,288</u> | <u>2</u> | <u>880,318</u> | <u>1</u> |
| Other assets | | | | | | |
| 1800 | Assets leased to others | IV(IX) | 959,267 | 1 | 969,012 | 2 |
| 1810 | Idling assets | | 171,706 | - | 177,294 | - |
| 1820 | Refundable deposits | VI and VII | 2,025,567 | 3 | 2,174,294 | 3 |
| 1888 | Other assets - others | | 686,295 | 1 | 565,574 | 1 |
| 18XX | Total other assets | | <u>3,842,835</u> | <u>5</u> | <u>3,886,174</u> | <u>6</u> |
| 1XXX | Total Assets | | <u>\$ 75,146,999</u> | <u>100</u> | <u>\$ 71,226,676</u> | <u>100</u> |

(To be continued)

President Chain Store Corp. and Subsidiaries
Consolidated Balance Sheet
March 31, 2012 and 2011

(The 2012Q1 financial statements are reviewed but not audited in accordance with generally accepted auditing principle)
(The 2011Q1 financial statements are not reviewed and are for reference only)

Currency unit: NT\$1,000

| | Liabilities and Shareholders' Equity | Note | March 31, 2012 | | March 31, 2011 | |
|------|--|----------------|----------------------|------------|----------------------|------------|
| | | | Amount | % | Amount | % |
| | Current liabilities | | | | | |
| 2100 | Short-term debt | IV(X) | \$ 2,533,571 | 3 | \$ 1,715,582 | 3 |
| 2110 | Short-term notes and bills payable | | 275,000 | - | 249,000 | - |
| 2120 | Notes payable | V | 1,790,007 | 2 | 1,400,960 | 2 |
| 2140 | Accounts payable | | 16,799,435 | 22 | 14,780,480 | 21 |
| 2150 | Accounts payable-related parties | V | 2,199,191 | 3 | 2,186,697 | 3 |
| 2160 | Income tax payable | | 1,316,028 | 2 | 1,533,053 | 2 |
| 2170 | Accrued expenses | IV(XI) and V | 5,175,684 | 7 | 5,046,212 | 7 |
| 2228 | Other accounts payable-other | IV(XII) | 9,464,007 | 13 | 9,046,653 | 13 |
| 2260 | Unearned receipts | | 3,376,510 | 5 | 2,947,990 | 4 |
| 2270 | Long-term liabilities - current portion | IV(XIII) and V | 157,286 | - | 153,172 | - |
| 21XX | Total current liabilities | | <u>43,086,719</u> | <u>57</u> | <u>39,059,799</u> | <u>55</u> |
| | Long-term liabilities | | | | | |
| 2420 | Long-term debt payable | IV(XIII) | 2,290,479 | 3 | 3,884,186 | 6 |
| 2450 | Long-term notes payable and accounts payable – related party | V | 142,287 | - | 125,015 | - |
| 24XX | Total long-term liabilities | | <u>2,432,766</u> | <u>3</u> | <u>4,009,201</u> | <u>6</u> |
| | Other liabilities | | | | | |
| 2810 | Accrued pension liabilities | | 726,036 | 1 | 619,276 | 1 |
| 2820 | Guarantee Deposit received | | 2,244,836 | 3 | 2,097,793 | 3 |
| 2888 | Other liabilities-other | | 407,495 | 1 | 393,497 | - |
| 28XX | Total other liabilities | | <u>3,378,367</u> | <u>5</u> | <u>3,110,566</u> | <u>4</u> |
| 2XXX | Total liabilities | | <u>48,897,852</u> | <u>65</u> | <u>46,179,566</u> | <u>65</u> |
| | Shareholders' equity | | | | | |
| | Capital Stock | IV(XIV) | | | | |
| 3110 | Capital-common stock | | 10,396,223 | 14 | 10,396,223 | 14 |
| | Additional paid-in capital | | | | | |
| 3240 | Gain from assets disposed | | 5,082 | - | 5,082 | - |
| | Retained earnings | IV(XV) | | | | |
| 3310 | Legal reserve | | 4,618,579 | 6 | 4,046,004 | 6 |
| 3320 | Special reserve | | - | - | 4,660 | - |
| 3350 | Retained earnings-unappropriated | | 8,165,476 | 11 | 7,492,264 | 10 |
| | Other adjustments in SH's equity | | | | | |
| 3420 | Cumulative translation adjustment | | (51,877) | - | (236,654) | - |
| 3430 | Net loss not recognized as pension cost | | (132,771) | - | (55,515) | - |
| 3450 | Unrealized gain or loss on financial instrument | IV(IV) | (522,535) | (1) | (78,014) | - |
| 3460 | Unrealized revaluation gains | | 49,576 | - | 50,940 | - |
| 361X | Total shareholders' equity of the parent company | | <u>22,527,753</u> | <u>30</u> | <u>21,624,990</u> | <u>30</u> |
| 3610 | Minority Interests | | 3,721,394 | 5 | 3,422,120 | 5 |
| 3XXX | Total shareholders' equity | | <u>26,249,147</u> | <u>35</u> | <u>25,047,110</u> | <u>35</u> |
| | Commitment or contingency | V and VII | | | | |
| | Total Liabilities and Shareholders' Equity | | <u>\$ 75,146,999</u> | <u>100</u> | <u>\$ 71,226,676</u> | <u>100</u> |

Please refer to the notes to financial statements and the audit report dated May 3, 2012 by CPA Hsiao Chun-Yuan and Tseng Hui-Chin of PRICEWATERHOUSECOOPERS

Chairman: Kao Chin-Yen

President: Hsu Chun-Jen

Chief Accountant: Lai Hsin-Ti

President Chain Store Corp. and Subsidiaries

Consolidated Income Statement

January 1 ~ March 31, 2012 and 2011

(The 2012Q1 financial statements are reviewed but not audited in accordance with generally accepted auditing principle)

(The 2011Q1 financial statements are not reviewed and are for reference only)

Currency unit: NT\$1,000

(EPS: NT\$)

| Item | Note | January 1 ~ March 31, 2012 | | January 1 ~ March 31, 2011 | |
|---|---------------|----------------------------|----------------|----------------------------|----------------|
| | | Amount | % | Amount | % |
| Operating revenue | V | | | | |
| 4110 Sales revenue | | \$ 45,679,753 | 92 | \$ 41,111,538 | 93 |
| 4800 Other operating revenue | | 3,974,526 | 8 | 3,171,708 | 7 |
| 4000 Total operating revenue | | <u>49,654,279</u> | <u>100</u> | <u>44,283,246</u> | <u>100</u> |
| Operating cost | IV(III) and V | | | | |
| 5110 Cost of goods sold | | (32,525,984) | (65) | (28,363,929) | (64) |
| 5800 Operating Cost | | (2,299,857) | (5) | (1,899,651) | (4) |
| 5000 Total operating cost | | <u>(34,825,841)</u> | <u>(70)</u> | <u>(30,263,580)</u> | <u>(68)</u> |
| 5910 Gross profit | | <u>14,828,438</u> | <u>30</u> | <u>14,019,666</u> | <u>32</u> |
| Operating expenses | V | | | | |
| 6100 Selling expenses | | (10,567,912) | (21) | (9,872,727) | (22) |
| 6200 General & administrative expenses | | (2,167,042) | (5) | (1,953,885) | (5) |
| 6000 Total operating expenses | | <u>(12,734,954)</u> | <u>(26)</u> | <u>(11,826,612)</u> | <u>(27)</u> |
| 6900 Operating income | | <u>2,093,484</u> | <u>4</u> | <u>2,193,054</u> | <u>5</u> |
| Non-operating income | | | | | |
| 7110 Interest income | | 21,841 | - | 11,318 | - |
| 7140 Gain on disposal of investments | | 2,155 | - | 3,786 | - |
| 7210 Rental income | | 20,072 | - | 20,609 | - |
| 7480 Other income | | 390,821 | 1 | 310,610 | 1 |
| 7100 Total non-operating income | | <u>434,889</u> | <u>1</u> | <u>346,323</u> | <u>1</u> |
| Non-operating expenses | | | | | |
| 7510 Interest expenses | | (25,729) | - | (22,223) | - |
| 7521 investment loss recognized under equity method | IV (VI) | (4,901) | - | (15,526) | - |
| 7530 Loss on disposal of fixed assets | | (11,838) | - | (10,408) | - |
| 7630 Impairment losses | IV (V) | - | - | (31,892) | - |
| 7880 Other expenses | | (105,364) | - | (63,001) | (1) |
| 7500 Total non-operating expenses | | <u>(147,832)</u> | <u>-</u> | <u>(143,050)</u> | <u>(1)</u> |
| 7900 Income before tax | | <u>2,380,541</u> | <u>5</u> | <u>2,396,327</u> | <u>5</u> |
| 8110 Income Tax expenses | | (452,896) | (1) | (453,934) | (1) |
| 9600XX Net income | | <u>\$ 1,927,645</u> | <u>4</u> | <u>\$ 1,942,393</u> | <u>4</u> |
| Attributed to: | | | | | |
| 9601 Shareholders of the company | | \$ 1,722,228 | 4 | \$ 1,739,362 | 4 |
| 9602 Minority Interests | | 205,417 | - | 203,031 | - |
| | | <u>\$ 1,927,645</u> | <u>4</u> | <u>\$ 1,942,393</u> | <u>4</u> |
| | | (pre-tax) | (after tax) | (pre-tax) | (after tax) |
| Earnings per share | IV(XVI) | | | | |
| Basic earnings per share | | | | | |
| 9710 Net Income After Tax | | \$ 2.29 | \$ 1.86 | \$ 2.30 | \$ 1.87 |
| 9740AA Minority Interests | | (0.25) | (0.20) | (0.24) | (0.20) |
| 9750 Net Income: | | <u>\$ 2.04</u> | <u>\$ 1.66</u> | <u>\$ 2.06</u> | <u>\$ 1.67</u> |
| Diluted earnings per share | | | | | |
| 9810 Net Income After Tax | | \$ 2.29 | \$ 1.85 | \$ 2.30 | \$ 1.86 |
| 9840AA Minority Interests | | (0.25) | (0.20) | (0.24) | (0.19) |
| 9850 Net Income: | | <u>\$ 2.04</u> | <u>\$ 1.65</u> | <u>\$ 2.06</u> | <u>\$ 1.67</u> |

Please refer to the notes to financial statements and the audit report dated May 3, 2012 by CPA Hsiao Chun-Yuan and Tseng Hui-Chin of PRICEWATERHOUSECOOPERS

Chairman: Kao Chin-Yen

President: Hsu Chun-Jen

Chief Accountant: Lai Hsin-Ti

President Chain Store Corp. and Subsidiaries
Consolidated Statement of Cash Flow
January 1 ~ March 31, 2012 and 2011

(The 2012Q1 financial statements are reviewed but not audited in accordance with generally accepted auditing principle)
(The 2011Q1 financial statements are not reviewed and are for reference only)

Currency unit: NT\$1,000

| | January 1 ~ March 31, 2012 | | January 1 ~ March 31, 2011 |
|--|-------------------------------|---|-------------------------------|
| <u>Cash Flows From Operating Activities:</u> | | | |
| Net income | \$ 1,927,645 | | \$ 1,942,393 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Gain on valuation of financial asset | (9,991) | (| 4,274) |
| Uncollectible account | 1,078 | | 867 |
| Loss in inventory valuation (reversed gains) | (6,724) | (| 724 |
| Depreciation | 960,973 | | 904,329 |
| Financial assets measured at cost- impairment losses | - | | 31,892 |
| Accumulated depreciation – assets leased to other | 2,723 | | 2,723 |
| Amortization | 95,554 | | 114,729 |
| Investment losses valued with the Equity Method | 4,901 | | 15,526 |
| Net loss from the disposal of fixed assets | 11,838 | | 10,408 |
| Changes in assets and liabilities: | | | |
| Financial assets at fair value through income statement | 257,774 | | 3,825,051 |
| Accounts receivable | (1,429,866) | (| 1,302,461) |
| Other receivables | 462,250 | | 44,397 |
| Inventories | 344,891 | | 148,992 |
| Prepayments | (1,424,302) | (| 611,567) |
| Deferred income tax assets | (4,113) | (| 4,873) |
| Other current assets | (18,609) | (| 91,522) |
| Notes payable | (59,526) | (| 382,390 |
| Accounts payable | 1,141,587 | | 840,151 |
| Income tax payable | 353,837 | | 416,100 |
| Accrued expenses | (1,217,169) | (| 538,628) |
| Other accounts payable | (180,859) | (| 970,971 |
| Unearned receipts | 505,784 | | 462,283 |
| Accrued pension liabilities | (8,266) | (| 4,988) |
| Net cash provided by operating activities | 1,711,410 | | 7,555,613 |
| <u>Cash Flows From Investing Activities:</u> | | | |
| Restricted assets increased | - | (| 200,000) |
| Proceeds refunded for the invested company's de-capitalization valued at cost | - | | 33,333 |
| Purchase of fixed assets | (1,492,931) | (| 1,720,470) |
| Proceeds from disposal of fixed assets | 20,183 | | 22,153 |
| Increase in intangible assets | (23,052) | (| - |
| Decrease(Increase) in refundable deposits | 22,056 | (| 3,848) |
| Increase in other assets- other | 5,940 | | 11,825 |
| Net cash used by investing activities | (1,467,804) | (| 1,857,007) |

(To be continued)

President Chain Store Corp. and Subsidiaries
Consolidated Statement of Cash Flow
January 1 ~ March 31, 2012 and 2011

(The 2012Q1 financial statements are reviewed but not audited in accordance with generally accepted auditing principle)
(The 2011Q1 financial statements are not reviewed and are for reference only)

Currency unit: NT\$1,000

| | January 1 ~ March 31, 2012 | January 1 ~ March 31, 2011 |
|---|-------------------------------|-------------------------------|
| <u>Cash Flows From Financing Activities:</u> | | |
| Increase (decrease) in short-term loans | (\$ 226,012) | \$ 254,995 |
| Increase (decrease) in short-term notes and bills payable | 35,000 (| 146,919) |
| Increase in long-term liabilities | 1,928,652 | 3,526,257 |
| Repayment of long-term borrowings | (3,427,419) (| 5,038,508) |
| Decrease in Long-tem notes and accounts payable | (31,885) (| 13,819) |
| Increase in guarantee deposits received | 79,055 | 9,977 |
| Increase of minority Interest | (13,518) | 34,066 |
| Net cash outflow from financing activities | (1,656,127) | (1,373,951) |
| Accumulated effect of foreign exchange rate on financial statements | (74,983) | (15,287) |
| Cash and cash equivalents (decrease) increase | (1,487,504) | 4,309,368 |
| Beginning balance of cash and cash equivalents | 16,380,040 | 10,806,847 |
| Ended balance of cash and cash equivalents | \$ 14,892,536 | \$ 15,116,215 |
| <u>Supplement disclosures of cash flow information</u> | | |
| Interest paid | \$ 16,816 | \$ 14,677 |
| Income tax paid | \$ 67,330 | \$ 92,065 |
| <u>Investing activities of partial payment on cash</u> | | |
| Total payment for purchase of fixed assets | \$ 1,385,723 | \$ 1,108,457 |
| Add: beginning balance of account payable on equipment | 1,145,204 | 1,438,222 |
| Less: ended balance of account payable on equipment | (1,037,996) | (826,209) |
| | \$ 1,492,931 | \$ 1,720,470 |
| <u>Financing activities which doesn't impact cash flow</u> | | |
| Long-term borrowings – current portion | \$ 157,286 | \$ 153,172 |

Please refer to the notes to financial statements and the audit report dated May 3, 2012 by CPA Hsiao Chun-Yuan and Tseng Hui-Chin of PRICEWATERHOUSECOOPERS

Chairman: Kao Chin-Yen

President: Hsu Chun-Jen

Chief Accountant: Lai Hsin-Ti

President Chain Store Corp. and Subsidiaries
Notes to Consolidated financial statements
March 31, 2012 and 2011

(The Financial statements on March 31, 2012 are reviewed but not audited in accordance with generally accepted auditing principle)

(The Financial statements on March 31, 2011 are not reviewed and are for reference only)

Currency unit: NT\$1,000
(Except otherwise specified)

I. Company History

(I) The Company was incorporated on June 10, 1987 according to the Company Law of the Republic of China for the investment and business operation of chain stores, the retailing and trade of canned goods and books/newspaper/magazines, and the importing/exporting agency/distribution/trade of the aforementioned products. The Company's stock shares were authorized for listing and trade at Taiwan Stock Exchange in August 1997. There were 41,700 employees on the payroll of the Company on March 31, 2012.

(II) Uni-President Enterprises Corp. is the parent company and ultimate parent company of the Company.

II. Notes to principal accounting policy

In addition to follow the guideline of FSC (VI) No. 09600640020 dated November 15, 2007 of the Financial Supervisory Commission, Executive Yuan having the content of the consolidated financial statements simplified, the consolidated financial statements are prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and generally accepted accounting principle. The explanation of material accounting policies is same as that of Note II to the 2011 Consolidated Financial Statements.

(I) Consolidated financial statements basis of preparation

1. The accompany consolidated financial statements include invested companies where the Company holds over 50% voting stock shares directly or indirectly and the Company has the controlling interest which are prepared on a quarterly basis. The material transactions and assets and liabilities accounts of the Company and the merged subsidiaries are written off against each other.
2. The subsidiaries and the jointly controlled entities included in the consolidated financial statements are valued and disclosed in accordance with the unaudited financial statements.

(II) Subsidiaries in the consolidated financial statements and the operation of the subsidiaries:

| Name of investor | Name of subsidiary | Nature of business | Shareholding Ratio | | Remarks |
|------------------|---|---------------------------------|--------------------|----------------|---------|
| | | | March 31, 2012 | March 31, 2011 | |
| The Company | President Chain Store (BVI) Holdings Ltd. | Professional investment company | 100.00 | 100.00 | |
| The Company | PCSC (China) Limited | Professional investment company | - | 100.00 | (1) |
| The Company | PCSC (China) Drugstore Limited | Professional investment company | 100.00 | | -(1) |

| Name of investor | Name of subsidiary | Nature of business | Shareholding Ratio | | Remarks |
|------------------|---|---|--------------------|----------------|---------|
| | | | March 31, 2012 | March 31, 2011 | |
| The Company | Wisdom Distribution Service Corp. | Logistics of Magazines | 100.00 | 100.00 | |
| The Company | President Drugstore Business Corp. | Retailing of medicines and daily items | 100.00 | 100.00 | |
| The Company | Ren-Hui Investment Corp. | Professional investment company | 100.00 | 100.00 | |
| The Company | Capital Inventory Services Corp. | Management consulting | 100.00 | 100.00 | |
| The Company | President YiLan Art and Culture Corp. | Art and cultural exhibition | 100.00 | 100.00 | |
| The Company | Cold Stone Creamery Taiwan Ltd. | Ice cream stores | 100.00 | 100.00 | |
| The Company | President Chain Store Corporation Insurance Brokers Co., Ltd. (formerly known as President FN Business Corp.) | Life and property insurance | 100.00 | 100.00 | |
| The Company | 21 Century Enterprise Co., Ltd. | Chain restaurants | 100.00 | 100.00 | |
| The Company | President Being Corp. | Sports | 100.00 | 100.00 | |
| The Company | Uni-President Oven Bakery Corp. | Bread and pastry retailer | 100.00 | 100.00 | |
| The Company | President Chain Store Tokyo Marketing Corporation | Management consulting | 100.00 | 100.00 | |
| The Company | President Musashino Corp. | Foods industry | 90.00 | 70.00 | |
| The Company | Q-ware Systems & Services Corp. | Business management consulting services | 86.76 | 86.76 | |
| The Company | President Information Corp. | Business management consulting services | 86.00 | 56.00 | |
| The Company | President SATO Co., Ltd. | Dietary | 81.00 | 81.00 | |
| The Company | Mech-President Corp. | Gas station and elevator | 80.87 | 80.87 | |

| Name of investor | Name of subsidiary | Nature of business | Shareholding Ratio | | Remarks |
|---|--|--|--------------------|----------------|---------|
| | | | March 31, 2012 | March 31, 2011 | |
| | | installation | | | |
| The Company | President Pharmaceutical Corp. | Wholesaling and retailing of drugs | 73.74 | 73.74 | |
| The Company | President Collect Services Co., Ltd. | Bill collection service | 70.00 | 70.00 | |
| The Company | Uni-President Department Store Corp. | Department stores | 70.00 | 70.00 | |
| The Company | President Transnet Corp. | Delivery service | 70.00 | 70.00 | |
| The Company | Pet Plus Co., Ltd. | Pet Beauty Shop | 70.00 | 70.00 | |
| The Company | Uni-President Cold-Chain Corp. | Low-temperature foods logistics including frozen foods | 60.00 | 60.00 | |
| The Company | Bank Pro E-Service Technology Co., Ltd. | Business management consulting services | 53.33 | 53.33 | |
| The Company | Duskin Serve Taiwan Co. | Selling and renting of cleaning instruments | 51.00 | 51.00 | |
| The Company | Afternoon Tea Taiwan Co., Ltd. | Dietary | 51.00 | 51.00 | |
| The Company | Books.com. Co., Ltd. | Online bookstore | 50.03 | 50.03 | |
| The Company | Muji (Taiwan) Co., Ltd. | Department store retailing | 51.00 | 41.00 | (2) |
| The Company | Retail Support International Corp. | | 25.00 | 25.00 | (2) |
| President Chain Store (BVI) Holdings Ltd. | President Chain Store (Labuan) Holdings Ltd. | Professional investment company | 100.00 | 100.00 | |
| President Chain Store (BVI) Holdings Ltd. | President Chain Store (Hong Kong) Holdings Limited | Professional investment company | 100.00 | 100.00 | |
| President Chain Store (BVI) Holdings Ltd. | PCSC (Vietnam) Supermarket Ltd. | Supermarkets | 51.00 | 51.00 | |
| PCSC (China) Limited | PCSC (China) Supermarket Limited | Professional investment company | - | 100.00 | (1) |
| PCSC (China) Limited | PCSC (China) Drugstore Limited | Professional investment | - | 100.00 | (1) |

| Name of investor | Name of subsidiary | Nature of business | Shareholding Ratio | | Remarks |
|--|--|--|--------------------|----------------|---------|
| | | | March 31, 2012 | March 31, 2011 | |
| | | company | | | |
| PCSC (China) Drugstore Limited | President Cosmed Chain Store (Shen Zhen) Co., Ltd. | Retailing of medicines and daily items | 65.00 | 65.00 | |
| Wisdom Distribution Service Corp. | President Logistics International Corp. | Trucking | 20.00 | 20.00 | |
| Wisdom Distribution Service Corp. | Vision Distribution Service Corp. | Publisher | 60.00 | 60.00 | |
| Uni-President Cold-Chain Corp. | President Logistics International Corp. | Trucking | 20.00 | 25.00 | |
| Uni-President Cold-Chain Corp. | Uni-President Logistics (BVI) Holdings Limited | Professional investment company | 100.00 | 100.00 | |
| Retail Support International Corp. | Retail Support Taiwan Corp. | Foods room temperature logistics & delivery | 51.00 | 51.00 | |
| Retail Support International Corp. | President Logistics International Corp. | Trucking | 49.00 | 49.00 | |
| Retail Support Taiwan Corp. | President Logistics International Corp. | Trucking | 6.00 | 6.00 | |
| President Logistics International Corp. | Chieh-Shuen Logistics International Corp. | Trucking | 100.00 | 100.00 | |
| Duskin Serve Taiwan Co. | Duskin China (BVI) Holdings Limited | Professional investment company | 100.00 | 100.00 | |
| Mech-President Corp. | Safety Elevator Corp. | Elevator installation and repair and maintenance | 100.00 | 100.00 | |
| Mech-President Corp. | President Jing Corp. | Gas station and other Automobile services | 60.00 | 60.00 | |
| President Pharmaceutical Corp. | President Pharmaceutical (Hong Kong) Holdings Limited. | Professional investment company | 100.00 | 100.00 | |
| President Pharmaceutical (Hong Kong) Holdings Limited. | U-Presid China (Shanghai) | Merchandiser | 100.00 | 100.00 | |
| President Cosmed Chain Store (Shen Zhen) | Shenzhen Cosmed-Livzon Pharmacy | Retailing of medicines and | 100.00 | 100.00 | |

| Name of investor | Name of subsidiary | Nature of business | Shareholding Ratio | | Remarks |
|--|---|---------------------------------|--------------------|----------------|---------|
| | | | March 31, 2012 | March 31, 2011 | |
| Co., Ltd. | Chain Store Co., Ltd. | daily items | | | |
| President Chain Store (Labuan) Holdings Ltd. | Philippine Seven Corporation | Chain store operation | 56.59 | 56.59 | |
| Philippine Seven Corporation | Convenience Distribution Corporation | Logistics & delivery | 100.00 | 100.00 | |
| President Chain Store (Hong Kong) Holdings Limited | President Chain Store (Shanghai) Ltd. | Chain store operation | 100.00 | 100.00 | |
| President Chain Store (Hong Kong) Holdings Limited | Shanghai President Logistic Co., Ltd. | Logistics & delivery | 100.00 | 100.00 | |
| President Chain Store (Hong Kong) Holdings Limited | Wuhan Uni-President Oven Fresh Bakery Co., Ltd. | Bread and pastry retailer | 100.00 | 100.00 | |
| President Chain Store (Hong Kong) Holdings Limited | PCSC Afternoon Tea Cayman Ltd. | Professional investment company | 51.00 | 51.00 | |
| President Chain Store (Hong Kong) Holdings Limited | Shan Dong President Yinzuo Commercial Limited | Supermarkets | 55.00 | 55.00 | (1) |
| President Chain Store (Hong Kong) Holdings Limited | PCSC (Sichuan) Hypermarket Limited | Supermarkets | 100.00 | 100.00 | |
| President Chain Store (Hong Kong) Holdings Limited | PCSC (Chengdu) Hypermarket Limited | Supermarkets | 100.00 | 100.00 | |
| President Chain Store (Hong Kong) Holdings Limited | Shanghai Cold Stone Ice Cream Corporation | Ice cream stores | 100.00 | 100.00 | |
| President Chain Store (Hong Kong) Holdings Limited | Sato (Shanghai) Catering Mathematics Co., Ltd. | Dietary | 81.00 | 81.00 | |
| President Chain Store (Hong Kong) Holdings Limited | President Royal Host (Shanghai) Ltd. | Dietary | 51.00 | 51.00 | |
| PCSC Afternoon Tea Cayman Ltd. | PCSC Afternoon Tea Shanghai Ltd. | Dietary | 100.00 | 100.00 | |

- (1) The Company had the organizational structure adjusted in 2011 with the equity of PCSC (China) Drugstore Limited held by PCSC (China) Limited transferred to the Company. The equity of Shan Dong President Yinzuo Commercial Limited held by PCSC (China) Supermarket Limited was transferred to President Chain Store (Hong Kong) Holdings Limited. PCSC (China) Limited and PCSC (China) Supermarket Limited were both liquidated.
- (2) The Company controls the finance, operation, and human resources policy of Retail Support International Corp. and Muji (Taiwan) Co., Ltd.; therefore, they are deemed as subsidiaries of the Company and are included in the consolidated

financial statements according to Statements of Financial Accounting Standards No. 7 “Consolidated Financial Statements”. The Company increased its holdings in (Muji) Taiwan Co., Ltd. in FY2011.

(III) Syndicate controlled business entities in the consolidated financial statements

The company and subsidiaries are the controllers of the joint ventures as follows:

| Name of investor | Names of the joint venture companies | Nature of business | Shareholding Ratio | | Remarks |
|--|---|---------------------------------|--------------------|----------------|---------|
| | | | March 31, 2012 | March 31, 2011 | |
| The Company | Mister Donut Taiwan Corp. | Bread and pastry retailer | 50.00 | 50.00 | |
| The Company | President Coffee Corp. | Coffee chain store | 30.00 | 30.00 | |
| The Company | Uni-President Yellow Hat Corp. | Automobile stores | - | 30.00 | (1) |
| President Chain Store (Hong Kong) Holdings Limited | Mister Donut Shanghai Co., Ltd. | Bread and pastry retailer | 50.00 | 50.00 | |
| President Chain Store (Hong Kong) Holdings Limited | President Coffee (Cayman) Holdings Ltd. | Professional investment company | 30.00 | 30.00 | |
| President Coffee (Cayman) Holdings Ltd. | Shanghai President Starbucks Coffee Corp. | Coffee chain store | 100.00 | 100.00 | |
| Uni-President Logistics (BVI) Holdings Limited | Zhejiang Uni-Champion Logistics Development Co., Ltd. | Logistics & delivery | 50.00 | 50.00 | |

- (1) The Company sold entire equity interest in 2011 with the gain and loss of the invested company excluded from the consolidated income statement then.
 - (2) The Company had included the invested companies referred to above in the consolidated financial statements by account titles in accordance with their audited financial statements proportionally and the SFAS No. 31 "Interests in Joint Ventures".
- (IV) Subsidiaries that are included in the consolidated financial statements: None.
- (V) Adjustment and process of the different fiscal period of subsidiaries: None.
- (VI) Special risk faced by offshore subsidiaries in business operation: No significant special risk in existence.
- (VII) The nature and level of restriction on capability of subsidiaries in transferring fund to parent company: None.
- (VIII) The securities of parent company held by the subsidiaries: None.
- (IX) Issuance of convertible bond and stock shares by subsidiaries: Subsidiaries did not issue convertible bond and stock shares that affected the shareholder’s equity of the Company.

III. Reasons and effect of change in accounting principle

(I) Accounts receivable, Other receivables

The Company and its subsidiaries have adopted the newly amended Statements of Financial Accounting Standards No. 34 "Financial Instruments: Recognition and Measurement" since January 1, 2011, to have the claims of notes and accounts receivable and other receivables that are with objective evidence of impairment recognized as impairment loss (bad debts). The said accounting principle change does not significantly affect the company's and subsidiary's 2011Q1 consolidated net income and earnings per share.

(II) Operating segment

The Company has adopted the newly published Statements of Financial Accounting Standards No. 41 "Operating Segments" since January 1, 2011 to replace the primary Statements of Financial Accounting Standards No. 20 "Accounting for Segment Information Disclosures." The Company for the first time, when applicable, has the departmental information of prior year restated in accordance with the Standards. The change in accounting principle did not affect the consolidated net income and earnings per share of the Company and its subsidiaries in 2011Q1.

IV. Notes to major account titles

(I) Cash and cash equivalence

| | <u>March 31, 2012</u> | <u>March 31, 2011</u> |
|--|-----------------------|-----------------------|
| Cash on hand and petty cash for stores | \$ 2,353,268 | \$ 714,078 |
| Current account deposits and checking account deposits | 5,711,143 | 4,298,194 |
| Deposit account | 2,690,675 | 1,844,296 |
| Cash equivalence | | |
| Short term bills | <u>4,137,450</u> | <u>8,259,647</u> |
| | <u>\$ 14,892,536</u> | <u>\$ 15,116,215</u> |

(II) Financial assets-current-whose changes in fair value are recognized in earnings

| | <u>March 31, 2012</u> | <u>March 31, 2011</u> |
|-----------------------------------|-----------------------|-----------------------|
| Financial assets held for trading | | |
| Open-ended funds | \$ 7,261,042 | \$ 6,318,147 |
| Valuation Adjustment | <u>11,766</u> | <u>4,984</u> |
| | <u>\$ 7,272,808</u> | <u>\$ 6,323,131</u> |

The Company and subsidiaries had recognized net income for an amount of \$11,607 and \$4,984 in 2012 and 2011, respectively.

(III) Inventories

| | <u>March 31, 2012</u> | <u>March 31, 2011</u> |
|--|-----------------------|-----------------------|
| Merchandise | \$ 10,082,757 | \$ 9,060,170 |
| Raw materials and physical materials and work-in-process goods | <u>166,085</u> | <u>128,425</u> |
| | 10,248,842 | 9,188,595 |
| Less: Allowance to reduce inventory to market | <u>(118,034)</u> | <u>(78,621)</u> |
| | <u>\$ 10,130,808</u> | <u>\$ 9,109,974</u> |

Inventory expenses and loss recognized in the year:

| | January 1 ~ March 31, 2012 | January 1 ~ March 31, 2011 |
|--------------------|-------------------------------|-------------------------------|
| Cost of goods sold | \$ 32,055,970 | \$ 27,966,391 |
| Defective products | 390,521 | 325,707 |
| Loss on valuation | 6,724 | 6,666 |
| Others | <u>72,769</u> | <u>65,165</u> |
| | <u>\$ 32,525,984</u> | <u>\$ 28,363,929</u> |

(IV) Financial assets in available-for-sale – non current

| | March 31, 2012 | March 31, 2011 |
|------------------------|---------------------|---------------------|
| Listed company's stock | \$ 1,620,498 | \$ 1,620,498 |
| Valuation Adjustment | (510,868) | (78,014) |
| | <u>\$ 1,109,630</u> | <u>\$ 1,542,484</u> |

(V) Financial assets at cost noncurrent -noncurrent

| | March 31, 2012 | March 31, 2011 |
|---------------------------------|---------------------|---------------------|
| Stocks with no public quotation | \$ 10,278,335 | \$ 10,623,026 |
| Less: accumulated impairment | (2,529,179) | (1,987,517) |
| Total | <u>\$ 7,749,156</u> | <u>\$ 8,635,509</u> |

1. The holding of the Company and the subsidiaries are booked at the cost since there is no public quotation available and no reliable fair value for reference.
2. Some financial assets valued at the cost of the Company and subsidiaries in 2011Q1 were confirmed with impairment and without possibility of recovery; therefore, impairment loss of \$31,892 was recognized.

(VI) Long-term investments (Equity method)

| | March 31, 2012 | | March 31, 2011 | |
|-----------------------------------|-------------------|---------------------|-------------------|---------------------|
| | Amount | Shareholding (%) | Amount | Shareholding (%) |
| <u>Investees</u> | | | | |
| President Development Corp. | \$ 610,382 | 20.00 | \$ 586,900 | 20.00 |
| Tien Tsuan Direct Marketing Corp. | 80,699 | 30.00 | - | - |
| President Organics Corp. and etc. | <u>73,084</u> | 36.67~ 49.00 | <u>79,511</u> | 36.67~ 49.00 |
| | <u>\$ 764,165</u> | | <u>\$ 666,411</u> | |

The Company and subsidiaries had recognized long-term equity investment loss valued with Equity Method in 2012Q1 and 2011Q1 for an amount of \$4,901 and \$15,526, which was valued and disclosed in accordance with the unaudited financial statements of the invested company.

(VII) Investment of joint venture

The company's investment ratio in the joint venture by account title is as follows. Please refer to Note II (III) for the investment object of the joint venture in details.

| | January 1 ~ March 31, 2012 | January 1 ~ March 31, 2011 |
|---------------------|-------------------------------|-------------------------------|
| Current assets | \$ 1,111,991 | \$ 846,660 |
| Noncurrent assets | \$ 655,434 | \$ 517,468 |
| Current liabilities | \$ 761,208 | \$ 590,286 |
| Income | \$ 1,073,791 | \$ 796,110 |
| Cost and expense | \$ 872,359 | \$ 684,744 |

(VIII) Fixed assets

| Assets | March 31, 2012 | | | | |
|--|----------------------|---------------------------|-----------------------------|---------------------------|----------------------|
| | Initial cost | Revaluation increments | Accumulated depreciation | Accumulated impairment | Book value |
| Land | \$ 2,208,137 | \$ - | \$ - | \$ - | \$ 2,208,137 |
| Building | 3,068,015 | 55,374 | (1,070,985) | - | 2,052,404 |
| Transportation equipment | 3,667,794 | - | (2,239,099) | - | 1,428,695 |
| Operating equipment | 18,249,728 | - | (12,351,710) | (60,070) | 5,837,948 |
| Lease improvement | 10,986,177 | - | (6,061,776) | (3,943) | 4,920,458 |
| Other equipment | 3,853,212 | - | (2,160,347) | (26,101) | 1,666,764 |
| Construction in progress and prepayments for equipment | 1,005,829 | - | - | - | 1,005,829 |
| | <u>\$ 43,038,892</u> | <u>\$ 55,374</u> | <u>(\$ 23,883,917)</u> | <u>(\$ 90,114)</u> | <u>\$ 19,120,235</u> |

| Assets | March 31, 2011 | | | | |
|-----------------------------|----------------|---------------------------|-----------------------------|---------------------------|--------------|
| | Initial cost | Revaluation increments | Accumulated depreciation | Accumulated impairment | Book value |
| Land | \$ 2,207,670 | \$ - | \$ - | \$ - | \$ 2,207,670 |
| Building | 2,819,028 | 55,374 | (910,853) | - | 1,963,549 |
| Transportation equipment | 3,018,015 | - | (2,029,907) | - | 988,108 |
| Operating equipment | 17,335,828 | - | (11,905,925) | (1,328) | 5,428,575 |
| Lease improvement | 10,042,110 | - | (5,851,652) | (8,395) | 4,182,063 |
| Other equipment | 3,688,973 | - | (1,920,812) | (1,172) | 1,766,989 |

| | | | | | |
|--|----------------------|------------------|------------------------|--------------------|----------------------|
| Construction in progress and prepayments for equipment | 320,645 | - | - | - | 320,645 |
| | <u>\$ 39,432,269</u> | <u>\$ 55,374</u> | <u>(\$ 22,619,149)</u> | <u>(\$ 10,895)</u> | <u>\$ 16,857,599</u> |

(IX) Assets leased to others

| | March 31, 2012 | | |
|----------|---------------------|--------------------------|-------------------|
| | Initial cost | Accumulated depreciation | Book value |
| Land | \$ 726,554 | \$ - | \$ 726,554 |
| Building | 309,556 | (76,843) | 232,713 |
| | <u>\$ 1,036,110</u> | <u>(\$ 76,843)</u> | <u>\$ 959,267</u> |

| | March 31, 2011 | | |
|----------|---------------------|--------------------------|-------------------|
| | Initial cost | Accumulated depreciation | Book value |
| Land | \$ 726,554 | \$ - | \$ 726,554 |
| Building | 309,556 | (67,098) | 242,458 |
| | <u>\$ 1,036,110</u> | <u>(\$ 67,098)</u> | <u>\$ 969,012</u> |

(X) Short-term debt

| | March 31, 2012 | March 31, 2011 |
|---------------------------|---------------------|---------------------|
| Credit loan | \$ 1,900,571 | \$ 1,205,562 |
| Collateralized borrowings | 633,000 | 510,020 |
| | <u>\$ 2,533,571</u> | <u>\$ 1,715,582</u> |
| Interest interval | <u>0.97%~7.62%</u> | <u>0.87%~12.5%</u> |

(XI) Accrued expenses

| | March 31, 2012 | March 31, 2011 |
|--|---------------------|---------------------|
| Payable salaries and bonuses | \$ 2,018,920 | \$ 1,991,290 |
| Payable incentives for franchisee | 538,181 | 482,211 |
| Bonus payable to employees and remuneration payable to directors and supervisors | 607,234 | 567,504 |
| Labor insurance and health insurance premiums payable | 220,986 | 165,893 |
| Accrued pension liabilities | 117,477 | 103,597 |
| Payable fees for system development and maintenance | 32,566 | 45,194 |
| Other accrued expenses | 1,640,320 | 1,690,523 |
| | <u>\$ 5,175,684</u> | <u>\$ 5,046,212</u> |

(XII) Other accounts payable

| | March 31, 2012 | March 31, 2011 |
|-----------------|----------------|----------------|
| Bill collection | \$ 6,771,154 | \$ 6,119,888 |

| | | |
|---|---------------------|---------------------|
| Payable for acquisition of fixed assets | 1,037,996 | 826,209 |
| Collections of accounts receivable | 373,795 | 522,450 |
| Others | 1,281,062 | 1,578,106 |
| | <u>\$ 9,464,007</u> | <u>\$ 9,046,653</u> |

(XIII) Long-term debt payable

| | <u>March 31, 2012</u> | <u>March 31, 2011</u> |
|-----------------------|-----------------------|-----------------------|
| Credit loan | \$ 1,890,000 | \$ 3,500,000 |
| Guaranteed loan | 156,145 | 116,176 |
| Other long-term loans | 288,000 | 303,000 |
| | <u>2,334,145</u> | <u>3,919,176</u> |
| Less: Current portion | (43,666) | (34,990) |
| | <u>\$ 2,290,479</u> | <u>\$ 3,884,186</u> |
| Annual Interest rate | <u>0%~2.88%</u> | <u>0%~2.355%</u> |

1. The credit loan of the company is for a period of 2~3 years; also, the company may have the credit loan applied cyclically within the scope of the total loan amount.
2. The said other long-term loans are interest-free loans to Mech-President Corp., the subsidiary to China Petroleum Corporation as working capital.

(XIV) Capital Stock

The Company's authorized capital stock as of March 31, 2012 and 2011 amounted to \$10,500,000, respectively, representing 1,050,000,000 shares at NT\$10 par value each. The shares issued and outstanding were 1,039,622,255 shares.

(XV) Retained earnings

1. According to the Company's original Articles of Association, appropriates 10% of the annual earnings after paying all the taxes and losses as legal reserve. Also, appropriates special surplus for an amount equivalent to the amount debited to shareholders' equity of the year. The reversal of the amount debited to shareholders' equity in the subsequent years shall be transferred to the annual earnings of the year for distribution. The board of directors is to propose a plan for the distribution of the accumulated distributable earnings including the earnings of the year and the unappropriated retained earnings in the shareholders' meeting for a resolution. The distribution of the Company's accumulated distributable earnings is resolved in the shareholder's meeting as follows: Remunerations to directors and supervisors is for 1% of the annual earnings, bonuses to employees shall not be less than 0.2% of the annual earnings, shareholders' dividends and bonuses is for 80%~100% of the accumulated distributable earnings after paying remunerations to directors and supervisors and bonuses to employees, in which, 50%~100% is paid with cash dividend and the remaining amount is unappropriated earnings.

A resolution was reached in the shareholder's meeting on June 22, 2011 having the Company's Articles of Association modified with the remunerations to directors and supervisors increased from 1 % of the annual earnings to 2% of the annual earnings.

2. Legal surplus is used only for offsetting losses and distributing stock dividend or cash prorated to shareholdings, provided that the distributed stock dividend and cash is limited to 25% of the amount the legal surplus exceeding the paid-in capital.
3. In accordance with applicable laws and regulations, a special reserve must be made

from after-tax earnings in the current year equivalent to the debit balance of any account shown in shareholders' equity. The special reserve may be appropriated to the extent that the net debit balance is reversed upon approval of shareholders' meeting.

4. The 2011 annual earnings distribution proposal proposed by the Board of Directors on March 21, 2012, and the 2010 annual earnings distribution proposal resolved in the Shareholders Meeting on June 22, 2011, are as follows:

| | 2011 | | 2010 | |
|--|---------------------|---------------|---------------------|---------------|
| | Amount | EPS (NT\$) | Amount | EPS (NT\$) |
| Legal reserve | \$ 635,241 | | \$ 572,575 | |
| Special reserve (Reverse) | 768,822 | | (4,660) | |
| Cash dividends | 4,990,187 | \$ 4.80 | 5,094,149 | \$ 4.90 |
| Cash bonus to employees | 296,901 | | 309,471 | |
| Remuneration to directors and supervisors | 98,967 | | 51,578 | |
| Total | <u>\$ 6,790,118</u> | | <u>\$ 6,023,113</u> | |

The 2011 annual earnings distribution proposal referred to above had not yet been resolved in the Shareholders Meeting on May 3, 2012.

For the aforementioned 2010 annual earnings distribution proposal resolved in the Shareholders Meeting, in which, the bonus to employees and remuneration to directors and supervisors are consistent with the amount recognized in the 2010 financial statements.

5. The Company had recognized bonus to employees in 2012Q1 and 2011Q1 for an amount of \$99,694 and \$97,251; also, remuneration to directors and supervisors for an amount of \$33,231 and \$16,208 in accordance with the net income of 2012Q1 and 2011Q1, the factor of legal reserve, the actual distribution in prior periods, and the percentage of distribution defined in the Articles of Association (estimated as 6% and 2%, respectively). For the information related to the dividend to employees and remuneration to directors and supervisors approved by the Board of Directors and resolved in the Shareholders Meeting, please visit the "Market Observation Post System" of Taiwan Stock Exchange.

(XVI) Earnings per share

| | January 1 ~ March 31, 2012 | | | EPS | |
|--|----------------------------|---------------------|---|---------------|---------------|
| | Amount | | Weighted average outstanding shares (,000 shares) | (Unit: NT\$) | |
| | (pre-tax) | (after tax) | | (pre-tax) | (after tax) |
| Basic earnings (losses) per share | \$ 2,125,253 | \$ 1,722,228 | 1,039,622 | <u>\$2.04</u> | <u>\$1.66</u> |
| Impact of common stock with potential dilution on employee's bonus | - | - | 2,511 | | |
| Diluted earnings per share | <u>\$ 2,125,253</u> | <u>\$ 1,722,228</u> | <u>1,042,133</u> | <u>\$2.04</u> | <u>\$1.65</u> |

| | January 1 ~ March 31, 2011 | | | EPS | |
|--|----------------------------|---------------------|---|---------------|---------------|
| | Amount | | Weighted average outstanding shares (,000 shares) | (Unit: NT\$) | |
| | (pre-tax) | (pre-tax) | | (pre-tax) | (after tax) |
| Basic earnings (losses) per share | \$ 2,144,802 | \$ 1,739,362 | 1,039,622 | <u>\$2.06</u> | <u>\$1.67</u> |
| Impact of common stock with potential dilution on employee's bonus | - | - | 3,270 | | |
| Diluted earnings per share | <u>\$ 2,144,802</u> | <u>\$ 1,739,362</u> | <u>1,042,892</u> | <u>\$2.06</u> | <u>\$1.67</u> |

The option for stock dividend has been made available as a bonus to employees; therefore, bonus to employees is paid with stock dividend for the computation of earnings per share. The diluted earnings per share are computed in accordance with the common stock with potential dilution on employee's bonus and the weighted average outstanding stock shares. The basic earnings per share are computed in accordance with the common stock shares available for distribution in prior year resolved in the shareholder's meeting included in the weighted average outstanding stock shares.

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. | Parent company |
| Presco Netmarketing Inc. | A subsidiary of Uni-President Enterprises Corp. |
| President Development Corp. | " |
| Uni-President Dream Parks Corp. | " |
| President Baseball Team Corp. | " |
| President Fair Development Corp. | " |
| President Tokyo Corp. | " |
| Tung Ang Enterprises Corp. | Secondary subsidiary of Uni-President Enterprises Corp. |
| Tung Guan Enterprises Co., Ltd. | " |

| | |
|--|--|
| Lien Bo Enterprises Corp. | // |
| President Packaging Corp. | Investees of Uni-President Enterprises Corp. under the Equity Method |
| Kuang Chuan Dairy Co., Ltd. | // |
| Kanh Na Hsiung Enterprise Co., Ltd. | // |
| Tait Marketing & Distribution Co., Ltd. | // |
| Tung Chang Enterprises Corp. | Investees of subsidiary of Uni-President Enterprises Corp. under the Equity Method |
| Wine-Well International Corp. | // |
| President Technology Corp. | The Company is a director |
| Q-ware Communications Co., Ltd. | // |
| Weilih Foods Industrial Co., Ltd. | One of the Company's directors is Chairman of this company |
| President Organics Corp. | Investees of the Company under the Equity Method |
| Hi-life International Co., Ltd. | Investees of Kuang Chuan Dairy Co., Ltd. under the Equity Method |
| Cayenne Entertainment Technology Co., Ltd. | An affiliate of the Company is the company's director |

(II) Major transactions with related parties

1. Sales

| | <u>January 1 ~ March 31, 2012</u> | | <u>January 1 ~ March 31, 2011</u> | |
|----------------------------------|-----------------------------------|---|-----------------------------------|---|
| | Amount | Ratio to the total purchase amount (net) of President Chain Store Corp. | Amount | Ratio to the total purchase amount (net) of President Chain Store Corp. |
| Wine-Well International Corp. | \$ - | - | \$ 68,988 | - |
| Hi-life International Co., Ltd. | 63,725 | - | 50,645 | - |
| Uni-President Dream Parks Corp. | 22,343 | - | 32,087 | - |
| President Fair Development Corp. | 35,945 | - | 31,990 | - |
| Uni-President Enterprises Corp. | 17,963 | - | 17,590 | - |
| Others | 29,491 | - | 45,902 | - |
| | <u>\$ 169,467</u> | <u>-</u> | <u>\$ 247,202</u> | <u>-</u> |

The aforementioned transactions with related party are processed in accordance with general sales terms and conditions.

2. Other operating revenue

| | <u>January 1 ~ March 31, 2012</u> | | <u>January 1 ~ March 31, 2011</u> | |
|---------------------------------|-----------------------------------|------------|-----------------------------------|------------|
| | <u>Amount</u> | <u>(%)</u> | <u>Amount</u> | <u>(%)</u> |
| Uni-President Enterprises Corp. | \$ 126,198 | 6 | \$ 110,782 | 6 |
| Presco Netmarketing Inc. | 97,742 | 4 | 65,319 | 4 |
| Others | 47,674 | 12 | 35,738 | 2 |
| | <u>\$ 271,614</u> | <u>22</u> | <u>\$ 211,839</u> | <u>12</u> |

3. Purchase (net of purchase incentives)

| | <u>January 1 ~ March 31, 2012</u> | | <u>January 1 ~ March 31, 2011</u> | |
|--|-----------------------------------|--|-----------------------------------|--|
| | <u>Amount</u> | <u>Ratio to the total purchase amount (net) of the Company</u> | <u>Amount</u> | <u>Ratio to the total purchase amount (net) of the Company</u> |
| Uni-President Enterprises Corp. | \$ 3,145,667 | 10 | \$ 2,951,812 | 10 |
| Tung Ang Enterprises Corp. | 520,482 | 2 | 509,771 | 2 |
| Lien Bo Enterprises Corp. | 197,950 | 1 | 185,467 | 1 |
| Cayenne Entertainment Technology Co., Ltd. | 121,599 | - | 98,383 | - |
| Others | 610,893 | 2 | 522,057 | 2 |
| | <u>\$ 4,596,591</u> | <u>15</u> | <u>\$ 4,267,490</u> | <u>15</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.

4. Operating expenses

| | <u>January 1 ~ March 31, 2012</u> | | <u>January 1 ~ March 31, 2011</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>Rental expenditures</u> | | | | |
| President Development Corp. | \$ 110,778 | 5 | \$ 145,126 | 6 |
| President Fair Development Corp. | 22,285 | 1 | 20,789 | 1 |
| Uni-President Enterprises Corp. | 19,033 | 1 | 18,739 | 1 |
| Others | 14,672 | 1 | 15,256 | 1 |
| | <u>\$ 166,768</u> | <u>8</u> | <u>\$ 199,910</u> | <u>9</u> |

5. Receivable (payable to) from related parties

| | <u>January 1 ~ March 31, 2012</u> | | <u>January 1 ~ March 31, 2011</u> | |
|----------------------------------|-----------------------------------|---|-----------------------------------|---|
| | Amount | Percentage of the amount under the same account title | Amount | Percentage of the amount under the same account title |
| <u>Accounts receivable</u> | | | | |
| Uni-President Enterprises Corp. | \$ 56,790 | 1 | \$ 41,188 | 1 |
| Hi-life International Co., Ltd. | 40,299 | 1 | 37,045 | 1 |
| Wine-Well International Corp. | - | - | 45,090 | 1 |
| Others | 72,253 | 3 | 68,993 | 2 |
| | <u>\$ 169,342</u> | <u>5</u> | <u>\$ 192,316</u> | <u>5</u> |
| | | | | |
| | <u>March 31, 2012</u> | | <u>March 31, 2011</u> | |
| | 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. | \$ 124,888 | 9 | \$ 122,639 | 7 |
| Presco Netmarketing Inc. | 15,894 | 1 | 16,005 | 1 |
| Others | 15,849 | 1 | 12,864 | 1 |
| | <u>\$ 156,631</u> | <u>11</u> | <u>\$ 151,508</u> | <u>9</u> |
| | | | | |
| <u>Note and account payables</u> | | | | |
| Uni-President Enterprises Corp. | \$ 1,683,171 | 8 | \$ 1,396,756 | 8 |
| Tung Ang Enterprises Corp. | 218,888 | 1 | 229,775 | 1 |
| President Tokyo Corp. | 111,414 | 1 | 77,973 | - |
| Lien Bo Enterprises Corp. | 96,312 | - | 94,438 | 1 |
| Others | 483,418 | 2 | 484,473 | 3 |
| | <u>\$ 2,593,203</u> | <u>12</u> | <u>\$ 2,283,415</u> | <u>13</u> |

6. Property trade

President Transnet Corp., President Logistics International Corp., and Chieh-Shuen Logistics International Corp., the subsidiaries, purchased transportation equipment from the related party with installment payment for a period of 5 years. The installment payable up to March 31, 2012 and 2011 is as follows:

| | <u>March 31, 2012</u> | <u>March 31, 2011</u> |
|---------------------------------|-----------------------|-----------------------|
| President Tokyo Corp. | \$ 263,256 | \$ 257,597 |
| Discount of installment payable | (7,349) | (14,400) |
| Net amount | 255,907 | 243,197 |
| Less: Current portion | (113,620) | (118,182) |
| | <u>\$ 142,287</u> | <u>\$ 125,015</u> |

The aforementioned long-term installment payable must be paid accordingly before December 2016.

7. Commitment

The duration of the lease contract for operating offices signed by the Company and its subsidiaries with related parties is 5-10 years. The payment of rental is handled in accordance with the signed lease contract. As of March 31, 2011, estimated rentals payable in future years are as follows:

| <u>Lease term</u> | <u>Total rents</u> |
|-----------------------------|---------------------|
| April 1 ~ December 31, 2012 | \$ 270,656 |
| 2013 | 360,875 |
| 2014 | 360,875 |
| 2015 | 360,875 |
| 2016 | 380,875 |
| 2017 and thereafter | <u>1,442,799</u> |
| | <u>\$ 3,176,955</u> |

VI. Pledged Assets

Collateral provided by the company and subsidiary as follows:

| <u>Assets</u> | <u>March 31, 2012</u> | <u>March 31, 2011</u> | <u>Collateral</u> |
|---|-----------------------|-----------------------|--|
| Land | \$ 368,869 | \$ 368,869 | Long-term and short-term debt and guarantee credit |
| Building | 368,011 | 416,886 | Long-term and short-term debt and guarantee credit |
| Transportation equipment | 515,165 | 429,940 | Long-term debt payable and long-term installment payable |
| Operating equipment and other equipment | 2,057 | 2,057 | Long-term debt payable |
| Mortgaged time deposit account | <u>152,575</u> | <u>347,980</u> | Contract security deposit |
| | <u>\$ 1,406,677</u> | <u>\$ 1,565,732</u> | |

VII. Major undertaking and contingency

Except for Note V, the Company and the subsidiaries have the following commitments made up to March 31, 2012:

- (I) The Company has a long-term technical collaboration agreement signed with Philippine Seven Corporation, President Chain Store (Shanghai) Ltd., and 7-ELEVEN Inc. in the United States. The Company and subsidiary are obliged to pay technical royalty for an amount equivalent to a percentage of store monthly sales throughout the contracted period.
- (II) President Coffee Corp. has a collaboration agreement signed with Starbucks for business operation and management of "Starbucks Coffee Chain Store". According to the said agreement, President Coffee Corp. is to have technical royalty paid throughout the contract period for an amount equivalent to certain percentage of monthly sales amount of each store.
- (III) Muji (Taiwan) Co., Ltd. has an agreement of authorization signed with Ryohin keikaku Co., Ltd. in September 2003 for the operation of "Muji Licensed Store" and the use of information and trade know-how in the designated area (Republic of China). According to the said agreement, Muji (Taiwan) Co., Ltd. is to have royalties paid throughout the contract period for an amount equivalent to certain percentage of total sales amount.
- (IV) President Transnet Corp. and Yamato Transport Corporation had a trademark and technical cooperation agreement signed in January 2000 for the operation and management of "logistics service" for a period of 10 years. According to the said agreement, President Transnet Corp. is to have royalty paid throughout the contract period for an amount equivalent to certain percentage of total sales amount that is not less than ¥1,000,000. After

the aforementioned agreement is expired, the two parties resigned an authorization contract on January 26, 2010 and agreed that the contract will remain effective except that the two parties sign a written termination contract. A royalty should be paid in accordance with aforementioned terms and conditions during the duration of the agreement.

- (V) President Collect Services Co., Ltd. has a trademark and technological collaboration agreement signed with Yamato Financial Co., Ltd. in 2002 for merchandise delivery and payment collection for a period of 10 years. According to the said agreement, President Collect Services Co., Ltd. is to have royalties paid throughout the contract period for an amount equivalent to certain percentage of total sales amount on a monthly basis.
- (VI) Mister Donut Taiwan Corp. and Duskin Co., Ltd. had a trademark and technical cooperation agreement signed in 2004 for the operation and management of “DUSKIN Mister Donut Franchise” for a period of 10 years. According to the agreement signed, Mister Donut Taiwan Corp. is to have royalties paid throughout the contract period for an amount equivalent to certain percentage of total sales amount.
- (VII) President Sato Co., Ltd. entered in a SATO Trademark Technique Licensing Agreement with SATO Restaurant Systems Co., Ltd., which authorizes President Sato Co., Ltd., to use the trademarks of “和食莎都” and “壽司半” and restaurant-related technique in the specified area (Republic of China) for an effective period of 30 years. According to the said agreement, Starting from the year of 2013, President Sato Co., Ltd. shall pay royalties annually for an amount equivalent to certain percentage of net sales.
- (VIII) President Yilan Art and Culture Corp. and National Center of Traditional Arts had the “National Center of Traditional Arts BOT Agreement” (referred to as “BOT Agreement” hereinafter) signed in 2004 with the terms and conditions agreed upon as follows:
1. Preparatory Office of the National Headquarters of Taiwan Traditional Arts in Yilan is the operating object entrusted. The scope of the entrustment is for the operation and management of the entrusted object; also, utilize the entrusted object for the demonstration, promotion, teaching activity, product sales, and business development of traditional arts.
 2. The durability of the entrustment is for six years from the date of the operation initiated. President YiLan Art and Culture Corp. is with the priority to have the agreement renewed for another six years on the due date if the first agreement has been performed successfully.
 3. Royalty:
 - (1) Fixed royalty
President YiLan Art and Culture Corp. shall pay the fixed royalty of NT\$5,000,000 per year.
 - (2) Operation royalty
In the duration of operation, President Yilan Art and Culture Corp. are obliged to pay a royalty for an amount equivalent to one percentage of annual operating revenue throughout the contract period.
 4. President Yilan Art and Culture Corp. are obliged to pay performance bond for an amount of NT\$30,000. The performance bond is for a term till the end of the BOT agreement and six months after President Yilan Art and Culture Corp. having assets returned and transferred.
 5. President YiLan Art and Culture Corp. agrees to have the operating assets that are acquired throughout the contract period transferred to National Traditional Art Center unconditionally upon the termination or expiration of the agreement.

President YiLan Art and Culture Corp. and the Preparatory Department of National Traditional Art Center signed a supplement agreement to the entrustment agreement

mentioned above in August 2009, which extended the BOT term for 12 years from the date of the operation commencement set forth on the agreement.

- (IX) Cold Stone Creamery Taiwan Ltd. entered into a licensing agreement with Cold Stone Creamery International LLC in 2006 and acquired the license of using “COLD STONE CREAMERY” to sell ice cream in Taiwan and Mainland for a period of 30 years. As of March 31, 2010, Cold Stone Creamery Taiwan Ltd. has fully paid royalties to US Coldstone. In accordance with the agreement, Cold Stone Creamery Taiwan Ltd. must pay a certain amount of signing bonus and store open fees and pay a royalty for an amount equivalent to the agreed percentage of sales revenue.
- (X) Uni-President Department Store Corp. entered into “Letter of Confirmation for Technological Consulting Service for the Opening of Department Stores in Kaohsiung” and the “Technological Consulting Service Agreement for the Business of Department Stores on 5th Section of Chung Hsiao East Road in Taipei City” Hankyu Hanshin Department Store Inc. According to the said confirmation letter and agreement as well as the further amended and signed confirmation letter, the Kaohsiung store and the Taipei store shall pay “Actual Technological Consulting Fee” annually and further pay a “Fixed Technological Fee” from October 2011, respectively.
- (XI) The Company’s subsidiaries (Afternoon Tea Taiwan Co., Ltd. and PCSC Afternoon Tea Shanghai Ltd.) entered into a licensing agreement with SAZABY LEAGUE and acquired the license to register the “Afternoon Tea” trademark in Taiwan and Mainland China Shanghai and the peripheral area (Jiangsu Province and Zhejiang Province) and Beijing for the restaurant and sundries business. According to the agreement signed, the Company is to have fixed royalty paid for an amount equivalent to certain percentage of total sales amount.
- (XII) Pet Plus Co., Ltd. and AHB International Inc. signed a joint venture agreement for the use of trademark and technology and rights by PetPlus during the effective period of the agreement. According to the agreement, PetPlus shall pay a royalty for an amount equivalent to a certain percentage of net sales.
- (XIII) The company has President International Building leased to a non-related party (Booked in the “Lease assets” account):
1. Arcade: A lease signed for 18 years and 6.5 months from June 15, 2005 and the rent is for an amount equivalent to a percentage of the monthly sales.
 2. Office: The lease is for a period of 5 years from November 1, 2007 to October 31, 2012. The Company has the following projections in rental incomes for the various years:

| <u>Lease term</u> | <u>Total rents</u> |
|------------------------------|--------------------|
| January 4 ~ October 31, 2012 | <u>\$ 10,776</u> |

- (XIV) In order to build the transportation hub for home-delivery, President Transnet Corp. entered in a construction and equipment agreement with a non-related party. The total price was \$760,000. As of March 31, 2011, the unpaid (estimated) amount approximated to \$657,470.
- (XV) President Musashino Corp. had a plant construction agreement signed with an unrelated party with the construction in progress for an amount of \$611,500 and an estimated payable amount of \$148,950 on March 31, 2011.
- (XVI) The Company and the subsidiaries have stores and business sites leased from the unrelated party and with lease agreements signed for a period of 3~20 years accordingly. The Company and the subsidiaries have rent advanced and security made for an amount of \$449,667 and \$1,708,849, respectively, on March 31, 2012; moreover, they are booked in the account of “Prepayment” and “Refundable deposits” respectively. The Company and subsidiaries have the following projections in rent payable for the various years:

| <u>Lease term</u> | <u>Total rents</u> |
|-----------------------------|---------------------|
| April 1 ~ December 31, 2012 | <u>\$ 6,114,702</u> |

| | |
|---|----------------------|
| 2013 | 9,157,311 |
| 2014 | 8,283,078 |
| 2015 | 7,230,877 |
| 2016 | 7,089,505 |
| 2017 and thereafter (discounted value \$10,851,362) | 11,257,955 |
| | <u>\$ 49,133,428</u> |

VIII. Loss from major accidents

None.

IX. Materiality after the period

None.

X. Others

(I) Information on fair value

| | March 31, 2012 | | |
|--|----------------|--|----------------------------------|
| | Book value | Fair value Amount determined by open quotations | Amount estimated by valuation |
| <u>Non-Derivatives</u> | | | |
| <u>Assets</u> | | | |
| Financial assets with equal fair value and book value | \$ 21,353,164 | \$ - | \$ 21,353,164 |
| Financial assets held for trading | 7,272,808 | 7,272,808 | - |
| Financial assets at cost noncurrent | 7,749,156 | - | - |
| Financial assets available for sales | 1,109,630 | 1,109,630 | - |
| Refundable deposits | 2,025,567 | - | 1,950,861 |
| <u>Liabilities</u> | | | |
| Financial liabilities with equal fair value and book value | \$ 38,236,895 | \$ - | \$ 38,236,895 |
| Long-tem notes and accounts payable | 255,907 | - | 255,907 |
| Long-term debt payable | 2,334,145 | - | 2,334,145 |
| Guarantee Deposit received | 2,244,836 | - | 2,183,611 |

| | March 31, 2011 | | |
|--|----------------|--|----------------------------------|
| | Book value | Fair value Amount determined by open quotations | Amount estimated by valuation |
| <u>Non-Derivatives</u> | | | |
| <u>Assets</u> | | | |
| Financial assets with equal fair value and book value | \$ 20,909,576 | \$ - | \$ 20,909,576 |
| Financial assets held for trading | 6,323,131 | 6,323,131 | - |
| Financial assets at cost noncurrent | 8,635,509 | - | - |
| Financial assets available for sales | 1,542,484 | 1,542,484 | - |
| Refundable deposits | 2,174,294 | - | 2,119,490 |
| <u>Liabilities</u> | | | |
| Financial liabilities with equal fair value and book value | \$ 32,425,584 | \$ - | \$ 32,425,584 |
| Long-tem notes and accounts payable | 243,197 | - | 243,197 |
| Long-term debt payable | 3,919,176 | - | 3,919,176 |
| Guarantee Deposit received | 2,097,793 | - | 2,065,707 |

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 short-term financial instrument is valued with the book value on the balance sheet date since the effect of discount value is insignificant; therefore, it is an amount not determined by public quotation or valuation. This method is applied to cash and cash equivalence, accounts receivable, other receivables, notes payable and accounts payable (including the related party), expense payable, and other payables.
2. The fair value of financial assets in available-for-sale, such as, in the listing market, is the market price.
3. The fair market value of guarantee margin & deposit paid and guarantee margin & deposit received is based on the discount value of the expected cash flow. The relevant discount rate is the one-year time deposit interest rate of Directorate General of the Postal Remittance and Savings Bank.
4. The fair value of long-term borrowings, and long-term notes payable and accounts payable are estimated according to the carrying amount since the effect of discount value is insignificant.

(II) Material gain/loss of financial instruments and equity information

The Company and subsidiaries had financial assets in available-for-sale debited/credited to shareholder's equity for an amount of \$111,556 and (\$312,138) in the first quarter of 2012 and 2011, respectively.

(III) Interest rate risk position

The Company's and subsidiaries' financial liability of the fair value without changes in interest rate as of March 31, 2012 and 2011 was \$1,890,000 and \$3,500,000, respectively. The Company's and subsidiaries' financial liability of the cash flow risk with changes in interest rate was \$3,220,623 and \$2,323,955, respectively.

(IV) Control of Financial Risks and Hedge strategy

1. The risk control and hedge strategy of the Company and the subsidiaries are to prevent operating risk. To this end, the Company and subsidiaries have financial hedge position denied for the operation of derivatives. The selection of financial instruments by the Company for trade must be able to prevent the interest expense, assets, and liabilities risk of business operation.
2. In terms of supervising and managing derivatives, the trade position of derivatives is managed by the Finance Department and with the market price evaluated periodically. For any nonconforming transaction and gain/loss identified, a responsive measure must be activated and the Board of Directors must be informed immediately. 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.

(V) Information on primary financial risk

1. Market Risk

- (1) Investments of the Company and its subsidiaries in available-for-sale financial assets are stocks of listed/OTC companies that are influenced by market prices.
- (2) Most of investments of the Company and its subsidiaries in funds are quasi money market funds and the holding period of short-term notes is quite short. After the assessment, there should be no significant market risk.
- (3) Long-term debts of the Company and its subsidiaries bear interest at fixed rates and are deemed no significant market risks due to revolving use with short periods.
- (4) Some of businesses of the Company and its subsidiaries are denominated in certain non-functional currencies and consequently affected by fluctuation of exchange rates. Information on assets and liabilities denominated in foreign currencies significantly affected by fluctuation of exchange rates is summarized as follows:

March 31, 2012

March 31, 2011

| | Amount in foreign currency | Exchange rate | Amount in foreign currency | Exchange rate |
|--|----------------------------------|------------------|----------------------------------|------------------|
| Financial assets | | | | |
| <u>Monetary items</u> | | | | |
| EUR: NT\$ | 1,284 | 39.01 | 778 | 41.71 |
| HKD:NT\$ | 2,696 | 3.804 | 8,660 | 3.777 |
| JPY:NT\$ | 201,635 | 0.391 | 3,816 | 0.355 |
| USD: NT\$ | 325 | 30.29 | 369 | 29.40 |
| <u>Non-monetary assets</u> | | | | |
| JPY:NT\$ | 495,900 | 0.391 | 462,600 | 0.355 |
| HKD:NT\$ | 20,685 | 3.804 | - | - |
| <u>Long-term investments (Equity method)</u> | | | | |
| USD: NT\$ | - | - | 1,219 | 29.40 |
| Financial liabilities | | | | |
| <u>Monetary items</u> | | | | |
| EUR: NT\$ | 1,252 | 39.01 | 378 | 41.71 |
| JPY: NT\$ | 307,839 | 0.391 | 52,739 | 0.355 |
| USD: NT\$ | 2,448 | 30.29 | 2,742 | 29.40 |

2. Credit Risk

- (1) The Company's and subsidiary's investment in financial assets with changes in fair value debited/credited to Income Statement and financial assets in available-for-sale are purchased from market or from creditable trade party; therefore, the trade party is expected without committing any breach of contract.
- (2) Guarantees and commitments offered by the Company and its subsidiaries for loans have been duly offered in accordance with "Regulations Governing Enforcement of Endorsements/Guarantees" and it is mainly for the Company's subsidiaries and joint ventures. Since the Company was in a firm control over the credit standings of those corporations, the Company did not request collateral from them. If those corporations fail to fulfill contracts, the credit risks so incurred would be the amounts of guarantees.

3. Liquidity Risk

- (1) The financial assets with the change in fair value recognized as gain or loss; also, the financial assets in available-for-sale of the Company and the subsidiaries are traded actively in market; therefore, the said assets can be sold easily in market at a price close to fair value without material liquidity risk expected.
- (2) The financial assets at cost noncurrent of the Company and the subsidiaries are not traded actively in market; therefore, a material liquidity risk is expected.
- (3) Most payables of the company and subsidiaries will due in 90 days. Most loans are with quota used in cycle; therefore, the company and subsidiaries have sufficient working fund to fulfill fund demand; therefore, there is no significant risk of liquidity anticipated.

4. Cash flow risk from change in interest rate

- (1) The Company's investments in short-term notes are fixed-interest-rate instruments with the purpose of receiving interest income. Therefore, there is no cash flow risk resulting from changes in interest rate during the holding period.
- (2) Most of the Company's investments in funds are quasi money market funds. After assessment, there should be no significant cash flow risk resulting from changes in interest rate.
- (3) Some of loans borrowed by the Company and its subsidiaries are debts bearing interest at floating rates. Therefore, the change in market interest rate will cause changes in the effective loan interest rate. Under the circumstances, future cash flow will change too. Cash outflow of the Company and its subsidiaries will increase by \$32,206 for an increase of market interest rate by 1%.

XI. Supplementary Disclosure

(I) Information on major trade

Exemption of disclosure in accordance with the FSC(VI) No.0960064020 Letter dated November 15, 2007 by the Financial Supervisory Commission, Executive Yuan.

(II) Information on direct investment

Exemption of disclosure in accordance with the FSC(VI) No.0960064020 Letter dated November 15, 2007 by the Financial Supervisory Commission, Executive Yuan.

(III) Information on investment in Mainland China

Exemption of disclosure in accordance with the FSC(VI) No.0960064020 Letter dated November 15, 2007 by the Financial Supervisory Commission, Executive Yuan.

(IV) Business relationship, transaction, and transaction amount between parent company and subsidiary

2012Q1

| Name of trade party | Corresponding trade party | Relation with the trade party | Business transactions | | Trade terms and conditions | Ratio to consolidated sales revenue or total assets |
|-----------------------------------|------------------------------------|-------------------------------|--|---------------|----------------------------|---|
| | | | Account | Amount | | |
| President Chain Store Corp. | Retail Support International Corp. | Parent company vs. subsidiary | Cost of goods sold | \$ 13,736,348 | OA 10~54 days | 28% |
| | | " | Note and account payables | 5,379,946 | | 7% |
| | | " | Subsidizes for defected merchandizes | 22,345 | | - |
| | | " | Other operating revenue | 174,100 | | - |
| | | " | Other income | 69,506 | | - |
| Uni-President Cold-Chain Corp. | " | " | Packaging expense and other expense | 71,344 | OA 20~70 days | - |
| | | " | Cost of goods sold | 5,320,417 | | 11% |
| | | " | Note and account payables | 3,406,777 | | 5% |
| | | " | Other receivables | 10,994 | | - |
| | | " | Subsidizes for defected merchandizes | 48,813 | | - |
| Wisdom Distribution Service Corp. | " | " | Other income | 35,144 | OA 30~60 days | - |
| | | " | Cost of goods sold | 2,735,625 | | 6% |
| | | " | Note and account payables | 1,156,543 | | 2% |
| | | " | Prepaid materials | 146,498 | | - |
| | | " | Other operating revenue | 12,443 | | - |
| Books.com. Co., Ltd. | " | " | Other operating revenue | 50,446 | OA 30 days | - |
| President Transnet Corp. | " | " | Note and account payables | 87,068 | OA 30 days | - |
| | | | Other operating revenue | 19,719 | - | |
| | | | Freight charge | 10,041 | - | |
| President Information Corp. | " | " | Information system process and maintenance expense | 99,134 | OA 30 days | - |
| | | | Accrued expenses | 29,608 | - | |
| | | | Accounts payable | 12,022 | - | |
| | | | Inventory count expense | 33,198 | OA 60 days | - |
| Capital Inventory Services Corp. | " | " | Training fees | 15,114 | - | |
| | | | Accrued expenses | 17,485 | - | |
| | | | Accounts payable | 29,338 | OA 30 days | - |
| President Coffee Corp. | " | " | Other receivables | 15,567 | - | |
| | | | Other accounts payable | 11,730 | - | |
| | | | | | | |

| Name of trade party | Corresponding trade party | Relation with the trade party | Business transactions | | Trade terms and conditions | Ratio to consolidated sales revenue or total assets | | |
|-----------------------------------|---|---|---------------------------|---------------------------|----------------------------|---|------------|----|
| | | | Account | Amount | | | | |
| President Chain Store Corp. | Duskin Serve Taiwan Co. | Parent company vs. subsidiary | Cleaning fees | \$ 36,454 | OA 30 days | - | | |
| | | " | Accounts payable | 13,638 | | - | | |
| | | " | Accrued expenses | 10,424 | | - | | |
| | Presco Netmarketing Inc. | " | Other operating revenue | 97,726 | OA 30 days | - | | |
| | | Q-ware Systems & Services Corp. | " | Cost of goods sold | 83,649 | OA 45 days | - | |
| | President Chain Store (BVI) Holdings Ltd. | " | " | Note and account payables | 64,127 | | - | |
| | | | " | Other income | 41,358 | | - | |
| | | President Logistics International Corp. | Subsidiary vs. subsidiary | " | Other receivables | 92,823 | | - |
| | | | | " | Freight charge | 161,539 | OA 20 days | - |
| | Retail Support International Corp. | President Drugstore Business Corp. | " | Other accounts payable | 58,574 | | - | |
| " | | | Accounts receivable | 791,122 | OA 45~60 days | 1% | | |
| Retail Support Taiwan Corp. | | " | " | Sales revenue | 1,683,035 | | 3% | |
| | | | " | Other accounts payable | 22,885 | OA 15~20 days | - | |
| President Coffee Corp. | | " | " | Other expenses | 65,503 | | - | |
| | | | " | Sales revenue | 122,257 | OA 15~28 days | - | |
| President Pharmaceutical Corp. | | " | " | Accounts receivable | 59,941 | | - | |
| | | | " | Cost of goods sold | 358,298 | OA 30~70 days | 1% | |
| Uni-President Cold-Chain Corp. | | President Musashino Corp. | " | " | Accounts payable | 305,513 | | - |
| | | | | " | Cost of goods sold | 369,631 | OA 45 days | 1% |
| | President Logistics International Corp. | " | " | Accounts payable | 254,191 | | - | |
| | | | " | Freight charge | 209,853 | OA 20 days | - | |
| President Information Corp. | President Transnet Corp. | " | " | Accrued expenses | 75,059 | | - | |
| | | | " | Accounts receivable | 13,274 | OA 60 days | - | |
| Wisdom Distribution Service Corp. | Vision Distribution Service Corp. | Subsidiary vs. subsidiary | " | Services | 15,247 | | - | |
| | | | " | Note and account payables | 69,700 | OA 65 days | - | |
| | President Logistics International Corp. | " | " | Cost of goods sold | 88,485 | | - | |
| | | | " | Freight charge | 51,797 | OA 20 days | - | |
| | | | " | Freight charge | 17,913 | OA 30 days | - | |
| President Transnet Corp. | President Collect Services Co., Ltd. | " | " | Accounts receivable | 26,980 | | - | |
| | | | " | Services | 43,655 | OA 45 days | - | |
| | Chieh-Shuen Logistics International Corp. | " | " | Other accounts payable | 18,187 | Settlement on Wednesday | - | |
| | | | " | Collections payable | 482,188 | | 1% | |
| Mech-President Corp. | " | " | " | Freight charge | 132,730 | OA 40~65 days | - | |
| | | | " | Accrued expenses | 80,514 | | - | |
| | | | " | Fuel expense | 11,176 | OA 45 days | - | |

2011Q1

| Name of trade party | Corresponding trade party | Relation with the trade party | Business transactions | | Trade terms and conditions | Ratio to consolidated sales revenue or total assets |
|-----------------------------|---|-------------------------------|--|---------------|----------------------------|---|
| | | | Account | Amount | | |
| President Chain Store Corp. | Retail Support International Corp. | Parent company vs. subsidiary | Cost of goods sold | \$ 10,404,251 | OA 10~54 days | 23% |
| | | " | Note and account payables | 5,322,999 | | 7% |
| | | " | Subsidizes for defected merchandizes | 21,501 | | - |
| | | " | Other operating revenue | 113,707 | | - |
| | | " | Other income | 84,234 | | - |
| | | " | Packaging expense and other expense | 50,640 | | - |
| | Uni-President Cold-Chain Corp. | " | Cost of goods sold | 4,792,345 | OA 20~70 days | 11% |
| | | " | Note and account payables | 2,802,106 | | 4% |
| | | " | Other receivables | 25,735 | | - |
| | | " | Subsidizes for defected merchandizes | 50,876 | | - |
| | | " | Other income | 33,768 | | - |
| | Wisdom Distribution Service Corp. | " | Cost of goods sold | 2,635,514 | OA 30~60 days | 6% |
| | | " | Note and account payables | 1,592,714 | | 2% |
| | Books.com. Co., Ltd. | " | Other operating revenue | 44,060 | OA 30 days | - |
| | President Transnet Corp. | " | Note and account payables | 38,353 | OA 30 days | - |
| | | " | Cost of goods sold | 162,368 | | - |
| | | " | Other operating revenue | 18,951 | | - |
| | President Information Corp. | " | Information system process and maintenance expense | 123,118 | OA 30 days | - |
| | | " | Accrued expenses | 57,065 | | - |
| | Capital Inventory Services Corp. | " | Inventory count expense | 34,359 | OA 60 days | - |
| | | " | Training fees | 11,987 | | - |
| | | " | Accrued expenses | 18,750 | | - |
| | President Coffee Corp. | " | Accounts payable | 20,586 | OA 30 days | - |
| | | " | Other receivables | 13,696 | | - |
| | | " | Other accounts payable | 10,143 | | - |
| | Duskin Serve Taiwan Co. | " | Cleaning fees | 26,950 | OA 30 days | - |
| | Bank Pro E-Service Technology Co., Ltd. | " | Service charges | 19,129 | OA 30 days | - |
| | | " | Other receivables | 10,452 | | - |
| | Presco Netmarketing Inc. | " | Other operating revenue | 65,317 | OA 30 days | - |
| | | " | Other receivables | 14,899 | | - |
| | Q-ware Systems & Services Corp. | " | Cost of goods sold | 85,516 | OA 45 days | - |
| | | " | Note and account payables | 59,275 | | - |
| | President Chain Store (BVI) Holdings Ltd. | " | Other income | 40,832 | | - |

| Name of trade party | Corresponding trade party | Relation with the trade party | Business transactions | | Trade terms and conditions | Ratio to consolidated sales revenue or total assets |
|------------------------------------|---|-------------------------------|---------------------------|------------|----------------------------|---|
| | | | Account | Amount | | |
| Retail Support International Corp. | President Logistics International Corp. | Subsidiary vs. subsidiary | Freight charge | \$ 147,314 | OA 20 days | - |
| | | " | Other accounts payable | 53,571 | | - |
| | President Drugstore Business Corp. | " | Accounts receivable | 891,895 | OA 45~60 days | 1% |
| | | " | Sales revenue | 1,390,187 | | 3% |
| | Retail Support Taiwan Corp. | " | Other accounts payable | 22,331 | OA 15~20 days | - |
| | | " | Other expenses | 61,855 | | - |
| | President Coffee Corp. | " | Sales revenue | 121,359 | OA 15~28 days | - |
| | | " | Accounts receivable | 53,230 | | - |
| | President Pharmaceutical Corp. | " | Cost of goods sold | 307,178 | OA 30~70 days | 1% |
| | | " | Accounts payable | 265,879 | | - |
| Uni-President Cold-Chain Corp. | President Musashino Corp. | " | Cost of goods sold | 317,359 | OA 45 days | 1% |
| | | " | Accounts payable | 223,047 | | - |
| | President Logistics International Corp. | " | Freight charge | 191,059 | OA 20 days | - |
| | | " | Accrued expenses | 134,182 | | - |
| President Information Corp. | President Transnet Corp. | Subsidiary vs. subsidiary | Services | 22,951 | OA 60 days | - |
| Wisdom Distribution Service Corp. | Vision Distribution Service Corp. | " | Note and account payables | 102,085 | OA 65 days | - |
| | | " | Cost of goods sold | 117,664 | | - |
| | President Logistics International Corp. | " | Freight charge | 38,697 | OA 20 days | - |
| | President Transnet Corp. | " | Freight charge | 21,266 | OA 30 days | - |
| President Transnet Corp. | President Collect Services Co., Ltd. | " | Accounts receivable | 24,607 | | - |
| | | " | Services | 37,980 | OA 45 days | - |
| | | " | Collections payable | 295,905 | Settlement on Wednesday | - |
| | Chieh-Shuen Logistics International Corp. | " | Freight charge | 111,230 | OA 40~65 days | - |
| | | " | Accrued expenses | 74,185 | | - |
| | Mech-President Corp. | " | Fuel expense | 10,838 | OA 45 days | - |

XII. Operating segment information

(I) General information

The company management has based on the reported information used by the operational decision-maker for decision-making to identify the departments to be reported.

The Company's operating decision-makers operate the business from industrial and regional views. As to the industrial view, the Company focuses on operation of convenience stores, distribution and logistics. As to the regional view, since main operations are located in Taiwan and Mainland China, the Company concentrates on these two areas. The Convenience Store Business operated in Taiwan area is the main operating focus of the Company, for which a separate operating segment is set for performance review. All operations in Mainland China are deemed a single operating segment.

The Convenience Store Business, Distribution Business Group and Logistics Business Group are the main source of revenue among operating segments disclosed by the Company. Other operating segments include the Food and Beverage Business Group, China Business Group and Support Business Group. The Support Business Group mainly offer service related to businesses of the Company and its subsidiaries, such as system maintenance and development service and fresh food production and supply service, etc.

(II) The measurement of departmental information

The Company's operating decision-makers evaluate the performance of operating segments based on operating revenue and income before tax for performance review.

(III) Information of departmental profit and loss, assets

Reportable segment information provided to main operating decision-makers is as follows:

| | 2012Q1 | | | | | Total |
|------------------------------------|-------------------|-----------------------------|--------------------------|--------------------------|----------------------------|---------------|
| | Convenient stores | Distribution Business Group | Logistics Business Group | Other operating segments | Adjustment and elimination | |
| Net external revenue | \$ 32,082,419 | \$ 12,651,996 | \$ 811,413 | \$ 4,108,451 | \$ - | \$ 49,654,279 |
| Internal segment revenue | 166,672 | 1,157,833 | 23,658,836 | 1,039,524 | (26,022,865) | - |
| Departmental income | \$ 32,249,091 | \$ 13,809,829 | \$ 24,470,249 | \$ 5,147,975 | (\$ 26,022,865) | \$ 49,654,279 |
| Departmental income and expense | \$ 2,006,993 | \$ 536,419 | \$ 150,044 | \$ 42,135 | (\$ 355,050) | \$ 2,380,541 |
| Depreciation and amortization | \$ 532,329 | \$ 320,923 | \$ 115,901 | \$ 87,374 | \$ - | \$ 1,056,527 |
| Investment loss with equity method | \$ 322,541 | \$ 27,342 | \$ 11,150 | \$ - | (\$ 365,934) | (\$ 4,901) |
| Interest income | \$ 9,541 | \$ 4,628 | \$ 113 | \$ 7,562 | (\$ 3) | \$ 21,841 |
| Interest expense | (\$ 6,942) | (\$ 7,889) | (\$ 5,494) | (\$ 5,404) | \$ - | (\$ 25,729) |

| | 2011Q1 | | | | | Total |
|------------------------------------|----------------------|-----------------------------|--------------------------|--------------------------|----------------------------|----------------------|
| | Convenient stores | Distribution Business Group | Logistics Business Group | Other operating segments | Adjustment and elimination | |
| Net external revenue | \$ 28,175,935 | \$ 11,581,379 | \$ 885,748 | \$ 3,640,184 | \$ - | \$ 44,283,246 |
| Internal segment revenue | 108,138 | 1,025,973 | 20,053,670 | 872,291 | (22,060,072) | - |
| Departmental income | <u>\$ 28,284,073</u> | <u>\$ 12,607,352</u> | <u>\$ 20,939,418</u> | <u>\$ 4,512,475</u> | <u>(\$ 22,060,072)</u> | <u>\$ 44,283,246</u> |
| Departmental income and expense | <u>\$ 2,038,709</u> | <u>\$ 545,478</u> | <u>\$ 137,897</u> | <u>\$ 4,948</u> | <u>(\$ 330,705)</u> | <u>\$ 2,396,327</u> |
| Depreciation and amortization | <u>\$ 494,275</u> | <u>\$ 275,640</u> | <u>\$ 107,637</u> | <u>\$ 141,506</u> | <u>\$ -</u> | <u>\$ 1,019,058</u> |
| Investment loss with equity method | <u>\$ 325,611</u> | <u>\$ 16,797</u> | <u>\$ 6,302</u> | <u>\$ -</u> | <u>(\$ 364,236)</u> | <u>(\$ 15,526)</u> |
| Interest income | <u>\$ 5,393</u> | <u>\$ 2,919</u> | <u>\$ 100</u> | <u>\$ 2,906</u> | <u>\$ -</u> | <u>\$ 11,318</u> |
| Interest expense | <u>(\$ 8,171)</u> | <u>(\$ 6,773)</u> | <u>(\$ 4,141)</u> | <u>(\$ 3,138)</u> | <u>\$ -</u> | <u>(\$ 22,223)</u> |

(Note) In accordance with the requirement of (99) Chi-Mi-Tzu No. 151 stipulated by Accounting Research and Development Foundation in Taiwan dated June 28, 2010, corporations should disclose the measured amount of assets of reportable segments in accordance with requirements set forth in Section 24 of “Operating Segments” in SFAS No. 41. Since the Company’s measured amounts of assets was not provided to operating decision-makers, the measured amount of assets for assets to be disclosed was zero.

(IV) Information on reconciliation of profit/loss and assets of segments

Since external revenue and profit/loss of segments provided to main operating decision-makers are measured in the same way where revenue and income before tax in the financial statements are measured, no reconciliation is required.

XIII. Adopt IFRSs related matters

According to the requirements of Financial Supervisory Commission of the Executive Yuan (referred to as "the FSC" hereinafter), public companies that have stock traded on a stock exchange market or securities dealer's business premises must have financial statements composed in accordance with the international financial reporting standards (IFRSs), international accounting standard, interpretations, and announcements authorized by the FSC since the fiscal year of 2013. The Company will have the following information disclosed before implementing IFRSs in accordance with the FSC.Decree.Review No. 0990004943 Order of the FSC dated February 2, 2010:

(I) Contents and implementation of IFRSs plan

The Company has a work team organized and the IFRSs conversion plan implemented with the content and implementation detailed as follows:

| Work items of the conversion plan | Implementation of the conversion plan |
|---|--|
| 1. Organize a work team. | Have been completed |
| 2. Define the implementation of IFRSs conversion plan. | Have been completed |
| 3. Complete identifying the difference between the existing accounting policies and IFRSs. | Have been completed |
| 4. Complete identifying IFRSs consolidated entity. | Have been completed |
| 5. Complete assessing the impact of IFRS 1 "Initial implementation of International Financial Reporting Standards" exemptions and options on the company. | Have been completed |
| 6. Complete assessing the necessary adjustments to the information system. | Have been completed |
| 7. Complete assessing the necessary adjustment to the internal control. | Have been completed |
| 8. Establish IFRSs accounting policies | Have been completed |
| 9. Determine the exemptions and options of IFRS 1 "Initial implementation of International Financial Reporting Standards." | Have been completed |
| 10. Complete composing financial statement on the IFRSs billing date. | Have been completed |
| 11. Complete composing comparative financial information of the IFRSs 2012. | It is ongoing in accordance with the project schedule. |
| 12. Complete adjusting relevant internal control (including financial reporting process and related information systems). | Have been completed |

(II) Significant variations between the concurrent accounting policy and the accounting policy governing the composition of financial statements in accordance with IFRSs and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the impact.

The Company has the material variations of accounting policies assessed in accordance with the IFRSs recognized by the Financial Supervisory Commission and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" applicable in 2013. However, the Company's current assessment result could be affected by the announcement

and amendment of the IFRSs recognized by the Financial Supervisory Commission and the amendment of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" that is different from the actual variation and impact of the accounting policies resulted after the adoption of the FIRSs.

The Company assesses the material variation between the concurrent accounting policy and the accounting policy governing the composition of financial statements in accordance with IFRSs and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers;" also, considers the impact of the exemptions (Please refer to Note XIII (III)) selected by the Company in accordance with IFRSs No. 1 "Initial application of the IFRSs" as follows:

1. Adjustment of material variations of the Balance Sheet on January 1, 2012

| | R.O.C. | | | |
|--|----------------------|-------------------|---------------------|---------|
| | Accounting Standards | Affected amount | IFRSs | Remark |
| Net accounts receivable | \$ 3,609,497 | \$ 97,259 | \$ 3,706,756 | (1) |
| Other receivables | 1,884,593 | 30,435 | 1,915,028 | (2) |
| Prepaid expenses | 1,042,895 | (2,035) | 1,040,860 | (2) |
| Deferred income tax assets-current | 131,721 | (131,721) | - | |
| Financial assets in available-for-sale — non current | 995,325 | 7,157,626 | 8,152,951 | (3) |
| Financial assets at cost noncurrent | 7,751,278 | (7,143,300) | 607,978 | (3) |
| Long-term investments (Equity method) | 769,031 | 88,409 | 857,440 | (3)(12) |
| Net Fixed assets, Lease assets | 19,896,394 | (1,197,384) | 18,699,010 | (4) |
| Investment real estate | - | 1,197,384 | 1,197,384 | (4) |
| Intangible assets - deferred pension cost | 21,201 | (21,201) | - | (5) |
| Intangible assets-land-use rights | 76,341 | (76,341) | - | (6) |
| Deferred income tax assets-non current | 64,640 | 592,655 | 657,295 | (11) |
| Long-term prepaid rent | - | 76,341 | 76,341 | (6) |
| Others | 38,130,743 | - | 38,130,743 | |
| Total Assets | \$ 74,373,659 | \$ 668,127 | \$75,041,786 | |
| Accrued expenses | \$ 6,392,853 | \$ 933,868 | \$ 7,326,721 | (2)(7) |
| Accrued pension liabilities | 734,302 | 1,730,612 | 2,464,914 | (5) |
| Deferred income tax liabilities-non current | - | (4,237) | (4,237) | (11) |
| Other liabilities | 445,075 | 332,166 | 777,241 | (1)(10) |
| Others | 42,577,625 | - | 42,577,625 | |
| Total liabilities | 50,149,855 | 2,992,409 | 53,142,264 | |

| | | | |
|---|-------------|--------------------------------|---------------------------------------|
| Retained earnings | 6,443,247 (| 2,188,630) | 4,254,617 (1)(2) |
| | | | (3)(5) |
| | | | (7)(8) |
| | | | (9)(10) |
| Cumulative translation adjustment | (| 51,876) | 51,876 - (8) |
| Unrealized gain or loss on financial instrument | (| 634,091) | 22,498 (611,593)(3) |
| Unrealized revaluation gains | | 49,917 (49,917) | - (9) |
| Net loss not recognized as pension cost | (| 132,771) | 132,771 - (5) |
| Others | | 15,019,883 | - 15,019,883 |
| Minority Interests | | 3,529,495 (292,880) | 3,236,615 (12) |
| Total shareholders' equity | | <u>24,223,804 (2,324,282)</u> | <u>21,899,522</u> |
| Total Liabilities and Shareholders' Equity | | <u>\$ 74,373,659</u> | <u>\$ 668,127</u> <u>\$75,041,786</u> |

Reasons for adjustment

(1) Customer loyalty programmes

For the sales incentive plan signed between the Company and customers (the Company provides customers with gift points or the equivalents for the purchase of certain goods for a certain amount), all related fair value collected or receivable of the merchandises sold should be recognized in accordance with the Accounting Standards of the R.O.C. including the estimated cost and liabilities related to the free gifts and the equivalents. According to International Financial Reporting Standards Interpretation No. 13 "Customer Loyalty Programmes", the gift points provided to customers at the time of sales for exchanging free goods or discounted goods in the future is a transaction type that contains a number of identifiable items. Enterprises sell two types of products to customers including merchandise or labor service and gift points. In terms of gift points, enterprises shall estimate and defer the corresponding fair value by referring to the historical records of the probability of customer's exchanging gift points and with the revenue recognized when it is exchanged by customers. The Company had adjusted down allowance for sales discount by \$97,259 on the conversion date and adjusted up deferred income by \$377,268 (booked in the "Other liabilities" account) and adjusted down retained earnings by \$230,135.

(2) Leases

The Company's long-term lease agreement is with a variable rent adjusted annually, which is recognized as expense or income in accordance with the agreed upon rent each term and in conformity with the R.O.C. Accounting Standards. However, according to IFRSs No. 17 "Lease", the Company is to have the contracted rent recognized as expense or income each term in accordance with the Straight Line Method throughout the lease period. Under the circumstance, the Company adjusted up other receivable by \$30,435 on the conversion date, adjusted up expense payable by \$706,535, adjusted down prepaid rent by \$2,035, and adjusted down retained earnings by \$408,430.

(3) Financial assets at cost noncurrent

A. The Company had unlisted/Non-OTC stock shares and emerging stock shares valued at the cost and booked in the "Financial assets valued at cost" account in accordance with the "Regulations Governing the Preparation of

Financial Reports by Securities Issuers" before amendment on July 7, 2011. According to International Accounting Standards No. 3 "Financial Instruments: recognition and valuation," the equity instrument that is without an active market but the fair value can be measured reliably (meaning the variability of the reasonable fair value estimation interval of the equity instrument is insignificant, or, the probability of the various estimates in the interval can be assessed reasonably and can be used to estimate the fair value) should be measured at the fair value. The Company was therefore on the conversion date having the "financial assets valued at cost" designated as the "available-for-sale financial assets" in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" amended on December 22, 2011. The spread between the fair value on the conversion date and the book value debited or credited to the "Other general profit or loss" account.

- B. The Company and subsidiaries do not have investment that is with less than 20% shareholding and insignificant according to the criteria of the R.O.C. Accounting Standard valued with Equity Method. However, if the investment is significant according to IFRSs No. 28 "Investment in Affiliated Enterprises," it should be valued with Equity Method. The Company and subsidiaries have the qualified "Financial assets valued at cost - noncurrent" reclassified on the conversion date as affiliated enterprise's investment.
- C. The Company has financial assets valued at cost adjusted down by \$7,143,300 on the conversion date, adjusted up available-for-sale financial assets by \$7,157,626, adjusted financial instrument unrealized profit and loss by \$22,498, adjusted down long-term equity investment - Equity Method by \$16,403, and adjusted down retained earnings by \$24,575.

(4) Investment real estate

The Company's real estate for lease is booked as "Other assets" in accordance with the Accounting Standards of the R.O.C. According to International Accounting Standard No. 40 "Investment Property", the real estate in compliance with the definition of investment real estate should be booked as "Investment Property". The Company has adjusted up the investment property for \$1,197,384 on the conversion date.

(5) Pension Plan

- A. According to the Accounting Standard of the R.O.C., the excess of the accumulated benefit obligation on the Balance Sheet Date over the fair value of pension fund assets should be recognized as the floor limit of pension liability; however, the said floor limit is not defined in International Accounting Standards No. 19 "Employee Benefits".
- B. According to the Accounting Standards of the R.O.C. the Company's pension actuarial gains and losses is recognized as current net pension cost in accordance with the buffer-zone method. According to the IFRSs No. 1 "First-time Adoption of International Financial Reporting Standards" and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" applicable in 2013, the Company decides to have the cumulative actuary profit and loss related to employee's welfare recognized in a lump sum and booked in the "Retained earnings" account on the conversion date.
- C. According to the Company's accounting policies, the unrecognized net transitional benefit obligation is amortized in accordance with the average remaining service lives of the employees who expect to receive pension

benefits and a Straight Line Method. The Company has qualified for the implementation of International Financial Reporting Standards for the first time without the application of International Accounting Standard No. 19 "Employee Benefits" transitional provisions; therefore, there is not any unrecognized transactional liability.

D. The Company has the accrued pension liability adjusted up by \$1,730,612 on the conversion date, adjusted down deferred pension cost by \$21,201, adjusted down net loss of unrecognized pension cost by \$132,771, adjusted down prepaid pension by \$8,926, and adjusted down retained earnings by \$1,393,431.

(6) Right to land use

According to the R.O.C. Accounting Standard, right to land use is an intangible asset. However, according to IFRSs No. 17 "Lease transaction," right to land use is classified as long-term prepaid rent. Therefore, right to land use is reclassified as long-term prepaid rent on the conversion date. The Company has adjusted down right to land use by \$76,341 due to this transaction and adjusted up long-term prepaid rent by \$76,341.

(7) Employee benefits

The current accounting standards of the R.O.C. do not expressly regulate the recognition of the accumulated unused vacation bonuses. The Company recognizes expense at the time of payment made. According to International Accounting Standard No. 19 "Employee Benefits," the accumulated unused vacation bonus expenses shall be estimated at the end of the reporting period.. Therefore, the Company has adjusted up expense payable by \$227,333 on the conversion date and adjusted down retained earnings by \$159,048.

(8) Cumulative translation adjustment

According to the IFRSs No. 1 "First-time Adoption of International Financial Reporting Standards" and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" applicable in 2013, all foreign operating institutions may identify individually and adjust retroactively the cumulative translation effect of each foreign operating institution on the conversion date without complying with IAS 21 "Impact of Foreign Exchange" and recognize the cumulative translation effect as zero on the conversion date. The Company therefore has adjusted down the cumulative translation effect by \$51,876 on the conversion date and adjusted down retained earnings by \$51,876.

(9) Unrealized revaluation gains

According to the IFRSs No. 1 "First-time Adoption of International Financial Reporting Standards" and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" applicable in 2013, the Company may choose to have the fair value recognized as the cost of the fixed assets on the conversion date. The said fair value can be the amount reappraised in accordance with generally accepted accounting principle. The Company therefore has adjusted down the unrealized appraisal amount by \$49,917 on the conversion date and adjusted up retained earnings by \$41,431.

(10) Gains from the sale and lease-back

According to the R.O.C. Accounting Standard, gains from sale and lease-back are to be recognized by installment. However, according to IAS No. 17, if the sale and lease-back transaction forms an operating lease and it is based on a fair value, all profits and losses should be recognized immediately. The Company therefore adjusted down unrealized sale and lease-back profit for \$45,102 on the conversion date (booked in the "Other liability" account) and adjusted up retained earnings by \$37,434.

(11) Income Tax

A. According to the Accounting Standards of the R.O.C., deferred income tax assets and liabilities are classified into the current and noncurrent category in accordance with the classification of the related liabilities or assets. The deferred income tax liabilities or assets that are not classified as the assets or liability on the financial statements are classified as current or noncurrent in accordance with the expected deferred income tax liabilities or assets settlement or realization period. According to International Accounting Standard No. 1 "Presentation of Financial Statements", enterprises shall not have deferred income tax assets or liabilities classified as current assets or liabilities. The Company therefore adjusted down deferred income tax assets - current by \$131,721.

B. The Company has adjusted up deferred income tax assets - noncurrent by \$469,860 and adjusted up deferred income tax liability - noncurrent by \$4,237 for the significant variations in accounting principles of IFRS.

(12) Long-term investment and minority equity

The Company, subsidiaries, and wholly-owned invested companies have adjusted up long-term equity investment - equity method by \$104,812 and adjusted down minority equity by \$292,880 for the significant variations in accounting principles of IFRS.

(13) Special reserve

According to FSC.far.No. 1010012865 Letter dated April 6, 2012, the Company has decided to have the unrealized appraisal increment and cumulative translation effect transferred to unappropriated retained earnings; however, the retained earnings net effect resulted from the first-time adoption of international financial reporting standards on the conversion date is negative; therefore, it is unnecessary to have special reserve appropriated.

2. The adjustment of material variations on balance sheet on March 31, 2012 and 2012Q1 general profit and loss variations is in process by the Company in accordance with IFRSs conversion plan and is expected to be completed in 2013.

(III) The Company has selected the exemption items in accordance with the IFRSs No. 1

"First-time Adoption of International Financial Reporting Standards" and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" applicable in 2013.

1. Business Combinations

For the business combinations occurred prior to the day converting to IFRSs (referred to as the "conversion date" hereinafter), the Company decides not to apply the IFRSs No. 3 "Business Combinations" retroactively.

2. Recognized cost

For the real estate, manufacturing plants, and equipment that are appraised prior to the conversion date in accordance with the R.O.C. generally accepted accounting principle, the Company decides to have the appraisal value recognized as the cost on

the appraisal day.

3. Lease
The Company decides to comply with the transitional requirements of IFRSs No. 4 "Determining whether an Arrangement contains a Lease". Therefore, the Company determines whether lease is included in the arrangement of the day in accordance with the practice and conditions on the conversion date.
4. Employee Benefits
The Company has decided to have the cumulative actuary effect related to employee's welfare plan transferred to retained earnings in a lump sum on the conversion date. Also, the Company has decided to disclose actual welfare obligation present value, planned assets fair value, project gains and loss, and information of experience adjustment in response to the requirement of IAS No. 19 "Employee benefits" Paragraph 120A(P) in accordance with the deferred amount in each accounting period since the conversion date.
5. Cumulative translation effect
The Company has determined to recognize the cumulative translation effect of foreign operating institutions as zero on the conversion date. The exchange spread resulted thereafter will be processed in accordance with IAS No. 21 "Effect of changes in exchange rates of foreign currencies".
6. Identification of financial instrument recognized
The Company was therefore on the conversion date having some "financial assets" designated as the "available-for-sale financial assets."
7. Borrowing Costs
The Company has determined to comply with the transitional requirements of IAS No. 23 "Borrowing Costs" paragraph 27 and 28 amended in 2007 since the conversion date.
8. Stock-based Payment
The Company has decided not to comply with IFRSs No. 2 retroactively for the stock-based payment from the capital increased by cash that is reserved for the subscription of employees prior to the conversion day.
9. The Company has qualified for the first time after the subsidiaries
The Company on the billing date will exercise exemption and apply the amount of the transfer investment with IFRS applied as the balance sheet base of the subsidiaries on the billing date.

The exemption alternatives referred to above could be affected by the publication of the governing regulations by the competent authorities, changes in economic environment, and the change in assessing the impact of the exemptions by the Company that causes differences from the actual choice of exemption during conversion.