

## IV. FUND RAISING

### I. Capital and Shares

#### 1-1 Source of Capital:

##### a. Shares Issued:

As of April 25, 2008 / Unit: NT\$; Shares

Month / Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Expansion by Assets other than Cash	Document No. and Date of Approval
July/2002	10	900,000,000	9,000,000,000	772,031,899	7,720,318,990	Capitalization of profit	None	July 19, 2002 (91) Tai-Tsai-Cheng (I) No. 090140565
July/2003	10	900,000,000	9,000,000,000	858,499,471	8,584,994,710	Capitalization of profit	None	July 17, 2003 (92) Tai-Tsai-Cheng (I) No.0920132220
August/2004	10	960,000,000	9,600,000,000	915,160,436	9,151,604,360	Capitalization of profit	None	July 20, 2004 Chin-Kuan-Cheng-Yi-Tse No. 0930132295

Note: PCSC's initial paid-in capital in June 1987 was NT\$100,000,000. After the conversion of retained earnings into capital over the years, PCSC's paid-in capital is NT\$9,151,604,360 as of April 25, 2008.

##### b. Capital and Shares:

Unit: Shares

Type of Stock	Authorized Capital			Remark
	Outstanding Shares	Non-Issued	Total	
Common Stock, Inscribed	915,160,436	44,839,564	960,000,000	Publicly Traded

#### 1-2 Shareholder Structure:

Unit: Shares / As of April 15,

Quantity \ Shareholder	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Individuals	Foreign Institutions & Individuals	Total
No. of Shareholders	1	0	111	17,129	378	17,619
Shareholding	5	0	484,048,195	34,613,094	396,499,142	915,160,436
Holding Percentage	0.00%	0.00%	52.89%	3.78%	43.33%	100%

#### 1-3 Distribution Profile of Shareholder Ownership:

As of April 25, 2008 / NT\$10 per Share (par)

Individual Shareholding (Unit: Shares)	No. of Shareholders	Total Shareholding (Unit: Shares)	Holding Percentage
1 - 999	9,811	2,301,070	0.25%
1,000 - 5,000	6,223	12,358,583	1.35%
5,001 - 10,000	702	5,013,168	0.55%
10,001 - 15,000	213	2,563,146	0.28%
15,001 - 20,000	121	2,146,181	0.23%
20,001 - 30,000	92	2,304,856	0.25%
30,001 - 50,000	93	3,681,086	0.40%
50,001 - 100,000	89	6,644,305	0.73%
100,001 - 200,000	66	9,330,605	1.02%
200,001 - 400,000	51	14,995,434	1.64%
400,001 - 600,000	36	17,869,146	1.95%
600,001 - 800,000	12	8,473,260	0.93%
800,001 - 1,000,000	15	13,051,637	1.43%
Over 1,000,001	95	814,427,959	88.99%
Total	17,619	915,160,436	100.00%

## 1-4 Major Shareholders:

As of April 25, 2008

Shareholders	Shareholding (Shares)	Holding Percentage (%)
Uni-President Enterprise Corp.	415,489,816	45.401%
HSBC in custody of Matthews International Fund	42,729,000	4.669%
JP Morgan Chase in custody of Templeton Developing Markets Trust	19,812,164	2.165%
Nan Shan Life Insurance Co., Ltd.	16,241,814	1.775%
JP Morgan Chase in custody of Oppenheimer Developing Markets Fund	14,890,074	1.627%
Taiwan Post Co., Ltd.	14,448,404	1.579%
JP Morgan Chase in custody of Templeton Emerging Markets Series	11,279,010	1.232%
Chinatrust Commercial Bank in custody of PCSC's Employees Benefits Trust	10,692,397	1.168%
Deutsche Bank	10,165,822	1.111%
Public Service Pension Fund	9,831,252	1.074%

## 1-5 Share Prices, Net Value, Earnings, Dividends and Relevant Share Information for Last Two Years:

Unit: NT\$

Item	Year	2006		2007		As of March 31, 2008	
Market Price per Share	Highest		81.40		102.5		122.5
	Lowest		64.50		73.9		82.7
	Average		72.20		85.76		96.76
Net Value per Share	Before Distribution		17.46		17.76		18.76
	After Distribution		13.63		(Note)		(Note)
Earnings per Share	Weighted Average Shares (Shares)		915,160,436		915,160,436		915,160,436
	Earnings per Share (Undiluted)		4.18		3.96		0.92
	Earnings per Share (Diluted)		4.18		(Note)		(Note)
Dividend per Share	Cash Dividends		3.50		(Note)		–
	Stock Dividends	Dividends from Retained Earnings		0		(Note)	–
		Dividend from Capital Surplus		0		(Note)	–
	Accumulated Undistributed Dividends		0		(Note)		–
Return on Investment	Price/Earning Ratio		17.27		21.66		–
	Price/Dividend Ratio		20.63		(Note)		–
	Cash Dividend Yield Rate		4.85%		(Note)		–

Note: As of March 31, 2008, the shareholders' meeting has not yet decided on the distribution of the earnings in 2007.

## 1-6 Dividend Policy and Implementation Status:

### a. Dividend Policy:

The dividend pool is net profit after tax, after the offsetting of previous losses, the payment of corporate income taxes, the allocation of 10% legal reserve and the adjustment of special retained earnings of the year at any amount deducted from shareholders' equity. The reverse of the deduction items in shareholders' equity afterwards may be included in the pool of the distributable earnings of the year. The remaining earnings of the year, along with undistributed earnings from the previous year are considered accumulated distributable earnings. The distribution of accumulated distributable earnings is carried out by the Board of Directors in consideration of industry conditions, the Company's future operations and investment plans. The proposal to distribute earnings shall take effect upon the approval from the shareholders' meeting.

The shareholders' meeting shall determine the distribution percentage of accumulated distributable earnings based on the following principles:

- (1) Directors and supervisors' remunerations: 1% of the net profit of the year
  - (2) Employees' bonuses: no less than 0.2% of the net profit of the year
  - (3) Shareholders' dividends and bonuses: after deductions (1) and (2) from the accumulated distributable earnings, a range between 80% and 100% may be distributed. However, a percentage between 50% and 100% of such distributions should be paid as cash dividends. The remainder is booked as undistributed earnings.
- b. The proposal to distribute earnings of 2007 by the Board of Directors will be submitted to the 2007 Annual Shareholders' Meeting for approval. The proposal finalized by the Board of Directors on March 12, 2008 is as follows:
- Cash dividends:
- It is planned that a total of NT\$2,928,513,395 (NT\$3.2 per share) shall be distributed from the accumulated distributable earnings. After the approval from the Annual Shareholders' Meeting, the Board of Directors shall propose a base date for the distribution of dividends.

### 1-7 Impact to the Company's Operating performance and Earnings per Share from the Stock Dividend Proposed by the Shareholders' Meeting:

According to Guidelines for Disclosure of Financial Forecasts by Public Companies, PCSC is not required to release its 2008 financial forecasts. Therefore, under the decree of Tai-tsai-cheng (1) Letter No. 00371 issued on February 1, 2000, PCSC is not required to disclose this information.

### 1-8 Employees' Bonuses and Remunerations to Directors and Supervisors:

- a. Percentage or range of employees' bonuses and remunerations to directors and supervisors stated in Articles of Incorporation:
- According to PCSC's Articles of Incorporation, the dividend pool is net profit after tax, after the offsetting of previous losses, the allocation of 10% legal reserve and the adjustment of special retained earnings of the year at any amount deducted from shareholders' equity. The reverse of the deduction items in shareholders' equity afterwards may be included in the pool of the distributable earnings of the year. The remaining earnings of the year, along with undistributed earnings from the previous year are considered accumulated distributable earnings. The distribution of accumulated distributable earnings is carried out by the Board of Directors in consideration of industry conditions, the Company's future operations and investment plans. The proposal to distribute earnings shall take effect upon the approval from the shareholders' meeting. The remunerations of directors and supervisors are set at 1% of the total earnings and the employees' bonuses shall be no less than 0.2% of the total earnings of the year.
- b. The Board of Directors has come up with the following details regarding the distribution of earnings of 2007 as employees' bonuses and directors' and supervisors' remunerations.
- c. Distribution of earnings in 2006 as employees' bonuses and remunerations to directors and supervisors:
- Distributions of earnings in 2006 as employees' bonuses and remunerations to directors and supervisors are as follows:

	Allocations Determined by the Shareholders' Meeting and the Board of Directors	
(1) Distribution (NT\$1,000)		
Employees' Bonuses	\$	275,250
Directors' and Supervisors' Remunerations	\$	34,406
(2) Earnings per Share (Unit: NT\$)		
EPS	\$	4.18
EPS after bonuses and remunerations	\$	3.84

### 1-9 Share Buyback: None

## 2. Status of Corporate Bonds, Preference Shares, GDR, Employee Stock Option Plan, Mergers, Acquisitions and Spin-Offs

### 2-1 Corporate Bonds

As of March 31, 2008

Type of Corporate Bonds	PCSC Second Issue of Secured Corporate Bond
Issuing Date	June 10, 2003 ~ June 13, 2008
Par Value	NT\$1 million

Type of Corporate Bonds	PCSC Second Issue of Secured Corporate Bond
Issuing Location	–
Offering Price	Issued at Par
Total Amount	Total amount of NT\$1.5 billion, divided into classes of Aa, Ab, Ac, Ad, Ba, Bb and Bc due to different issuing dates and prerequisites. The amount for each issuance of Aa, Ab, Ac and Ad is NT\$200 million, issuance of Ba and Bb is NT\$200 million each, issuance of Bc is NT\$300 million.
Coupon Rate	Issue A: 1.40%; Issue B: 4% minus 6-month LIBOR or 4% minus 180 day commercial paper interest rate, adjusted every six months
Term	The terms of all classes are 5 years. The terms of individual classes are as follows: Issue Aa, Ba: June 10, 2003 to June 10, 2008 Issue Ab, Bb: June 11, 2003 to June 11, 2008 Issue Ac, Bc: June 12, 2003 to June 12, 2008 Issue Ad: June 13, 2003 to June 13, 2008
Guarantor	Class A: Taipei Fubon Bank Class B: Chunglun Branch of Bank of Taiwan
Trustee	Trustee Department, Chinatrust Commercial Bank
Underwriter	None
Legal Counsel	Su, Yan Wei, Esq.
Auditors	PRICEWATERHOUSECOOPERS Lai, Chun Tien; Lin, Tung Chiao
Repayment	Issue A automatically repaid at 3rd, 4th and 5th years at 25%, 25 and 50%, respectively Issue B: repaid in full at maturity
Outstanding Principal	NT\$1.1 billion (Note)
Redemption or Early Repayment Clause	None
Covenants	None
Credit Rating Agency, Date of Credit Rating, Credit Rating of the Bonds	None
Other Rights to Bondholders	Amounts of Converted (Exchanged or Subscribed) Common Shares, GDR or Other Securities as of Annual Report Publishing Date
	Issue and Conversion Rights (Exchange or Subscription Rights)
Dilution Effects, and Other Adverse Effects to Existing Shareholders due to Bond Issuance, Conversion, Exchange or Subscription of Shares	None
Custodian	None

Note: In June 2006 and June 2007, PCSC repaid NT\$200 million respectively for its second issue of secured corporate bond. Total amount payback is NT\$ 400 million.

## 2-2 Preference Shares: None

## 2-3 Global Depository Receipts: None

## 2-4 Employee Stock Option Plan: None

## 2-5 Issuance of New Shares to Merge or Acquire Other Companies: None

## 3. Status of Capital Utilization Plan

### 3-1 Capital Projection:

As of March 31, 2008, any incomplete share issuance or private placement or any completed share issuance or private placement over the past three years but not yet reporting any benefits: None.

### 3-2 Status of Implementations:

As of March 31, 2008, analysis of the purposes of each capital investment project and comparison of the implementations and the original benefits: None.

## V. OPERATIONAL HIGHLIGHTS

### 1. Business Activities

#### 1-1 Business Scope

##### a. Officially Registered Business Items

( 1 )	F203020	Tobacco & alcohol retails	(16)	JZ99030	Photography		applications, ticket sales, receiving goods
( 2 )	F206020	Retails of daily products	(17)	F204110	Retails of cloth, clothes, shoes, hats, umbrellas and accessories		on behalf of customers and bill collections on behalf of other businesses)
( 3 )	F203010	Retails of food, groceries and beverages					
( 4 )	F208040	Retails of cosmetics	(18)	A102060	Retails of staple food	(30)	F401161 Importing of tobacco
( 5 )	F399990	Other retails	(19)	F213010	Retails of home appliances	(31)	F401171 Importing of alcohol
( 6 )	IZ01010	Photocopying	(20)	F208031	Retails of medical equipment	(32)	Any business activities unless otherwise restricted by law
( 7 )	F201070	Retails of flowers	(21)	F205040	Retail of furniture, beds, kitchenware, decorative items	(33)	F301010 Department stores
( 8 )	F209060	Retails of educational, musical and entertainment products	(22)	F207030	Retails of cleaning products	(34)	F30102 Supermarkets
( 9 )	JE01010	Leasing	(23)	F401010	International trading	(35)	F399010 Convenience stores
(10)	IE01010	Distribution of telecommunications subscriptions	(24)	JA01010	Automotive repair services	(36)	F501030 Beverage stores
(11)	I401010	Advertising services	(25)	F214030	Retails of automobile and motorcycle accessories and merchandise	(37)	F501060 Restaurants
(12)	F207050	Retails of fertilizers	(26)	G202010	Parking lot operations	(38)	G902011 Type II telecommunications business
(13)	F210010	Retails of watches and clocks	(27)	IZ14011	Lottery tickets	(39)	I301010 IT & software Services
(14)	F210020	Retails of glasses	(28)	JZ99050	Agency services	(40)	I301030 Provision of electronic information and services
(15)	F216010	Retails of photo and film equipment	(29)	IZ99990	Other services (agent for school enrollments,		

## b. Sales Breakdown by Category in Year 2006 and 2007

Unit: NT\$1,000

Product Category	Sales & Percentages			
	2006		2007	
	Amount	%	Amount	%
Food Services	12,182,401	12.60%	12,760,107	12.90%
Publications	13,584,344	14.05%	14,154,817	14.31%
Beverages	33,008,506	34.14%	33,789,556	34.16%
Non-Food	25,534,699	26.41%	26,360,997	26.65%
Ordinary Food	12,047,041	12.46%	11,612,687	11.74%
Others	328,732	0.34%	237,398	0.24%
Gross Sales	96,685,723	100.00%	98,915,562	100.00%
Sales Discount	-56,982		-30,185	
Net Sales	96,628,741		98,885,377	
Other Operating Revenue	3,350,877		3,478,464	
Total Operating Revenue	99,979,618		102,363,841	

### 3. Present and Future Products and Services

7-ELEVEN seeks to immerse into the consumers' scenarios by constantly innovating in products and services so as to continuously bring new lifestyles and consumption trends to consumers.

In 2006, we introduced the new concept of LOHAS, sparking a wave of new consumerism in pursuit of nature and simplicity in the Taiwanese market. We published MY LOHAS magazine and organizes workshops, 7-ELEVEN New Life Movement, to continue the promotion of the concept. Our efforts have been widely recognized and supported by consumers.

Riding on this ride, we have launched a series of products, including low-calorie cup soups and green tea, certified by the Bureau of Health Promotion. These products do not only generate impressive sales, but also prove to be very popular with consumers. With a view to the increase of the population that eats out and the rise of health conscious, we advocate "addictives-free" for 7-ELEVEN fresh foods by serving as a gatekeeper to the health of consumers. It is our hope that consumers can rest assured of the quality and healthiness of their food and live their lives in LOHAS way.

We promote our premier, freshly brew City Café, with the slogan "the whole city as my café". By the end of 2007, the number of City Cafés reached 1,000, making it easy, simple and convenient to enjoy a nice cup of coffee. It was voted as "the best value for money in the M-type society". The combination of a series of pastry products exclusively developed and marketed opens a new chapter in the 7-ELEVEN branded products.

The new generation digital service platform, i-bon, integrates many functions, including ticketing services, payments, and mobile offices. It has been introduced to over 4,000 7-ELEVEN stores in Taiwan, extending 7-ELEVEN's scope of operations from bricks-and-mortars to bricks-and-clicks. The extended reach of our businesses makes the concept of Community Service Center even more robust.

The end-of-the-year parade and large OPEN balloons in 2007 attracted considerable attention from media, and successfully shortened the distance between 7-ELEVEN and the public. Open has become a popular mascot for 7-ELEVEN. Meanwhile, we have developed a series of "Open" products, such as juices, flavored milk, stuff toys and stationary, to develop new business opportunities of our branded products.

Looking forward 2008, we will actively develop products of our brands and seek differentiations for our product structure by introducing more innovative and convenient services to customers so that 7-ELEVEN becomes more closely tied with consumers' lives.

#### 1-2 Macroeconomy and Industry Overview

##### Macroeconomy

The credit card debt crisis in 2005 has adverse impacts on consumption in Taiwan. The drastic rise in oil and commodity prices starting in 2006 poses a great test to the confidence of Taiwanese consumers. The economic growth in Taiwan in 2007 was 5.7%, but the growth engine came from exports. The domestic consumption remained weak under the pressure of continuous rising prices. The domestic consumption only grew 2.61% in 2007.

### Industry Overview

The drastic rises of oil and commodity prices around the world affect the disposal incomes and consumers' confidence in Taiwan. The retail industry generated revenues totalling NT\$3,273.5 billion in 2007, up by 3.45% from 2006. The growth centered on supermarkets whose revenues totalled NT\$95.4 billion (up by 7.72%) and hypermarkets whose revenues totalled NT\$147.4 billion (up by 3.69%). In contrast, the total revenue of convenience store chains only increased by 2.03% to NT\$198 billion. These figures indicate that some conservative consumers have made a switch to supermarkets and hypermarkets whose main appeal is pricing. In other words,

the competition spills over these retail segments and the segmentation itself is getting blurred. By the end of 2007, the number of convenience stores reached 9,000, and such density is the highest in the world. As a result, strategic alliances and M&A activities have started to emerge in the convenience store in order to cope with the rising operation costs and increasing fierce competition.

The store numbers of convenience store chains in Taiwan by the end of 2007 are as follows:

	7-ELEVEN	Family Mart	Hi-Life	OK	Others	Total
Total	4,705	2,228	1,296	818	32	9,079

### 1-3 Research and Development

7-ELEVEN seeks to cater to the demands of consumers by constantly providing innovative services. We always watch closely for the changes in external environments and technologies so as to effectively utilize the ever-progressing technologies to enhance our operations. The development in digitalization and electronics over the recent years has prompted 7-ELEVEN to launch many brand new digital services in 2007.

a. ibon kiosks, a digital service platform:

Ibon kiosks are a multimedia service platform that offers features such as ticketing, bonus point exchange, payments and mobile offices. By the end of 2007, more than 4,000 ibon kiosks have been deployed. It has become 7-ELEVEN's new generation digital service platform by extending 7-ELEVEN's operations into the virtual world.

b. icashwave, a new payment tool

7-ELEVEN cooperated with Chinatrust Commercial Bank to launch icashwave in April 2007. icashwave combines the functions of e-wallets and credit cards, offering a safer and more secure payment choice to consumers. As a result, shopping without coins has become a new trend in life.

c. OPEN TALK, 7-ELEVEN's own branded prepaid cards

7-ELEVEN obtained a type-2 telecommunications license as a MVNO in May 2007, and entered the mobile telecommunications market. In July 2007, the first OPEN TALK prepaid card was introduced to the market. More value added services are in the pipeline.

d. In 2007, PCSC spent a total of NT\$166.163 million on the R&D systems. The expenditure on the R&D of the system totaled NT\$16.037 million as of March 31, 2008.

### 1-4 Short and Long Term Operating Strategies

a. Short-term operating strategy

- (1) Enhance the fundamentals and improve operating health;
- (2) Increase the number of stores at a rapid pace to maintain competitive advantages;
- (3) Strengthen operating efficiencies of the organization;
- (4) Improve long-term investment management to better operating synergies of the group;
- (5) Step up personnel training and development to meet with the needs for future growth.

b. Long-term operating strategies

- (1) Expand the network of the chain stores to increase market shares;
- (2) Implement a low-cost operating model to enhance operating efficiencies;
- (3) Ensure the profitability of franchise store operators for their sustainable future;
- (4) Practice high-value marketing to create effective differentiations.

## 2. Market Analysis and Merchandise:

### 2.1 Market Analysis

a. Main product (service) sales areas:

For a long time, PCSC has been dedicating to the differentiation of our product portfolios and innovations of services to customers, so as to set the trend for quality life styles and meet with the diversified demands of consumers.

Apart from Taiwan, 7-ELEVEN has also extended its footprint to off-shore islands, including Kinmen, Penghu, Matsu and Green Island. In the future, we will continue to live up to our promise with "7-ELEVEN wherever there are customers' needs" and by providing the best-of-breed services.

b. Supply/demand in the future and growth prospects:

- (1) By the end of 2007, PCSC had 51.8% market share (based on the number of stores) in the convenience chain store market. It is both the market leader and the number one consumer brand.
- (2) In 2005, 7-ELEVEN began its first integrated marketing campaign and the revenue of that year showed a marked improvement. Other players in the market followed suit. As a result, the convenience stores in Taiwan saw an impressive sales growth of 8.88% and 8.85% in 2005 and 2006. The rising commodity prices has weakened consumers' confidence and lowered their disposal incomes. As a result, sales in the convenience store industry only saw a moderate growth of 2.03% in 2007 from 2006. In the future, we will continue to actively adjust our product portfolios, develop differentiated products of our brand and introduce innovative and convenient services to consumers so as to create stable profits for the Company.

c. Competitive Advantages:

Although the competition in the convenience store market in Taiwan is fierce, any player who can leverage its own advantages by catering to customers' needs will surely stand out. Our key competitive advantages are as follows:

- (1) Strong brand and corporate image;
- (2) Economies of scale in distribution and the extensiveness of the store network to facilitate the development of differentiated products and enhance bargaining powers;
- (3) Comprehensive support system for the distributions of goods at different temperatures;
- (4) Management team with strong capabilities to take actions and cope with changes;
- (5) Management team of high stability, beneficial to the formulation and implementation of long-term development strategies;
- (6) Diversified resources of the affiliates within the group to generate excellent synergies;
- (7) Powerful system platform and infrastructure to create more business opportunities;
- (8) Trust from customers and franchise store operators.

d. Positive and negative factors for future growth & strategic responses:

(1) Positive factors:

- Rising concerns from consumers over nature and health as advocated by LOHAS;
- Increase of eating-out population due to the structural changes of families;
- Changes of lifestyles resulting in the increasing demand for security, happiness and convenience;
- Growing emphasis on corporate social responsibility.

(2) Negative factors:

- Over 9,000 convenience stores in a gradually saturated market;
- Difficulties in recruitment of entry-level and in-store personnel;
- Surging costs of commodities, influence of regulations and the increasing utilities rates resulting in rising costs for the Company. The rally of commodity prices also makes consumers relatively conservative.

(3) Strategic responses:

Looking forward, PCSC will continue to "immerse into customers' scenario" in our constant innovations to develop products and services that cater to the needs of customers. Meanwhile, we will also leverage the know-how we have accumulated in the retail industry over time in order to duplicate and transfer our successful experience to assist our overseas businesses. We hope to accelerate our steps to become a world leading enterprise.

## 2-2 Major applications of key products and their production processes:

- a. Utilization: daily necessities.
- b. Production: not applicable.

## 2-3 Supply of major raw materials: not applicable.

## 2-4 Information on major clients/suppliers who have accounted for at least 10% of sales/procurements in either of the recent two years:

a. List of customers that have accounted for at least 10% of sales over the past two years: PCSC is a retailer of daily life merchandise. Our customers are the general public.

b. List of suppliers that have accounted for at least 10% of procurements over the past two years:

(1) List of suppliers that account for at least 10% of procurements:

Unit: NT\$1,000

Year	2006		2007		
	Name of Vendor	Amount	%	Amount	%
	Retail Support International Corp.	43,120,484	60%	40,396,485	57%
	Uni-President Cold-Chain Corp.	15,828,128	22%	16,014,350	23%
	Wisdom Distribution Service Corp.	5,508,850	8%	8,254,575	12%

(2) Reasons for significant changes: The increase and decrease in procurement amounts were due to fluctuations in sales.

## 2-5 Production over the past two years: not applicable.

## 2-6 Sales over the past two years: Please refer to Page 35 for "Sales Breakdown by Category in Years 2006 and 2007."

## 3. Personnel Information

Year	2006	2007	As of April 25, 2008	
No. of Employees	Store Employees	3,099	2,864	2,814
	Headquarters	1,699	1,776	1,784
	Part-time	3,404	3,004	2,801
	Total	8,202	7,644	7,399
Average Age	27	28	28	
Average Years of Service	3.7	4.8	4.9	
Education Level (%)	PhD	—	—	—
	Master	4.1	4.7	5
	Bachelor	44.4	48	48
	High School	49.5	43.9	43
	Others	2	3.5	4

## 4. Environmental Protection and Expenditures

### 4-1 Environmental (Green) Accounting

PCSC spares no efforts in environmental protection. Through the implementation of our management policies, we demonstrate our concerns for the land and live up to our responsibilities as a corporate citizen. The relevant measures include the allocations of budgets each year to establish a green fund dedicated to a variety of environmental education campaigns; adoption of energy-saving facilities at stores to reduce carbon emissions and save electricity bills; the recycling of expired fresh food products so that they can be made to fertilizers. All these efforts aim to create a win-win situation between PCSC and the environment. We adopt the environmental (green) accounting system to present this information in the form of financial figures.

According to the environmental accounting system, we classify our environmental protection expenses at the headquarters and stores into the following categories: products, stores, delivery, office management, external education and social contributions. Below is a table that summarizes all the statistics regarding our environmental protection expenditures. In 2007, PCSC spent a total of NT\$465 million on the aforementioned environmental related capital expenditures, of which the largest items were as follows:

- (1) NT\$138.52 million on the cleaning and greening of store environment and the disposal of wastes;
- (2) NT\$83.73 million on the procurement of environmental-friendly packing materials;
- (3) NT\$75.43 million in capital expenditures on the extension of useful lives of equipment;
- (4) NT\$55.34 million in capital expenditures on the energy conservation equipment.

Other ongoing policies include the recycling of kitchen wastes, additives-free food, paperless environment, green procurement and social and environmental campaigns.

### 4-2 Environmental related expenditures:

#### a. Table of environmental related expenditures

Unit: NT\$

Type	Item	Content	Benefits, resource effectiveness, reduction of emissions	Capital expenditures	Expenses	Total	
Products	Security and environmental concerns during the manufacturing, procurement and selling process of products	Procurement of 8,670,000 paper lunch boxes and other environmental-friendly packing materials, including PLA Slurpee cups and salad boxes	Resource conservation		83,730,944	105,870,466	
		Inspections on products and environments	Protection of human health		9,846,156		
	Specific fresh food products free from the use of preservatives, artificial flavourings or residual pesticides	Inspections on fresh food contents	Protection of human health		4,421,800		
	In compliance with the regulations of Waste Disposal Act and Resource Recycling Act in terms of recovery and cleaning of packages and containers, recycling and processing of food wastes	Resources recycling and processing	A total of 2,476 trips made to recycle kitchen wastes in 2007 (213 tons of expired fresh food products recycled in northern Taiwan)		7,871,566		
Stores	Energy conservation	Purchase of energy-saving equipment: 318 large power savers; 1,300 inverter air-conditioners; solar film engineering; the relocation of heating sources for open refrigerators; lights-down hours for passageways and signs	Energy conservation	45,080,000	10,268,067	278,279,170	
	Cleaning and disposal of wastes and resource recycling	Cleaning and greening of store environment and disposal of wastes	Maintenance of clean environment		138,518,660		
	Extension of useful lives of equipment and building materials	Purchase of 612 steel check-out counters and renovation/reuse of other environmental protection environment	Reduction of tree cutting by 3,060 trees and reduction of resource waste	51,408,000	24,024,192		
	Green procurement		The greening of 4,658,070 plastic bags, with the addition of 10% calcium carbonate	Extension of useful lives of incinerators			6,520,760
			1,111 caps for resource recycling bins made in Taiwan	Reduction of oil consumption for importing marine shipment			728,816
			4,600 protective cases for store PDAs for goods ordering	Reduction of use of animal hides and petroleum			312,800
	30% recycled pulp for the 1,155,300 brown bags for City Café	Reduction of tree cutting		1,417,875			
Delivery	Enhancement of loading efficiency, reduction of delivery time, shortening of delivery distance to reduce the impact to the environment	Two-distribution system for bread and fresh good products	Reduction in the number of deliveries by 144 trips		621,265	962,872	
		Reduction of greenhouse gases and recycling of HFCs for distribution vehicles	Reduction of the impact from distribution to the environment by a reduction of 33.5 tons of CO <sub>2</sub> and a purchase of 310 kilograms of environmental-friendly HFCs		263,500		
	Implementation of Reserve Logistics (recycling of resource)	Spending of manpower and equipment on Reserve Logistics at stores	Reduction of wastes		78,107		

Type	Item	Content	Benefits, resource effectiveness, reduction of emissions	Capital expenditures	Expenses	Total
Office management expenses	Disposal of waste, recycling of resources and maintenance of the environment	Cleaning and greening of office environment and disposal of wastes	Maintenance of clean environments and recycling of resources: 3,977 kilograms of pet bottles, 50,200 kilograms of paper and 1,050 kilograms of tin cans		7,262,061	36,028,330
	Promotion of paperless environments	Deployment and maintenance of communications platforms, HR systems and electronic publications	Reduction of wastes (by reducing the use of about 33,000 pay slips and 270 printing hours)		23,974,294	
	Maintenance of the environmental management system	Staff expenses on environmental protection activities	Maintenance and promotion of the environmental management system		4,791,975	
Internal education	Educational campaigns to promote environmental protection	Promotional campaigns on a variety of environmental issues and the organization of an environmental cleaning society	Environmental education to employees		1,206,131	1,206,131
Social contribution	External promotion of information concerning the environment	A variety of educational and promotional campaigns for recycling and green products and a trip to Japan to promote the environmental cleaning society	Advocates of environmental information to external parties		2,370,202	42,650,694
		7-EVELEn deep-cleaning activities and "Clean up the World" with a total of 23,648 participants	Cleaning up of 20,774 kilograms of garbage		5,077,604	
	Organization of or involvement in social and environmental campaigns	Community competitions for nature story photography/compositions	Promotion of environmental education		597,973	
		LOHAS festivals and events; Simple Life Music Festival	Promotion of environmental education		6,699,541	
		Community Restructuring Campaign: Poetry, Architectures and New Community	Promotion of environmental education		1,281,000	
		A variety of CSR campaigns	Corporate Social Responsibility		13,775,449	
Conservation of the ecosystem	Sponsoring of environmental groups	Promotion of environmental education		11,848,925		
	Conservation activities	Protection of wetland		1,000,000		
Total				96,488,000	368,509,663	464,997,663

b. In 2007 and as of April 25, 2008, some stores were fined for NT\$979,294 and NT\$200,538, respectively, during these two periods due to the violation of the Noise Control Law and Waste Disposal Law.

#### 4-3 Benefits of Investments in Environmental Protection:

##### a. Benefits of energy-efficient facilities:

- Externalization of the heat source of open refrigerators
  - The heat source of a total of 54 open refrigerators was moved outside. The capital expenditure was NT\$2,430,000. The electricity saved totaled 77,0000 kw/hr per month.
  - Introduction of HFCs to all stores
    - A total of 237 refrigerators at stores have been installed with HFCs, in line with Kyoto Protocol to avoid the damages to ozone layer.
  - Introduction of inverter air-conditioners at new stores
    - A total of about 1,300 inverter air-conditioners were deployed at new stores. The total capital expenditure was NT\$13,000,000. The average power saving efficiency is 10%. On the basis of 200 kw/hr per unit per month, these 1,300 units can save 260,000 kw/hr per month.
  - Introduction of power savers
    - A total of 318 power savers were deployed with a capital expenditure of NT\$23,850,000. The average power saving efficiency is 11.5%. The electricity saved totals 694,000 kw/hr per month. In 2007, the electricity consumption amounted to about 19,000 kw/hr per month per store, implying 2,185 kw/hr per month per store was saved.
  - Lights-Down from July to October, 2007 at passageways and for signs
    - The hours for lights to be switched on was adjusted from 18:00~05:00 to 18:00~01:00. Four hours of electricity was reduced each day. The electricity saved stood at 192.5 kw/hr per month per store. A total of 4,397 stores implemented the system, with a capital expenditure of NT\$5,800,000. PCSC can save 846,000 kw/hr per month in total.
  - Introduction of steel counters
    - PCSC spent NT\$51,408,000 in capital expenditure to purchase 612 steel counters. This was equivalent to the reduction of tree-cutting by 3,060 trees. The production of the original wooden counters demands tree-cutting. Also, wooden counters have a shorter useful life and cannot be recycled and reused.
  - Introduction of 32W fluorescent lights at stores and passageways
    - PCSC introduced for a total of 250 stores 32W fluorescent lights. The electricity saved is 453 kw/hr per store per month. In total, 113,000 kw/hr of electricity was saved. Compared to a 36W fluorescent light, a 32W fluorescent light saves 7 kw/hr per hour per unit.

b. Safety and protection of food for consumers

To ensure the safety of food and to serve as a gatekeeper to the health of consumers, we conduct rigorous inspections on fresh food products and packaging materials before to go to shelves to make sure that they are free from preservatives and micro-organisms. In 2007, NT\$4,421,800 was spent on such inspections. A total of 223 fresh food products are free from preservatives.

#### 4-4 Improvement measurements

We already asked all of our stores to make improvements and make sure that they are aware of relevant regulations.

#### 4-5 Information related to EU RoHS Directives

None of the products of our company or our subsidiaries is directly or indirectly exporting to Europe, or affected by RoHS Directives.

### 5. Employee benefits

#### 5-1 Employee benefits

a. Integration of the group's HR system and resources

PCSC and its affiliates jointly review, revise and integrate their HR systems and formulate a robust talent pools and career planning systems for the group, in order to build an environment that facilitates a fair and reasonable development of in-house talents.

b. Comprehensive employee benefits

By the decree of Official Letter Taipei City Social II No. 58459 of Department of Social Welfare, Taipei City Government (1987), PCSC established Employee Benefit Committee on December 21, 1987. Members of the Committee are jointly elected by both PCSC and employees. The Committee regularly hosts a variety of activities, organizes health check-ups for employees and other benefits such as subsidies for on-the-job training and studies.

PCSC offices benefits such as cafeteria benefits, overseas trips for senior employees, health inspections, benefits and savings trusts, club subsidies, library centers, wedding and funeral allowances, paid maternity and paternity leaves, dormitories for female employees, group insurances, employee travel allowances and other benefits provided by Employee Benefits Committee to meet the needs of employees.

c. Integration of the group's training resources

PCSC established PCSC Learning Center to develop a common training curriculum in retail management and provide assistance in training and education to its affiliates. In this way, the group is able to maximize the benefits in talent development by fully utilizing training budgets and resources. In addition, PCSC spares no efforts in the utilization of digital learning systems so that its employees are aware of their personal learning paths. The combination of various learning methods, such as online curricula, online tests, classroom drills and reports uploading further expand the training benefits. The digital learning system is used to integrate retail know-how of individual affiliates of the group so that competences can be passed down and knowledge can be shared throughout the group.

d. Special franchise program

PCSC provides an incentive program to encourage its employees to become franchisees so that they can grow and develop with the Company,

e. Safe and harmonious workplace

PCSC provides its employees with a safe and harmonious workplace that encourages positive interactions between male and female employees. A set of crisis management policies have been defined. In addition, PCSC regularly inspects indoor air quality, water quality and illumination and sterilizes the workplace in order to create a superior working environment. Also, to encourage the health and safety of employees at work, all employees are offered group accidental insurance, life insurance and medical insurance after they join the Company. They are also given subsidies for their health check-ups.

f. Retirement plan

(1) Old system under the Labor Standards Act

On January 29, 2007, PCSC modified its employee retirement program, applicable to all the formally hired employees. This program calculates the service years by dating back to the first date of employment. Employees who have been in service for less than 15 years (inclusive) shall be graded two basic units for each full year of service. From the 16th year onward, each full year of service shall be translated into one basic unit in the calculation of pensions. Any service period that is less than six month shall be calculated as half a year; while any service period that is between six months and twelve months shall be calculated as one full year. The number of basic units in the calculation of pensions is capped at 45. Pensions are calculated on the basis of service years and the average monthly salary at the time of retirement. Calculation of average salaries shall be made in compliance with the Labor Standard Act.

(2) Pension policy to include the service years in affiliates for transferred employees

- (a) The calculation of service years for transferred employees includes the number of years they serve in any PCSC affiliate or members of the Uni-President Group.
- (b) The sharing of pensions among affiliates is based on the percentage of the service years spread over the affiliates that employee serves.

(3) New system under the Labor Pension Act

Beginning on July 1, 2005, in accordance with the Labor Pension Act, PCSC implements a new system that is applicable to all hired employees. All the employees can opt for the old system under the Labor Standard Act as stated in (1) or the new system under the Labor Pension Act. A switch to the new system is still possible within five years after an employee has chosen the old system. According to the regulations or the Labor Pension Act, the payout is made based on the Monthly Contribution Wages Classification. In other words, 6% of their monthly income is transferred to their personal retirement account with Bureau of Labor Insurance.

#### 5-2 Labor relations

a. Open communications channel

Aside from the service center at the headquarters and the email suggestion box to answer questions from employees, PCSC has established a website discussion forum on the intranet to facilitate communications among all employees for issues in life and at work and the exchanges of their ideas and feedbacks.

b. Employee Code of Conduct

PCSC has published an Employee's Handbook and set out a scheme for rewards and disciplinary actions. An implementation committee has been put in place to execute these procedures. Self-Discipline Pack for Employees has also been defined to clearly state the code of conduct for employees.

According to Self-Discipline Pack for Employees, employees should observe the following regulations in ethics and code of conduct.

- (1) Employees cannot use company money for personal purposes, engage in unscrupulous behaviors for profits, involve in illegal acts, violate any contracts, damage public properties or jeopardize the company's reputation.
- (2) Employees shall not abuse any other individual, affect other individual's work performance or threaten to exchange the establishment of service contracts, compensations, performance reviews, promotions/demotions, rewards/disciplinary actions with any words or actions that contain sexual requests, sexual connotations or sexual discriminations.
- (3) Employees shall not give gifts to supervisors or treat supervisors for meals; however, supervisors may give gifts to subordinates and treat subordinates for meals as a token of gratitude for their hard work.
- (4) Employees shall not be engaged in non-business monetary transactions with any business-related vendors or individuals.
- (5) Employees shall not receive any benefits from business-related vendors or individuals.
- (6) Employees shall not make any publications, statements or displays in the name of the Company without permission from the Company.
- (7) Employees should maintain the confidentiality of the business activities they are responsible

for and shall never, in any circumstances, assist any company or individual that has conflicts of interests with our company or compete against our company by revealing the business secrets of our company.

- (8) The attendance and all kinds of behaviors should be in compliance with the regulations set forth by HR.
- c. Labor negotiations  
PCSC has always valued its human resources as its most significant asset, and has worked to align the vision of the Company and the development goals of employees. Therefore, the interaction between PCSC and its employees has been very positive and harmonious over the years.
- d. Losses due to labor disputes  
PCSC provides employees with a comprehensive benefit system, quality working environment and open communications channel. Therefore, no major labor disputes have occurred and no significant losses have been reported.

## 6. Important Contracts:

As of April 25, 2008

Contract Type	Contracting Party	Terms of Agreement	Summary	Restriction Clause
Regional Licensing Agreement	7-ELEVEN, INC.	July 20, 2000 ~ perpetuity	1. PCSC is authorized by 7-ELEVEN, INC. to operate its "convenience store chain" business in the licensed areas, and has the right to use 7-ELEVEN franchise system, logos, business know-how, trademarks and service marks within the contractual period. 2. PCSC shall pay royalty to 7-ELEVEN, INC. every month.	PCSC is obliged to make its best efforts to manage, operate and expand the convenience store business within the authorized area. PCSC is not permitted to operate its convenience store business outside the authorized area or continue with the operations of its convenience store business within one-year after the termination of the contract.
Long Term Debt	Mega International Commercial Bank / Credit Lyonnais / HSBC / Chinatrust Commercial Bank / Taipei Fubon Bank / The Bank of Tokyo-Mitsubishi UFJ / Sumitomo Mitsui Banking Corp. / Mizuho Bank / Scotiabank / Hua Nan Commercial Bank / Land Bank of Taiwan	September 28, 2007~September 28, 2010	NT\$7 billion syndicated credit loan	According to the audited annual report and semi-annual consolidated financial statements, the following three financial ratios shall be calculated. 1. Financial liabilities $\leq$ 100% [(short-term, mid-term and long-term bank loans(including one-year or the current portion of the long-term debts)+ short-term bill financing balance + corporate bonds domestic and overseas(including convertible corporate bonds)] / net value of tangible assets 2. Interest cover $\geq$ 5 [(pre-tax profits+interest incomes+ depreciation+ amortization) / interest expenses] 3. Net value of tangible assets $\geq$ TWD15 billion [Net value-intangible assets]
Long Term Guarantee	Bank of Taiwan	Jun 10, 2003~Jun 12, 2008	NT\$700 million corporate bond guarantee	None
Long Term Guarantee	Taiwan Fubon Bank	Jun 10, 2003~Jun 13, 2008	NT\$800 million corporate bond guarantee	None
Long Term Debt	Bank of Taiwan	Dec 21, 2007~ Dec 21, 2009	NT\$300 million credit loan	None
Long Term Debt	Taipei Fubon Bank	Jul 20, 2007~Jun 19, 2010	NT\$500 million credit loan	None
Long Term Debt	Chinatrust Commercial Bank	Nov 5, 2007~Feb 5, 2010	NT\$950 million credit loan	None
Long Term Debt	Taishin International Bank	Dec 31, 2007~Dec 31 2009	NT\$500 million credit loan	None
Long Term Debt	E. Sun Bank	Oct 22, 2007~Oct 22, 2010	NT\$300 million credit loan	None
Long Term Debt	Cathay United Bank	Aug 30, 2007~Aug 30, 2010	NT\$600 million credit loan	None
Long Term Debt	Hua Nan Commercial Bank	Mar 27, 2007~Mar 27, 2009	NT\$500 million credit loan	None
Long Term Debt	Mega International Commercial Bank	Jan 26, 2008~Jan 25, 2010	NT\$900 million credit loan	None
Long Term Debt	Chang Hwa Bank	Jan 4, 2008~Feb 28, 2010	NT\$500 million credit loan	None
Long Term Debt	Mizuho Bank	Oct 27, 2007~Oct 27, 2009	NT\$500 million credit loan	None
Long Term Debt	Bank Sinopac	Jun 22, 2007~Jun 22, 2009	NT\$500 million credit loan	None