

PRESIDENT CHAIN STORE CORP.

General shareholders' meeting 2008

Parliamentary Minutes



June 13, 2007

PRESIDENT CHAIN STORE CORP.

General Shareholders' Meeting of PRESIDENT CHAIN STORE CORP. 2008

I. Agenda

Time: 9:00 a.m. on June 13, 2008 (Friday)

Place: Education & Training Center at 1F., No.301, Jhongjheng Rd., Yongkang City, Tainan County

Attendance: The shareholders and proxies in session representing 865,965,424 shares or 94.62% of 915,160,436 outstanding shares.

Chairman: Director Kao Chin-Yuan

Recorded by: Chen Ping-Hung

Parliamentary procedure:

- I. Opening Announcement (Report equity represented by attendance)
- II. Chairperson's speech (skipped)
- III. Report

1st motion

Cause of motion: Report on operation in 2007.

Content: Report on operation of the Company in 2007 is shown in Appendix I.

2nd motion

Cause of motion : Supervisors' review report for the statement of final accounts in 2007.

- Content: 1. The statement of final accounts of the Company in 2007 was audited by certified public accountants and reviewed by the supervisors with the issuance of supervisors' review report.
2. The supervisors' review report is shown in Appendix II.

3rd motion

Cause of Motion: Report of the Company's investment in Mainland China.

Content: Investment by the Company in Mainland China as of December 31, 2007, please refer to Appendix III.

4th motion

Cause of Motion: Report on the Impairment of assets in 2007.

Content: The Company recognized loss from impairment of assets amounted to NT\$499,176,757 in 2007 in accordance with Statement of Financial Accounting Standards (SFAS) No. 34.

5th motion

Cause of Motion: Report on amendment to the parliamentary procedure for Board of Directors.

- Content: 1. The Company amended the "Parliamentary Procedure for Board of Directors of President Chain Store Corporation" in response to the "Regulations Governing Board Meetings of Public Companies" promulgated by Financial Supervisory Commission of the Executive Yuan.
2. Table showing the comparison of the original and the new provisions after the amendment is shown in Appendix IV.

IV. Ratification and discussion

1st motion

(Proposed by the Board)

Cause of Motion: Please ratify the statement of final accounts in 2007.

- Content: 1. The statement of final accounts in 2007, including reports on operation and financial statements. The financial statements have been audited by certified public accountants.
2. The aforementioned statements were passed by the Board and reviewed by the Supervisors.
3. Report on Operation in 2007 was shown in Appendix I. Financial statements and notes to financial statements are displayed in Appendix 5 and on Pages 66-96 and Pages 104–137 of the annual report.

Resolution: Resolved, the General Meeting hereby acts in favor of the motion, with the unanimity of the shareholders in session.

2nd motion

(Proposed by the Board)

Cause of Motion: Please resolve the income distribution in 2007.

- Content: 1. The table of income distribution in 2007 was shown in page 31 of this handbook (Appendix VI).
2. Income attributable to shareholders of the Company in 2007 amounted to NT\$3,286.99 million and earnings per share at NT\$3.2. The Board asks for a General Meeting to authorize for setting the ex-dividend day and the dividend payment day.

Resolution: Resolved, the General Meeting hereby acts in favor of the motion, with the unanimity of the shareholders in session.

3rd motion

(Proposed by the Board)

Cause of Motion: Please resolve the amendments to Articles of Incorporation.

- Content:
1. Propose to add a number of businesses for business needs: “Hardware retailer stores”, “Petroleum stations”, “Petroleum products retailing”, “Other automobile services”, and “Natural gas stations”. (Article II).
 2. Amendment date (Article XXXIII)
 3. Table showing the original and the new provisions was shown in Appendix VII.
 4. The motion is proposed for decision.

Resolution: Resolved, the General Meeting hereby acts in favor of the motion, with the unanimity of the shareholders in session.

V. Election

(Proposed by the Board)

Cause of Motion: election of supervisor to fill a vacancy of the 8th Board.

- Content:**
1. Nan Shan Life Insurance Co., Ltd. resigned as Supervisor on June 13, 2008, and resulted in only one Supervisor seat in the Company.
 2. The Board proposed to hold an election of supervisor to fill the vacancy pursuant to Article 216 of the Company Act that “public companies shall elect at least two supervisors”, and the Corporate Charter of the Company that “The Company shall hold two seats of Supervisors”.
 3. One supervisor shall be elected, whose term of office shall commence from June 13, 2008 to June 13, 2009.
 4. The Board hereby asks for decision.

Election result:

Name of elected supervisor		
Account No. or ID number of the candidate	Name or title of the candidate	Number of Votes
2303	Kao Chyuan Inv. Co.	437,988,325
	Representative: Hong Ho-I	

VI. Preliminary motions

VII. Dissolution

Appendix 1

Business report 2007

In 2007, the operation environment was characterized by skyrocketing oil and consumer prices that significantly affected the disposable incomes and consumption confidence of people. The retailing industry as a whole only grew by 3.45% over 2006. Yet, President Chain Store Corporation performed well with the effort of all in the enterprise. As of December 31, 2007, 7-ELEVEN had 4,705 stores across Taiwan with revenue amounting to NT\$102,364 million with growth of gross profit and corporate earnings by 31.01% and 4.74%, which were record high in 10 years, respectively. Consolidated revenue with the subsidiaries amounted to NT\$141,982 million, indicated the sustained enlargement of business scale.

In the operation of convenience stores, the Company made the supply of freshly brewed and exotic coffee easily available to the consumers under the slogan that “the whole city is our café” and hence launched the operation of the City Café. This move was highly received by consumers. In addition, the Company also helped consumers in solving the problems of carrying coin change by introducing a new device for payment, the icash wave. This new device is the combination of credit card and e-purse so that consumers do not have to bring change for shopping. This is indeed a new experience. Furthermore, the Company took another step forward to turning 7-ELEVEN into a community city through the installation of a new generation digital platform- the ibon, in 4,600 stores that integrates invoicing, bonus redemption, payment, mobile office and other functions, so that the virtual operation space of 7-ELEVEN expanded tremendously.

In long-term, new retailing enterprises including Uni-President Department Store Corp. (Hankyu), President FN Business Corp. (Plaza), Cold Stone Creamery Taiwan Ltd.(Cold stone) and Marks & Spencer Taiwan opened to business in 2007. With their launches into business, United Chain Store Corporation could further deploy their retailing network. In overseas development, revenues in Shan Dong President Yinzuo Supermarket and Shanghai President Starbucks Coffee Corp. grew substantially. This achievement allowed President Chain Store Corporation to lay a new milestone for overseas operation.

The Company also made the best effort to be a corporate citizen. In 2007, more than 4,000 7-ELEVEN stores supported the “save energy; save the world” campaign in Summer by turning off lights. This move helped to save energy and demonstrated the concerned of the Company for environmental protection, a win/win game. For long time, the Company has actively participated in social charities and made all 7-ELEVEN stores channels for charitable donations, round-the-clock. These stores put together the love of the people to their society all year round and together helped 59 social charity groups to raise almost NT\$900 million charity funds for helping the disadvantaged. The effort and giving of the Company has earned the support and recognition of all social sectors. In 2007, the Company was cited by CommonWealth Magazine as the Third Benchmark Enterprise in Reputation out of some 1,100 enterprises and was conferred the “CommonWealth Corporate Citizen Award”.

The effort of President Chain Store Corporation in business stimulated the development and improvement of the retailing industry of Taiwan. From substantive channels to virtual channels, from gourmet food to fashion stores, the Company allows 1 out of 4 people in Taiwan to interact with any of its stores or locations of the chain each day.

Indeed, the Company and the living of the consumers are intertwined. In 2008, the Company will have 4,900 7-ELEVEn stores in Taiwan. Through product differentiation and innovation in convenience store operation, the Company will attract more consumers to bolster the competitive power of 7-ELEVEn so that the concept to the chain store as a part of the community can further be materialized and intact. Nonetheless, new businesses including Afternoon Tea Taiwan Co., Ltd., Rakuten Taiwan Co., Ltd., and Pet Plus Co., Ltd. will be introduced in 2008 too in order to satisfy the needs of the consumers of different lifestyles and for sustaining the development of the enterprise in scope and in size.

In the future, President Chain Store Corporation will persist to create value for the shareholders, to improve the well-being of its employees, to enhance customer satisfaction, and to propel society forward. The Company will lay down a solid foundation for perpetuating the operation.

Chairman  President  Chief Accountant 

Appendix 2

President Chain Store Corporation Supervisors' Report

The Board of Directors has prepared and submitted the Company's 2007 Operation Report, Financial Statements, and proposal for appropriation of profit to us. The above have been further examined as being correct and accurate by the undersigned, the supervisor of President Chain Store Corp. According to Article 219 of the Company Law, we hereby submit this report.

To:
General Shareholders' Meeting in 2008

President Chain Store Corporation
Supervisor: Ying, Chien Li



March 25, 2008

President Chain Store Corporation

Supervisors' Report

The Board of Directors has prepared and submitted the Company's 2007 Operation Report, Financial Statements, and proposal for appropriation of profit to us. The above have been further examined as being correct and accurate by the undersigned, the supervisor of President Chain Store Corp. According to Article 219 of the Company Law, we hereby submit this report.

To:

General Shareholders' Meeting in 2008

President Chain Store Corporation
Supervisor: Nan Shan Life Insurance Company, Ltd.
Representative: Tse, Koon Hang Ada



March 25, 2008

Appendix 3

PRESIDENT CHAIN STORE CORP.
Statistics on the Investment in Mainland China in 2007

Currency: in USD

Name of investee in China	Accumulated amount of investment	Proportion of indirect shareholding
Shanghai President Starbucks Coffee Corp.	2,000,000	30%
Presiclerc (Shautou) Ltd.	2,469,991	48.78%
Presiclerc (Qingdao) Ltd.	3,085,000	48.87%
Presiclerc (Beijing) Ltd.	2,217,625	36.90%
President Cosmed Chain Store (Shen Zhen) Co.,Ltd	3,932,000	65%
Shan Dong President Yinzuo Commercial Limited	4,078,354	55%
PCSC (SICHUAN) Hypermarket Limited	10,130,000	100%
PCSC (CHENGDU) Hypermarket Limited	12,962,500	100%
Shanghai Cold Stone Ice Cream Corporation	5,154,640	100%
Total	46,030,110	

Appendix 4

President Chain Store Corp.
Contrast table for amendments to parliamentary rules of directors' meetings

Amended provisions	Existing provisions	Contents
<p>Article V The Board designates the “Strategic Planning Group” as the function for <u>administering convention and related business</u>, prepares the agenda for the Board meetings, and provides materials for the meeting in <u>full detail</u>, and delivers such materials by giving notice or 7 days before the scheduled date of meeting.</p> <p>Where the directors may suggest the materials for the meeting provided are <u>insufficient</u>, they may request the <u>administrative</u> arm of the parliamentary unit for supplementary information. The parliamentary unit shall not decline such request. If, however, the directors hold that the information available in insufficient for the meeting, they may petition for postponement of the meeting at the approval of the Board.</p>	<p>Article V The parliamentary unit shall be the “strategic planning group” designated by the Company’s Board of Directors. The parliamentary unit shall draft the directors’ meeting parliamentary procedures and provide <u>sufficient</u> information, and send them out altogether when calling a meeting or within 7 days prior to the meeting.</p> <p>Where directors consider that the parliamentary information is not sufficient, they may ask the parliamentary unit for supplementing the information. Where directors consider that the information about motions is not sufficient, the examination on the motions may be postponed subject to the Board of Directors’ resolution.</p>	<p>Adjustment of the wording for clarity.</p>
<p>Article VII The following issues shall be discussed in the Board of Directors’ meeting:</p> <ol style="list-style-type: none"> I. The Company’s business plan. II. Annual financial report and semi-annual 	<p>Article VII The following issues shall be discussed in the Board of Directors’ meeting:</p> <ol style="list-style-type: none"> I. The Company’s business plan. II. Annual financial report and semi-annual 	<p>Adjustment of the wording for clarity.</p>

Amended provisions	Existing provisions	Contents
<p>financial report.</p> <p>III. Internal control system defined or amended pursuant to Article 14-1 of the Securities and Exchange Act.</p> <p>IV. The regulations governing acquisition or disposition of assets, derivatives transactions, granting of loans, making of endorsement or guarantee enacted or amended pursuant to Article 36-1 of the Securities and Exchange Act.</p> <p>V. Offering, issue or private placement of equity securities.</p> <p>VI. Appointment and dismissal of financial, accounting or internal audit supervisors.</p> <p>VII. Pursuant to Article XIV-III of the Securities and Exchanges Act, other issues to be resolved by the General Meeting or referred to the Board by the General Meeting under applicable legal rules or the Corporate Charter or issues ruled by competent authority as material.</p>	<p>financial report.</p> <p>III. Internal control system defined or amended pursuant to Article 14-1 of the Securities and Exchange Act.</p> <p>IV. The regulations governing acquisition or disposition of assets, derivatives transactions, granting of loans, making of endorsement or guarantee enacted or amended pursuant to Article 36-1 of the Securities and Exchange Act.</p> <p>V. Offering, issue or private placement of equity securities.</p> <p>VI. Appointment and dismissal of financial, accounting or internal audit supervisors.</p> <p>VII. Issues <u>to be resolved</u> by shareholders' meetings or submitted to the Board of Directors according to Article 14-3 of the Securities and Exchange Act, other laws or regulations, or material issues required by the competent authority.</p>	
<p>Article VIII</p> <p>Unless specified in Section I of the previous article that specific issues shall be discussed in Board Meeting, the Board may <u>authorized</u> relevant ranks in the corporate hierarchy with explicitly stated content for discussion under the law or the corporate charter. Such authorized bodies shall report to the Board the status and result of the discussion.</p>	<p>Article VIII</p> <p>Except the issues to be submitted to the Board of Directors' meeting for debate as referred to in Paragraph I of said Article herein, where the Board of Directors authorizes the authority of the Board of Directors pursuant to laws or the Company's articles of incorporation between sessions of the Board of Directors' meetings, it is necessary to specify expressly the hierarchy, contents and issues of the</p>	<p>Adjustment of the wording for clarity.</p>

Amended provisions	Existing provisions	Contents
	authorization and no general authorization shall be granted, and it is necessary to report the execution thereof to the Board of Directors.	
<p>Article IX An attendance book shall be provided for present directors to affix their signatures when the Board of Directors' meeting is held. Directors shall attend the Board of Directors' meeting personally. Where any director cannot attend the meeting personally, he may appoint another director to attend the meeting on behalf of him pursuant to the Company's articles of incorporation. Directors taking part in the meeting in the form of video conference shall be deemed attending the meeting personally, provided that they shall fax the attendance forms to replace the affixation of signature into the attendance book. Where any director appoints another director to attend the meeting on behalf of him, he shall issue a letter of proxy and specify the scope of authorization with respect to the grounds for calling the meeting. The proxy referred to in the 2nd paragraphs shall act on behalf of no more than one person.</p>	<p>Article IX An attendance book shall be provided for present directors to affix their signatures when the Board of Directors' meeting is held. Directors shall attend the Board of Directors' meeting personally. Where any director cannot attend the meeting personally, he may appoint another director to attend the meeting on behalf of him pursuant to the Company's articles of incorporation. Directors taking part in the meeting in the form of video conference shall be deemed attending the meeting personally, provided that they shall fax the attendance forms to replace the affixation of signature into the attendance book. Where any director appoints another director to attend the meeting on behalf of him, he shall issue a letter of proxy and specify the scope of authorization with respect to the grounds for calling the meeting. The proxy referred to in the preceding II paragraphs shall act on behalf of no more than one person.</p>	Adjustment of the wording for clarity.
<p>Article XII In the event that less than half of the Directors are still present after the scheduled time of Board meeting, the Chairman may announce to postpone the meeting for no more than 2 instances. If no quorum could be qualified in the two postponed meetings, the Chairman <u>may</u> call for a new round of</p>	<p>Article XII Where present directors are less than a majority of the whole directors at the meeting time, the chairperson may announce a postponement of the meeting, provided that <u>the meeting shall not be postponed more than twice</u> and the postponement shall not be more than one hour in total. Where</p>	For keeping flexibility in the postponement of meetings, the Chairman may elect to call for a new round of session without the constraints of time and thereby

Amended provisions	Existing provisions	Contents
session pursuant to Article III-II.	present directors are still less than a majority of the whole directors after the meeting is postponed for twice, the chairperson <u>shall call</u> the meeting again pursuant to Paragraph 2 of Article III herein.	relevant provisions and wording were amended.
<p>Article XIII</p> <p>The Directors shall follow the <u>agenda</u> set for the meeting. The agenda may be modified at the consent of more than half of the Directors in session.</p> <p>The Chairman shall not announce to adjourn the meeting without the consent of more than half of the Directors in session. If less than half of the Directors in session showed up in the course of the Board meeting, the Chairman may announce to suspend the meeting and apply the provision mentioned in <u>Section I</u> of the previous article.</p>	<p>Article XIII</p> <p>The Board of Directors' meeting shall follow the parliamentary <u>content</u> scheduled in the notice of the meeting, provided that the procedure may be altered subject to a majority of present directors' approval.</p> <p>The chairperson shall not adjourn the meeting unless <u>the parliamentary content scheduled in the preceding paragraph</u> is approved by a majority of the present directors.</p> <p>Where seated directors are less than a majority of the present directors in the process of the meeting, the chairperson may announce a suspension of the meeting and apply the preceding Article.</p>	Adjustment of the wording for clarity.
<p>Article XIV</p> <p>Where the chairperson considers that the debate of a motion may be put to a vote, he may announce a suspension of the debate and put the motion to vote. In balloting on specific motion, The Chairman may consult the Directors in session, and <u>pass the motion if there is no adverse opinion</u>.</p> <p>The votes may be decided by the chairperson in any of the following manners, provided that where any present director expresses dissent, they shall be decided in the manner determined subject to a majority of the present directors' opinion:</p>	<p>Article XIV</p> <p>Where the chairperson considers that the debate of a motion may be put to a vote, he may announce a suspension of the debate and put the motion to vote. Where no present directors raise objection upon the chairperson's inquiry before a motion is put to a vote in the meeting, the motion shall be deemed passing with the effect as same as that of passage by votes.</p> <p>The votes may be decided by the chairperson in any of the following manners, provided that where any present director expresses dissent, they shall be decided in the manner determined subject to a</p>	<p>I. Adjustment of the wording for clarity.</p> <p>II. To avoid the Chairman having to proceed passing a motion at the consultation of the minority seats of Directors in session with no adverse opinion, the provision is amended as further to the consent of the Directors in session, the monitoring of balloting and the counting of votes shall be stated in the rules for parliamentary procedure.</p> <p>III. According to a Letter issued by the</p>

Amended provisions	Existing provisions	Contents
<p>I. By raising hands; II. By roll-call voting; III. By voting. <u>Directors in session as mentioned in the previous 2 sections shall not include the requirement of Article XVI-1 on Directors not entitled to vote.</u></p>	<p>majority of the present directors' opinion: I. By raising hands; II. By roll-call voting; III. By voting.</p>	<p>Ministry of Economic Affairs, Directors present in Board meeting but shall avoid any conflict of interest in voting shall be counted for qualifying a quorum. However, Article 206-1 of the Company Act requires that whether there were more than half of the Directors in session vote in favor of particular motion, such directors elected not to vote in order to avoid the conflict of interest are not counted as directors attending the meeting whereby counted to qualify for a quorum. The addition of Section IV explicitly stated that "Directors in session</p>

Amended provisions	Existing provisions	Contents
		as a whole” as referred to include directors who elect not to vote in order to avoid any conflict of interest for clarification.
<p>Article XVI</p> <p>Where any of the following may apply, the Directors <u>may present a statement and answer to questions</u> but are not entitled to take part in the discussion and balloting. In addition, such Directors <u>shall be excused from the discussion and balloting</u>, and shall not act a proxy for other Directors and vote in the name of the on behalf of their principals:</p> <p>I. Where the director has any interest with himself or the corporation he acts on behalf of with respect to any motion and it is thereby likely that the Company’s interest will be infringed.</p> <p>II. Where the director considers that he should abstain the voting voluntarily.</p> <p>The directors who are prohibited from exercising voting right in resolution made by the Board of Directors pursuant to the requirements provided in the preceding paragraph shall be included into the present directors.</p>	<p>Article XVI</p> <p>In the event of any of the following circumstances, a director shall not take part in the debate and voting or exercise the voting right on behalf of other directors:</p> <p>I. Where the director has any interest with himself or the corporation he acts on behalf of with respect to any motion and it is thereby likely that the Company’s interest will be infringed.</p> <p>II. Where the director considers that he should abstain the voting voluntarily.</p> <p>The directors who are prohibited from exercising voting right in resolution made by the Board of Directors pursuant to the requirements provided in the preceding paragraph shall be included into the present directors.</p>	<p>The opinions and answers from Directors who are involved in issues entailing a conflict of interest may be helpful for other Directors in understanding the issues and motions. Therefore, the provisions for allowing such Directors to present opinions and response to questions are explicitly stated. To avoid possible interference or influence in the discussion and balloting on the motions, such Directors shall be excused when the discussion and</p>

Amended provisions	Existing provisions	Contents
		balloting is in progress further to the requirements of other applicable laws.
<p>Article XVII The motions shall be recorded in the meeting minutes. The meeting minutes shall specify the following:</p> <ol style="list-style-type: none"> I. Term No. (Year No.), time and location of the meeting. II. Chairperson's name. III. Directors' attendance, including the names and number of the present directors, directors taking leave and absent directors. IV. Names and job titles of attendants. V. Recorder's name. VI. Reported issues: reporter's name and job title, and important opinion of directors, experts and other persons. VII. Discussed issues: Methods to resolve the various motions and resolutions, abstract of directors', supervisors', experts' and other personnel's speech, dissent or qualified opinion which is recorded or stated in writing. VIII. Preliminary motions: Proposers' names, methods to resolve motions and resolutions, abstract of directors', experts' and other 	<p>Article XVII The motions shall be recorded in the meeting minutes. The meeting minutes shall specify the following:</p> <ol style="list-style-type: none"> I. Term No. (Year No.), time and location of the meeting. II. Chairperson's name. III. Directors' attendance, including the names and number of the present directors, directors taking leave and absent directors. IV. Names and job titles of attendants. V. Recorder's name. VI. Reported issues: reporter's name and job title, and important opinion of directors, experts and other persons. VII. Discussed issues: Methods to resolve the various motions and resolutions, abstract of directors', supervisors', experts' and other personnel's speech, dissent or qualified opinion which is recorded or stated in writing. VIII. Preliminary motions: Proposers' names, methods to resolve motions and resolutions, abstract of directors', experts' and other 	Adjustment of the wording for clarity.

Amended provisions	Existing provisions	Contents
<p>personnel's speech, or dissenting or qualified opinion which is recorded or stated in writing. IX. Other notes to be specified.</p> <p>The attendance book of the Board of Director's meeting shall constitute a part of the meeting minutes, which shall be maintained permanently <u>in the duration of the Company's existence.</u></p> <p>The meeting minutes shall be signed or sealed by the chairperson or recorder and submitted to each director and supervisor within 20 days upon the meeting, which shall also be included in the Company's important files and maintained permanently in the duration of the Company's existence. The meeting minutes referred to in Paragraph I may be produced and distributed in electronic form.</p>	<p>personnel's speech, or dissenting or qualified opinion which is recorded or stated in writing. IX. Other notes to be specified.</p> <p>The attendance book of the Board of Director's meeting shall constitute a part of the meeting minutes, which shall be maintained <u>permanently.</u> The meeting minutes shall be signed or sealed by the chairperson or recorder and submitted to each director and supervisor within 20 days upon the meeting, which shall also be included in the Company's important files and maintained <u>permanently</u> in the duration of the Company's existence. The meeting minutes referred to in Paragraph I may be produced and distributed in electronic form.</p>	
<p>Article XVIII The entire procedure of the Board meeting shall be voice recorded and videotaped for archiving. Such records shall be retained for at least 5 years in electronic storage mode. In the event of lawsuits pertinent to any meeting of the Board during the said retention years, the said voice records and videotaped records shall be retained until the <u>final settlement of the law suits.</u> If the Board meeting is held in the form of videoconferencing, the <u>audiovisual data</u> shall be</p>	<p>Article VIII The Board of Directors' meeting shall be recorded by tape or video in full and <u>the tape or video recording shall be maintained for at least one year.</u> Where any legal action arises from the resolutions made by the Board of Directors' meeting prior to expiration of the specific time limit referred to in the preceding paragraph, the relevant tape or video recording shall be maintained continuously, <u>free from the requirements referred to in the preceding paragraph.</u> Where the meeting is held in the form of videoconference, the <u>tape or video recordings</u> for the</p>	<p>Adjustment of the wording for clarity.</p>

Amended provisions	Existing provisions	Contents
taken as part of the minutes of the meeting on record, and shall be kept under safe custody <u>in line with the life span of the Company.</u>	meeting shall constitute a part of the meeting minutes and be maintained <u>permanently.</u>	
<p>Article XIX The managing directors of the Board of Directors, if any, may apply Article II, Paragraph 2 of Article III, Articles IV-VI, Article IX, and Articles XI-XVIII herein mutatis mutandis. <u>If a session of the Standing Committee of the Board is to be held within 7 days, the executive directors may be notified within 2 days in advance.</u></p>	<p>Article XIX The managing directors of the Board of Directors, if any, may apply Article II, Paragraph 2 of Article III, Articles IV-VI, Article IX, and Articles XI-XVIII herein mutatis mutandis.</p>	<p>Where a session of the Board Standing Committee may be called for within 7 days, the provisions in Article III-II may be applicable. Specify the reasons for such meeting and notify the Executive Directors 7 days in advance. If there is difficulty in actual operation, provide exceptions in the provisions whereby 2 days notice is acceptable.</p>

Appendix 5

Independent Auditor's Report

(97) Tsai-Shen-Bao-Zhi No. 07002889

To: President Chain Store Corporation

We have audited the balance sheets of President Chain Store Corporation prepared on December 31, 2007 and 2006, the income statements, statements of change in shareholders' equity and statements of cash flow covering the period of January 1 to December 31, 2007 and 2006. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our review. For the long-term investment of the company valued with the equity method in 2007 and 2006, the investment income/loss recognized and the investees disclosed in Note 11 was based on the certified financial statements of the investees without our audit. Investment income/loss based on the 2007 and 2006 financial statements certified by other CPAs amounted to NT\$105,727 thousand and NT\$83,178 thousand. As of December 31, 2007 and 2006, the long-term investment amounted to NT\$617,265 thousand and NT\$602,660 thousand, respectively.

We conducted the audit in accordance with the standards of the Audit of Financial Statements and the accounting principles generally accepted in the Republic of China. These principles and standards required the undersigned to plan and perform the audit to obtain reasonable assurance that the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Based on our audits and the reports of other auditors, it is our opinion that the financial statements, which are referred to in the first paragraph present fairly, in all materials aspects, the financial position of President Chain Store Corporation, as of December 31, 2007 and 2006 and the result of its operations and its cash flows for the periods of January 1 to December 31, 2007 and 2006. The above materials conform to the Guidelines Governing the Preparation of Financial Reports By Securities Issuers, Business Accounting Law, Business Accounting Guidelines and accounting principles generally accepted in the Republic of China.

As stated in Note III, President Chain Store Corporation has adopted the principle under Financial Accounting Standard No. 34 on “Financial Instruments: Recognition and Measurement” and No. 36 on “Financial Instruments: Disclosure and Presentation” effective January 1, 2006 on the accounting of its financial instruments. The Company has also adopted the newly amended Financial Accounting Standard No. 5 on “Long-term Investment under Equity Method” whereby goodwill is subject to annual impairment instead of amortization.

We have also audited President Chain Store Corporation’s consolidated financial statements of for the period ending in 2007 and 2006, and have expressed a modified unqualified opinion thereon.

PRICEWATERHOUSECOOPERS

CPA:



J. P. Tsai, CPA



Chen Mei-Tzu, CPA

Approval Document
issued by Securities and
Futures Commission
(now Securities and
Futures Bureau) of
Ministry of Finance:

(76) Tai-Tsai-Cheng (VI) No. 11412

: (82) Tai-Tsai-Cheng (VI) No. 39230

March 11, 2008

President Chain Store Corporation

Balance Sheet

At the End of Dec. 31, 2007 and 2006

Unit : NT\$ '000

	<u>2007</u>	<u>2006</u>		<u>2007</u>	<u>2006</u>
Assets			Liabilities and Shareholders' Equity		
Current assets			Current liability		
Cash and cash equivalents	\$5,878,691	\$3,238,414	Derivative financial liabilities for hedging — current	\$5,070	\$-
Financial assets — current — whose changes in fair value are recognized in earnings	2,690,000	131,073	Notes payable	668,869	1,086,381
Bond portfolios with no active market — current	-	20,000	Notes payable-related parties	801,107	1,457,735
Net accounts receivable	351,697	301,572	Accounts payable	268,964	191,285
Other receivable	406,462	427,335	Accounts payable-related parties	5,211,898	4,992,827
Inventories	2,992,748	2,880,782	Income taxes payable	641,120	662,224
Prepayments	842,100	668,050	Accrued expenses	2,269,906	2,421,968
Other current assets — other	<u>189,943</u>	<u>217,094</u>	Other accounts payable	5,553,230	4,557,458
Total current assets	<u>13,351,641</u>	<u>7,884,320</u>	Advance receipts	1,030,519	1,023,146
Funds and long-term investments			Current portion of long-term liabilities	<u>1,100,000</u>	<u>900,000</u>

The accompanying notes constituted an integral part of the financial statements.
Please refer to the report of independent accountants dated March 11, 2008.

Chairman: Kao Chin-Yuan

President: Hsu Chung-Jen

Chief Accountant: Lai Hsin-Ti

Available-for-sale financial assets — non current	739,868	514,718	Total current liabilities	<u>17,550,683</u>	<u>17,293,024</u>
Financial assets measured at cost — non current	11,809,168	12,381,271	Long-term liability		
Long-term investments (Equity method)	<u>6,728,202</u>	<u>6,352,509</u>	Derivative financial liabilities for hedging — non current	-	14,994
Total funds and long-term investments	<u>19,277,238</u>	<u>19,248,498</u>	Corporate bonds	-	1,100,000
			Long-term debt	<u>6,700,000</u>	-
Fixed assets			Total long-term liabilities	<u>6,700,000</u>	<u>1,114,994</u>
Costs			Other liability		
Land	1,534,726	1,534,725	Accrued pension liabilities	357,894	358,480
Building	931,189	930,971	Guarantee Deposit received	<u>1,774,455</u>	<u>1,569,094</u>
Machinery and equipment	9,742,905	8,486,401	Total other liabilities	<u>2,132,349</u>	<u>1,927,574</u>
Lease improvement	4,609,762	3,986,263	Total liabilities	<u>26,383,032</u>	<u>20,335,592</u>
Other equipment	<u>12,659</u>	<u>13,241</u>			
Total costs	16,831,241	14,951,601	Shareholders' equity		
Less: accumulated depreciation	(9,186,707)	(8,101,857)	Capital		
Construction in progress and prepayments for equipment	-	<u>1,578</u>	Paid-in Capital	9,151,604	9,151,604
Total net fixed assets	<u>7,644,534</u>	<u>6,851,322</u>	Retained earnings		
			Legal reserve	2,925,882	2,543,649
Intigable assets			Special reserve	-	531
Cost of computer software	<u>90,380</u>	<u>73,097</u>			

The accompanying notes constituted an integral part of the financial statements.
Please refer to the report of independent accountants dated March 11, 2008.

Chairman: Kao Chin-Yuan

President: Hsu Chung-Jen

Chief Accountant: Lai Hsin-Ti

Other assets			Unappropriated retained earnings	3,649,236	3,921,243
Assets leased to others	1,306,976	999,648			
Idle assets	-	321,498	Other adjustment in SH's equity		
Refundable deposit	957,408	937,603	Unrealized revaluation gains	469,191	359,191
Other assets-other	<u>9,335</u>	<u>2,780</u>	Cumulative translation adjustment	<u>58,567</u>	<u>6,956</u>
Total other assets	<u>2,273,719</u>	<u>2,261,529</u>	Total shareholders' equity	<u>16,254,480</u>	<u>15,983,174</u>
Total Assets	<u>\$42,637,512</u>	<u>\$36,318,766</u>	Total Liabilities and Shareholders' Equity	<u>\$42,637,512</u>	<u>\$36,318,766</u>

The accompanying notes constituted an integral part of the financial statements.
Please refer to the report of independent accountants dated March 11, 2008.

Chairman: Kao Chin-Yuan

President: Hsu Chung-Jen

Chief Accountant: Lai Hsin-Ti

President Chain Store Corporation
Income Statement
For the period ended Dec. 31, 2007 and 2006

Expressed in NT\$ '000

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Operating revenue</u>				
Net sales	\$98,885,377	97%	\$96,628,741	97%
Other operating revenue	<u>3,478,464</u>	<u>3%</u>	<u>3,350,877</u>	<u>3%</u>
Total operating revenue	102,363,841	100%	99,979,618	100%
<u>Operating cost</u>				
Cost of goods sold	<u>(70,619,544)</u>	<u>-69%</u>	<u>(69,736,937)</u>	<u>-70%</u>
Gross profit	<u>31,744,297</u>	<u>31%</u>	<u>30,242,681</u>	<u>30%</u>
<u>Operating expenses</u>				
Selling expenses	(24,445,774)	-24%	(22,789,148)	-23%
General and administration expenses	<u>(2,444,990)</u>	<u>-2%</u>	<u>(2,939,532)</u>	<u>-3%</u>
Total operating expenses	<u>(26,890,764)</u>	<u>-26%</u>	<u>(25,728,680)</u>	<u>-26%</u>
Operating income	<u>4,853,533</u>	<u>5%</u>	<u>4,514,001</u>	<u>5%</u>
<u>Non-operating income</u>				
Gain on valuation of financial assets	3,607	0%	7,734	0%
Dividend Income	48,656	0%	191,251	0%
Gain on disposal of investments	99,257	0%	-	-
Rental income	60,249	0%	46,059	0%
Other income	<u>695,324</u>	<u>1%</u>	<u>658,910</u>	<u>1%</u>
Total non-operating income	<u>907,093</u>	<u>1%</u>	<u>903,954</u>	<u>1%</u>
<u>Non-operating expenses</u>				
Interest expenses	(87,170)	0%	(68,770)	0%

The accompanying notes constituted an integral part of the financial statements.
Please refer to the report of independent accountants dated March 11, 2008.

Chairman: Kao Chin-Yuan

President: Hsu Chung-Jen

Chief Accountant: Lai Hsin-Ti

Investment loss(equity method)	(285,905)	0%	(79,287)	0%
Loss on disposal of fixed assets	(34,008)	0%	(20,516)	0%
Loss on disposal of investments	-	-	(17,984)	0%
Impairment losses	(499,177)	0%	(127,297)	0%
Other expenses	<u>(44,300)</u>	<u>0%</u>	<u>(46,513)</u>	<u>0%</u>
Total non-operating expenses	<u>(950,560)</u>	<u>-1%</u>	<u>(360,367)</u>	<u>0%</u>
Income before tax	4,810,066	5%	5,057,588	5%
Income Tax	(1,187,653)	-1%	(1,235,633)	-1%
Cumulative effect of changes in accounting principles	-	-	373	0%
Net Income After Tax	<u>\$3,622,413</u>	<u>4%</u>	<u>\$3,822,328</u>	<u>4%</u>
Earnings per share	(pre-tax)	(after tax)	(pre-tax)	(after tax)
Net income	<u>\$5.26</u>	<u>\$3.96</u>	<u>\$5.53</u>	<u>\$4.18</u>

The accompanying notes constituted an integral part of the financial statements.
Please refer to the report of independent accountants dated March 11, 2008.

Chairman: Kao Chin-Yuan

President: Hsu Chung-Jen

Chief Accountant: Lai Hsin-Ti

President Chain Store Corporation
Statement of Changes in Shareholders' Equity
January 1 to December 31, 2007 and 2006

Currency expression: NTD 1,000

	Retained Earnings				Other Adjustments		Total
	Common Stocks	Legal Reserve	Special Reserve	Unappropriated earnings	Unrealized gains/losses of financial instruments	Cumulative translation adjustment	
<u>January 1 to December 31, 2006</u>							
Balance at Jan. 1, 2006	\$ 9,151,604	\$ 2,178,381	\$ 55,758	\$ 3,787,913	\$ -	(\$ 531)	\$ 15,173,125
Appropriation of earning of 2005 :							
Legal reserve	-	365,268	-	(365,268)	-	-	-
Special reserve	-	-	(55,227)	55,227	-	-	-
Employee bonus	-	-	-	(200,559)	-	-	(200,559)
Remunerations to directors and supervisors	-	-	-	(66,853)	-	-	(66,853)
Cash dividends	-	-	-	(3,111,545)	-	-	(3,111,545)
Total net income in 2006	-	-	-	3,822,328	-	-	3,822,328
Financial assets for sales valuation adjustment	-	-	-	-	359,191	-	359,191
Adjustments of conversion from foreign long-term investments	-	-	-	-	-	<u>7,487</u>	<u>7,487</u>
Balance at Dec. 31, 2006	<u>\$ 9,151,604</u>	<u>\$ 2,543,649</u>	<u>\$ 531</u>	<u>\$ 3,921,243</u>	<u>\$ 359,191</u>	<u>\$ 6,956</u>	<u>\$ 15,983,174</u>
<u>January 1 to December 31, 2007</u>							
Balance at Jan. 1, 2007	\$ 9,151,604	\$ 2,543,649	\$ 531	\$ 3,921,243	\$ 359,191	\$ 6,956	\$ 15,983,174
Appropriation of earning of							

The accompanying notes constituted an integral part of the financial statements. Please refer to the report of independent accountants dated March 11, 2008.

Chairman: Kao Chin-Yuan

Manager: Hsu Chung-Jen

Chief Accountant: Lai Hsin-Ti

President Chain Store Corporation
Statement of Changes in Shareholders' Equity
January 1 to December 31, 2007 and 2006

Currency expression: NTD 1,000

	Retained Earnings				Other Adjustments		Total
	Common Stocks	Legal Reserve	Special Reserve	Unappropriated earnings	Unrealized gains/losses of financial instruments	Cumulative translation adjustment	
2006 :							
Legal reserve	-	382,233	-	(382,233)	-	-	-
Special reserve	-	-	(531)	531	-	-	-
Employee bonus	-	-	-	(275,250)	-	-	(275,250)
Remunerations to directors and supervisors	-	-	-	(34,406)	-	-	(34,406)
Cash dividends	-	-	-	(3,203,062)	-	-	(3,203,062)
Total net income in 2007	-	-	-	3,622,413	-	-	3,622,413
Financial assets for sales valuation adjustment	-	-	-	-	110,000	-	110,000
Adjustments of conversion from foreign long-term investments	=	=	=	=	=	51,611	51,611
Balance at Dec.31, 2007	<u>\$ 9,151,604</u>	<u>\$ 2,925,882</u>	<u>\$ -</u>	<u>\$ 3,649,236</u>	<u>\$ 469,191</u>	<u>\$ 58,567</u>	<u>\$ 16,254,480</u>

The accompanying notes constituted an integral part of the financial statements. Please refer to the report of independent accountants dated March 11, 2008.

Chairman: Kao Chin-Yuan

Manager: Hsu Chung-Jen

Chief Accountant: Lai Hsin-Ti

President Chain Store Corporation
Statement of Cash Flow
 January 1 to December 31, 2007 and 2006

Currency expression: NT1,000

	<u>2007</u>	<u>2006</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income:	\$3,622,413	\$3,822,328
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (Gain) on valuation of financial assets	(3,607)	(7,734)
Decrease of allowance for uncollectible accounts	(168)	(6,685)
Allowance for reduction of inventory to market	(9,437)	(56,530)
Depreciation	1,727,239	1,675,866
Amortization	77,935	254,908
Gain on disposal of financial assets measured at cost	(119,747)	-
Financial assets measured at cost- impairment losses	499,177	127,297
Cash dividend from long-term investment under equity method	307,362	234,690
Investment loss (gain) recognized under equity method	285,905	79,287
Gain on disposal of long-term investment (equity method)	-	(52,380)
Loss (gain) on disposal of fixed assets	34,008	20,516
Changes in assets and liabilities:		
Accounts receivable	(50,125)	80,690
Other accounts receivable	21,041	(30,781)
Inventories	(102,529)	(68,786)
Prepaid expense	(174,050)	18,809
Other current assets-others	22,812	(101,841)
Deferred income tax	3,064	16,911
Notes payable	(1,074,140)	1,034,441
Accounts payable	296,750	751,298
Income tax payable	(21,104)	54,381
Accrued expenses	(152,062)	366,679
Other accounts payable	887,261	704,105
Advance receipts	7,373	177,541
Accrued pension liabilities	(586)	(1,272)
Net cash provided by operating activities	<u>6,084,785</u>	<u>9,093,738</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
(Increase) Decrease in Financial assets — current — whose changes in fair value are recognized in earnings	(2,555,320)	(118,386)
Acquisition of financial assets measured at cost	(269,055)	(570,000)
Proceeds from disposal of financial assets measured at	361,415	7,697

cost

Capital reduction for cost method investment	66,947	-
Acquisition of long-term investment-equity method	(1,009,057)	(1,143,979)
Proceeds from disposal of long-term investment-equity method	-	94,989
Decrease of bond portfolios with no active market	20,000	40,000
Purchase of fixed assets	(2,446,952)	(1,554,848)
Proceeds from disposal of fixed assets	15,174	46,794
Purchase of computer software	(90,380)	-
Increase in refundable deposits	(19,805)	(58,728)
Increase in other assets-other	(10,118)	-
Net cash used by investing activities	(5,937,151)	(3,256,461)

	2007	2006
<u>Cash flows from financing activities</u>		
Increase in guarantee deposit received	\$ 205,361	\$ 224,028
Increase (decrease) in long-term loans	6,700,000 (	1,320,000)
Payback of corporate bond	(900,000) (	200,000)
Payment of cash dividends	(3,203,062) (	3,111,545)
Payment of directors' remuneration & employees' bonus	(309,656) (	267,412)
Net cash inflows (outflows) from financing	<u>2,492,643 (</u>	<u>4,674,929)</u>
Net increase (decrease) in cash and cash equivalent	2,640,277	1,162,348
Beginning balance of cash and cash equivalent	<u>3,238,414</u>	<u>2,076,066</u>
Ended balance of cash and cash equivalent	<u>\$ 5,878,691</u>	<u>\$ 3,238,414</u>
<u>Supplement disclosures of cash flow information</u>		
Interest paid	<u>\$ 101,577</u>	<u>\$ 70,456</u>
Income tax paid	<u>\$ 1,205,693</u>	<u>\$ 1,164,341</u>
<u>Investing activities of partial payment on cash</u>		
Purchase of property, plant and equipment	\$ 2,555,463	\$ 1,621,945
Add: beginning balance of account payable on equipment	278,844	211,747
Less: ended balance of account payable on equipment	(387,355) (	278,844)
Cash paid in the year	<u>\$ 2,446,952</u>	<u>\$ 1,554,848</u>

The accompanying notes constituted an integral part of the financial statements. Please refer to the report of independent accountants dated March 11, 2008.

Chairman: Kao Chin-Yuan

Manager: Hsu Chung-Jen

Chief Accountant: Lai Hsin-Ti

Auditor's Report

(97) Chai.Shen.Bao.Tzi No. 07003200

To: President Chain Store Corporation

We have audited the accompanying balance sheets of President Chain Store Corporation and subsidiaries as of December 31, 2007 and the related statements of income, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of some of the subsidiaries were not audited by other CPAs instead of us; therefore, our opinion on the amounts listed in the consolidated financial statements are the responsibility of the respective auditor, in which, the total assets amounted to \$1,453,044 thousand and \$1,246,196 thousand on December 31, 2007 and 2006, that represented 2.54% and 2.53% of the consolidated assets, respectively. The net income in the period of January 1 to December 31 amounted to \$3,642,000 thousand and \$2,845,636 thousand that represented 2.57% and 2.14% of the consolidated net income, respectively. The investment income of the Company and its subsidiaries from long-term investment under equity method and the relevant information about investees, as disclosed in Note XI to these financial statements, was valued and disclosed according to the financial statements audited and certificated by the other CPAs appointed by the investees respectively covering the same period. We did not audit or certify those financial statements. The long-term equity investment amounted to \$244,349 thousand and \$191,519 thousand on December 31, 2007 and 2006, respectively. The investment profit recognized in accordance with the audit of other CPAs amounted to \$61,748 thousand and \$53,508 thousand in 2007 and 2006, respectively.

We conducted the audit in accordance with the standards on the "Audit of Financial Statements" and the accounting principles generally accepted in the Republic of China. These principles and standards required the undersigned to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the other CPAs' reports provide a reasonable basis for the opinion as stated.

In our opinion, which is based on our audit and the reports of other auditors, the financial statements in the first paragraph fairly present the financial position of President Chain Store Corporation and its subsidiaries as of December 31, 2007 and 2006. The financial statements additionally fairly present and the results of their operations and their cash flows for the period of January 1 to December 31, 2007 and 2006, in conformity with “Guidelines Governing the Preparation of Financial Reports By Securities Issuers,” “Business Accounting Law,” “Business Accounting Guidelines,” and accounting principles generally accepted in the Republic of China.

As stated in Note III, President Chain Store Corporation and its subsidiaries have adopted the principle under Finance Accounting Standards No. 34 on the “Financial Instruments: Recognition and Measurement” and No. 36 on the “Financial Instruments: Disclosure and Presentation” effective on January 1, 2006 on the accounting of its financial instruments. The Company has also adopted the newly amended Finance Accounting Standards No. 5 on “Long-term Investments under the Equity Method” whereby goodwill is subject to annual impairment instead of amortization.

PRICEWATERHOUSECOOPERS

CPA:

 

J. P. Tsai, CPA

 

Chen Mei-Tzu, CPA

Approval Document
issued by Securities and
Futures Commission
(now Securities and
Futures Bureau) of
Ministry of Finance:

(76) Tai-Tsai-Cheng (VI) No. 11412

: (82) Tai-Tsai-Cheng (VI) No. 39230

March 11, 2008

President Chain Store Corp. & Subsidiaries

Consolidated Balance Sheet

At the end of Dec. 31, 2007 and 2006

Currency unit: NT\$1,000

	Dec. 31, 2007		Dec. 31, 2006			Dec. 31, 2007		Dec. 31, 2006			
	Amount	%	Amount	%		Amount	%	Amount	%		
<u>Assets</u>					<u>Liabilities and Shareholders' Equity</u>						
Currents Assets					Current liabilities						
1100	Cash and cash equivalence (Note IV (I))	\$ 8,770,296	15	\$ 6,095,851	12	2100	Short-Term debt	\$ 1,448,978	3	\$ 1,215,758	2
1310	Financial assets which change in fair values are recognized as gains or losses-current (Note IV(2))	3,650,678	6	1,421,770	3	2110	Short-term bills payable	509,456	1	502,333	1
1140	Net account receivables (Note V)	2,252,675	4	2,175,152	4	2200	Derivative financial liabilities for hedging-current (Note X)	5,070	-	-	-
1160	Other accounts receivable (Note V)	795,397	2	814,272	2	2120	Notes payable (Note V)	1,434,584	2	2,744,318	5
120X	Inventory (Note IV (3))	7,524,707	13	6,363,162	13	2140	Account payables	9,340,157	16	8,193,771	17
1260	Prepayments	1,240,005	2	1,034,180	2	2150	Accounts payable - related parties (Note V)	1,900,468	3	1,753,803	3
1280	Other current assets (Note IV (16))	423,424	1	393,472	1	2160	Income taxes payable (Note IV (16))	795,612	1	814,626	2
11XX	Total current assets	<u>24,657,182</u>	<u>43</u>	<u>18,297,859</u>	<u>37</u>	2170	Accrued expenses (Notes IV (11) and V)	3,807,818	7	3,639,426	7
	Funds and investments					2210	Other accounts payable (Note IV (12))	6,684,334	12	5,395,771	11
1450	Financial assets available for sales-noncurrent (Note IV (4))	739,867	1	522,623	1	2260	Advance receipts	1,237,465	2	1,321,644	3
1480	Financial assets measured at cost-non current (Note IV(5))	12,485,634	22	13,190,071	27	2270	Current portion of long-term liabilities (Notes IV (13), (14) & V)	<u>1,529,664</u>	<u>3</u>	<u>1,265,608</u>	<u>3</u>
1421	Long-term equity investment under the Equity Method (Notes IV (6) & V)	852,795	1	768,977	2	21XX	Total current liabilities	<u>28,693,606</u>	<u>50</u>	<u>26,847,058</u>	<u>54</u>
14XX	Total funds and investments	<u>14,078,296</u>	<u>24</u>	<u>14,481,671</u>	<u>30</u>		Long-term liability				
	Fixed assets (Notes IV (8), IV (10), V & VI)					2430	Derivative financial liabilities for hedging-non current (Note X)	-	-	14,994	-
	Cost					2410	Corporate bond (Note IV (13))	-	-	1,100,000	2
1501	Lands	2,251,524	4	2,022,086	4	2420	Long-term debt (Note IV (14))	7,560,699	13	858,653	2
1521	Building	2,223,326	4	2,059,821	4	2450	Long-term note payable - related parties (Note V)	79,721	-	116,532	-
1551	Transportation vehicles	2,128,341	4	1,950,287	4	24XX	Total long-term liabilities	<u>7,640,420</u>	<u>13</u>	<u>2,090,179</u>	<u>4</u>
1571	Machinery and equipment	12,779,434	22	11,338,839	23		Other liabilities				
1631	Improvement on lease	7,484,479	13	6,157,135	13	2810	Pension accrual liabilities (Note 4(15))	520,924	1	511,364	1
1681	Other equipments	2,746,014	5	1,687,160	3	2820	Guarantee deposit received	1,986,894	4	1,772,856	4
15XY	Cost and revaluation	29,613,118	52	25,215,328	51	2880	Other liabilities - others	28,606	-	-	-

President Chain Store Corp. & Subsidiaries

Consolidated Balance Sheet

At the end of Dec. 31, 2007 and 2006

Currency unit: NT\$1,000

		<u>Dec. 31, 2007</u>		<u>Dec. 31, 2006</u>		<u>Dec. 31, 2007</u>		<u>Dec. 31, 2006</u>			
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>		
<u>Assets</u>						<u>Liabilities and Shareholders' Equity</u>					
15X9	Less: accumulated depreciations	(15,107,170)	(26)	(12,911,638)	(26)	28XX	Other total liabilities	<u>2,536,424</u>	<u>5</u>	<u>2,284,220</u>	<u>5</u>
1599	Less: cumulative impairment	(3,033)	-	-	-	2XX	Total liabilities	<u>38,870,450</u>	<u>68</u>	<u>31,221,457</u>	<u>63</u>
1670	Construction in process and prepayment for equipment	<u>182,502</u>	-	<u>145,488</u>	-		Shareholders' equity				
15XX	Net fixed assets	<u>14,685,417</u>	<u>26</u>	<u>12,449,178</u>	<u>25</u>		Stock capital (Note IV (17))				
	Intangible assets					3110	Common shares	9,151,604	16	9,151,604	19
1750	Computer software cost	120,554	-	73,097	-		Retained earnings (Note X (18))				
1760	Goodwill	266,645	1	276,597	1	3310	statutory reserve	2,925,882	5	2,543,649	5
1780	Other intangibles	<u>208,819</u>	-	<u>60,047</u>	-	3320	special reserve	-	-	531	-
17XX	Total intangible assets	<u>596,018</u>	<u>1</u>	<u>409,741</u>	<u>1</u>	3350	Unallotted retained earnings	3,649,236	6	3,921,243	8
	Other assets						Shareholders' equity and other				
1800	Assets leased to others (Notes IV (8) & VII)	1,008,617	2	1,061,352	2	3450	Unrealized revaluation gains (Notes III and X)	469,191	1	359,191	1
1810	Idle Assets	-	-	321,931	1	3420	Accumulated conversion adjustments	58,567	-	6,956	-
1820	Refundable deposit (Note VII)	1,726,223	3	1,632,947	3	3610	Minority equity	<u>2,154,992</u>	<u>4</u>	<u>2,030,580</u>	<u>4</u>
1880	Other assets - other (Note IV (6))	<u>528,169</u>	<u>1</u>	<u>580,532</u>	<u>1</u>	3XX	Total shareholders' Equity	<u>18,409,472</u>	<u>32</u>	<u>18,013,754</u>	<u>37</u>
18XX	Other total assets	<u>3,263,009</u>	<u>6</u>	<u>3,596,762</u>	<u>7</u>	X	Undertakings or contingent liabilities (Notes V and VII)				
1XX	Total assets	<u>\$ 57,279,922</u>	<u>100</u>	<u>\$ 49,235,211</u>	<u>100</u>	1XX	Total liabilities and shareholders' equity	<u>\$ 57,279,922</u>	<u>100</u>	<u>\$ 49,235,211</u>	<u>100</u>
X						X					

President Chain Store Corp. & Subsidiaries
Consolidated Income Statement
For the period of January 1 to December 31, 2007 and 2006

Currency expression: NT\$1,000
(EPS: NT\$)

	2007		2006	
	Amount	%	Amount	%
Operating revenue (Note V)				
4110 Net sales	\$ 134,042,809	94	\$ 125,487,012	94
4800 Other operating revenue	<u>7,938,831</u>	<u>6</u>	<u>7,457,564</u>	<u>6</u>
4000 Total operating revenue	<u>141,981,640</u>	<u>100</u>	<u>132,944,576</u>	<u>100</u>
Cost of operation				
5110 Cost of goods sold (Notes IV (20) & V)	<u>(98,323,983)</u>	<u>(69)</u>	<u>(93,041,700)</u>	<u>(70)</u>
5910 Gross Profit	<u>43,657,657</u>	<u>31</u>	<u>39,902,876</u>	<u>30</u>
Operating expenses (Notes IV (20) and V)				
6100 Selling expenses	<u>(31,571,469)</u>	<u>(22)</u>	<u>(28,083,109)</u>	<u>(21)</u>
6200 General and administration expenses	<u>(7,034,793)</u>	<u>(5)</u>	<u>(6,700,076)</u>	<u>(5)</u>
6000 Total operating expenses	<u>(38,606,262)</u>	<u>(27)</u>	<u>(34,783,185)</u>	<u>(26)</u>
6900 Operating income	<u>5,051,395</u>	<u>4</u>	<u>5,119,691</u>	<u>4</u>
Non-operating income				
7110 Interest income	59,598	-	31,775	-
7310 Loss (Gain) on valuation of financial assets	3,058	-	10,744	-
7122 Dividend Income	51,572	-	191,994	-
7140 Gain from disposal of investments	117,302	-	5,675	-
7210 Rental income	93,556	-	83,482	-
7480 Miscellaneous	<u>1,108,392</u>	<u>1</u>	<u>788,823</u>	<u>1</u>
7100 Total non-operating income	<u>1,433,478</u>	<u>1</u>	<u>1,112,493</u>	<u>1</u>
Non-operating expenses				
7510 Interest expenses	<u>(194,533)</u>	<u>-</u>	<u>(164,284)</u>	<u>-</u>
7521 Investment loss (Equity Method) (Note IV (6))	<u>(104,310)</u>	<u>-</u>	<u>(37,397)</u>	<u>-</u>
7530 Loss from disposal of fixed assets	<u>(57,313)</u>	<u>-</u>	<u>(40,493)</u>	<u>-</u>
7570 Allowance for reduction of inventory to market	<u>(62,258)</u>	<u>-</u>	<u>(24,498)</u>	<u>-</u>
7630 Impairment (Notes V (5), (10))	<u>(638,540)</u>	<u>(1)</u>	<u>(322,074)</u>	<u>(1)</u>
7880 Other expenses	<u>(128,554)</u>	<u>-</u>	<u>(111,192)</u>	<u>-</u>
7500 Total non-operating expenses	<u>(1,185,508)</u>	<u>(1)</u>	<u>(699,938)</u>	<u>(1)</u>
7900 Income before tax	5,299,365	4	5,532,246	4
8110 Income tax expense (Note IV (16))	<u>(1,497,161)</u>	<u>(1)</u>	<u>(1,491,698)</u>	<u>(1)</u>
8900 Earnings of continued operations	3,802,204	3	4,040,548	3
9300 Accumulated effects from changes in accounting principles (Note III)	<u>-</u>	<u>-</u>	<u>9,773</u>	<u>-</u>
9600XX Consolidated total net income (loss)	<u>\$ 3,802,204</u>	<u>3</u>	<u>\$ 4,050,321</u>	<u>3</u>
From:				
9601 Consolidated total net income (loss)	\$ 3,622,413	3	\$ 3,822,328	3
9602 Minority equity net income (loss)	<u>179,791</u>	<u>-</u>	<u>227,993</u>	<u>-</u>
	<u>\$ 3,802,204</u>	<u>3</u>	<u>\$ 4,050,321</u>	<u>3</u>
	<u>Pre-tax</u>	<u>After-tax</u>	<u>Pre-tax</u>	<u>After-tax</u>
Basic EPS (Note IV (19))				
9710 Earnings of continued operations	\$ 5.79	\$ 4.16	\$ 6.05	\$ 4.43
9740AA Minority equity	<u>(0.32)</u>	<u>(0.20)</u>	<u>(0.38)</u>	<u>(0.25)</u>
9750 Net income after tax	<u>\$ 5.47</u>	<u>\$ 3.96</u>	<u>\$ 5.67</u>	<u>\$ 4.18</u>

The accompanying notes constituted an integral part of the financial statements. Please refer to the report of independent accountants,
Tsai Ching-Pao and Chen Mei-Tzu, CPAs of PRICEWATERHOUSECOOPERS on March 11, 2008.

Chairman: Kao Chin-Yen

Manager: Hsu Chung-Ren

Chief Accountant: Lai Hsin-Ti

President Chain Store Corp. & Subsidiaries
 Consolidated Statement of Retained Earnings
 Jan. 1 to Dec. 31, 2007 and 2006

Currency expression: NT\$1,000

	Retained Earnings							Minority equity	Total
	Paid-in Capital	<u>Legal reserve</u>	<u>special reserve</u>	<u>Unallotted retained earnings</u>	<u>Unrealized revaluation gains</u>	<u>Cumulative translation adjustments</u>			
<u>2006</u>									
Balance at January 1, 2006	\$ 9,151,604	\$ 2,178,381	\$ 55,758	\$ 3,787,913	\$ -	(\$ 531)	\$ 1,682,040	\$ 16,855,165	
Appropriation of earnings in 2005:									
Legal reserve	-	365,268	-	(365,268)	-	-	-	-	
Reversion of special reserve	-	-	(55,227)	55,227	-	-	-	-	
Employee bonuses	-	-	-	(200,559)	-	-	-	(200,559)	
Remuneration to Directors & Supervisors	-	-	-	(66,853)	-	-	-	(66,853)	
Cash dividends	-	-	-	(3,111,545)	-	-	-	(3,111,545)	
Total consolidated net income(loss) in 2006	-	-	-	3,822,328	-	-	227,993	4,050,321	
Adjustments on unrealized gains/losses of financial instruments	-	-	-	-	359,191	-	-	359,191	
Adjustments of conversion from foreign long-term investments	-	-	-	-	-	7,487	-	7,487	
Statement of Minority Equity	-	-	-	-	-	-	120,547	120,547	
Balance at December 31, 2006	<u>\$ 9,151,604</u>	<u>\$ 2,543,649</u>	<u>\$ 531</u>	<u>\$ 3,921,243</u>	<u>\$ 359,191</u>	<u>\$ 6,956</u>	<u>\$ 2,030,580</u>	<u>\$ 18,013,754</u>	
<u>2007</u>									
Balance at January 1, 2007	\$ 9,151,604	\$ 2,543,649	\$ 531	\$ 3,921,243	\$ 359,191	\$ 6,956	\$ 2,030,580	\$ 18,013,754	
Appropriation of earnings in 2006:									
Legal reserve	-	382,233	-	(382,233)	-	-	-	-	
Reversion of special reserve	-	-	(531)	531	-	-	-	-	
Employee bonuses	-	-	-	(275,250)	-	-	-	(275,250)	
Remuneration to Directors & Supervisors	-	-	-	(34,406)	-	-	-	(34,406)	
Cash dividends	-	-	-	(3,203,062)	-	-	-	(3,203,062)	
Total consolidated net income(loss) in 2007	-	-	-	3,622,413	-	-	179,791	3,802,204	
Adjustments on unrealized gains/losses of financial instruments	-	-	-	-	110,000	-	-	110,000	
Adjustments of conversion from foreign long-term investments	-	-	-	-	-	51,611	-	51,611	
Statement of Minority Equity	-	-	-	-	-	-	(55,379)	(55,379)	
Balance at December 31, 2007	<u>\$ 9,151,604</u>	<u>\$ 2,925,882</u>	<u>\$ -</u>	<u>\$ 3,649,236</u>	<u>\$ 469,191</u>	<u>\$ 58,567</u>	<u>\$ 2,154,992</u>	<u>\$ 18,409,472</u>	

The accompanying notes constituted an integral part of the financial statements. Please refer to the report of independent accountants, Tsai Ching-Pao and Chen Mei-Tzu, CPAs of PRICEWATERHOUSECOOPERS on March 11, 2008.

Chairman: Kao Chin-Yen

Manager: Hsu Chung-Ren

Chief Accountant: Lai Hsin-Ti

President Chain Store Corp. & Subsidiaries
Consolidated Statement of Cash Flow
For the period of January 1 to December 31, 2007 and 2006

	Currency expression: NT\$1,000	
	2007	2006
<u>Cash flow from operating activities</u>		
Consolidated total net income (loss)	\$ 3,802,204	\$ 4,050,321
Adjustment items		
Loss (Gain) on valuation of financial assets	(3,058)	(10,744)
Allowance for reduction of inventory to market	62,258	24,498
Depreciations	3,135,196	2,889,646
Depreciation of leased assets	9,496	18,168
Amortizations	296,548	404,672
Proceeds from disposal of financial assets under cost method	(119,747)	-
Financial assets measured at cost- impairment losses	630,922	173,552
Cash dividend from long-term investment under equity method	28,415	-
Investment loss under the equity method	104,310	37,397
Goodwill-impairment loss	-	148,522
Fixed assets and idling assets-impairment loss	7,617	-
Loss on disposal of fixed assets	57,313	40,493
Change in asset and liability		
Accounts receivable	(77,523)	(468,812)
Other receivables	18,875	11,299
Inventories	(1,223,803)	(528,742)
Prepayments	(205,825)	(62,819)
Deferred income tax assets	(37,346)	(22,111)
Other current assets	6,651	(83,678)
Note payables	(1,309,734)	1,145,206
Account payables	1,293,051	937,419
Income tax payables	(19,014)	96,827
Accrued expenses	168,391	485,835
Other accounts payable	1,086,425	850,076
Advance receipts	(84,179)	307,015
Accrued pension liabilities	9,560	1,438
Other liabilities - others	28,606	-
Net cash provided by operating activities	7,665,609	10,445,478
<u>Cash flow from investing activities</u>		
Increase in financial assets whose changes in fair value are recognized in earnings	(2,225,850)	(429,237)
Acquisition of long-term investment under equity method	(307,492)	(156,870)
Acquisition of financial assets measured at cost	(269,055)	(570,000)
Proceeds from disposal of financial assets measured at cost	361,415	7,697
Capital reduction for cost method investment	66,947	-
Purchase of fixed assets	(4,895,148)	(3,269,556)
Proceed from disposal of fixed assets	33,828	59,284
Increase in other intangible assets	(283,692)	(17,772)
Increase in refundable deposits	(93,276)	(76,405)
Increase in other assets	(146,027)	(406,260)
Net cash used for investing activities	(7,758,350)	(4,859,119)

(To be continued)

Cash flow from financing

Increase in short-term debts	\$	233,220	\$	473,016
Increase (Decrease) in short-term notes and bills payable		7,123	(	186,670)
Increase (decrease) in long-term loans		6,729,291	(	1,091,980)
Payback of corporate bonds	(	900,000)	(	200,000)
Increase in guarantee deposits received		214,038		200,032
Payment of cash dividends	(	3,203,062)	(	3,111,545)
Payment of directors' remuneration & employees' bonus	(	309,656)	(	267,412)
Increase (Decrease) in minority interest	(	55,379)		120,547
Net cash inflows (outflows) from financing activities		<u>2,715,575</u>	(	<u>4,064,012</u>)
Cumulative translation adjustments		<u>51,611</u>		<u>7,487</u>
Net increase (decrease) in cash and cash equivalent		2,674,445		1,529,834
Beginning balance of cash and cash equivalence		<u>6,095,851</u>		<u>4,566,017</u>
Ended balance of cash and cash equivalence	\$	<u>8,770,296</u>	\$	<u>6,095,851</u>

Supplementary disclosure of cash flow information

Interest paid	\$	<u>176,182</u>	\$	<u>136,850</u>
Income tax paid	\$	<u>1,462,550</u>	\$	<u>1,350,447</u>

Investing and financing activities of partial payment on cash

Purchase of property, plant and equipment	\$	5,097,287	\$	3,357,557
Less: ended balance of account payable on equipment	(	713,199)	(	511,060)
Add: beginning balance of accounts payable on equipment		<u>511,060</u>		<u>423,059</u>
Cash purchase of property and equipment	\$	<u>4,895,148</u>	\$	<u>3,269,556</u>

Appendix 6

President Chain Store Corp. Allocation of earnings for 2006

Title	Unit: NTD Amount
Income after tax 2007	3,622,413,079
Less: Legal reserve fund	(362,241,308)
Distributable earnings	3,260,171,771
Add: Unallocated earnings for the previous year	26,823,153
Cumulative distributable earnings	3,286,994,924
Less: Proposed allocation 2007	
Remuneration to directors and supervisors	(32,601,718)
Employees' bonus	(260,813,742)
Shareholders' cash dividend is NT\$3,200 per 1000 shares	(2,928,513,395)
Unallocated earnings - end	65,066,069

Remarks:

1. The earnings for this year shall be distributed from the earnings of 2007 and any deficit shall be made up by the unallocated earnings of the previous period.
2. The remuneration to directors, supervisors and employees' bonus shall be granted in cash this year.
3. The total cash dividend paid to each individual shareholder shall be no less than one dollar.
4. The odd amounts less than one NT dollar in the allocation of cash dividends shall be

included into Employee Fringe Benefits Commission.

Appendix 7

President Chain Store Corp.

Contrast table for amendments to the Company's articles of incorporation

Provision	Amended provisions	Existing provisions	Contents
Article II	<p>The Company's business lines include:</p> <ul style="list-style-type: none"> I. F203020 Tobacco and alcohol retail. II. F206020 Daily supplies retail. III. F203010 Foods and beverage retail. IV. F208040 Cosmetics retail. V. F399990 Other retails. VI. IZ01010 Photocopy. VII. F201070 Flowers and plants retail. VIII. F209060 Education, musical instruments and entertainment appliances retail. IX. JE01010 Lease. X. IE01010 Agent of telecommunication subscribers' numbers. XI. I401010 General advertising service. XII. F207050 Fertilizer retail. XIII. F210010 Timepiece retail. XIV. F210020 Eyeglasses retail. XV. F216010 Photographic equipment retail. XVI. JZ99030 Photography. XVII. F204110 Clothes, dresses, shoes, hats, umbrellas and retail apparel. XVIII. A102060 Food supply. XIX. F213010 Electric appliances retail. 	<p>The Company's business lines include:</p> <ul style="list-style-type: none"> I. F203020 Tobacco and alcohol retail. II. F206020 Daily supplies retail. III. F203010 Foods and beverage retail. IV. F208040 Cosmetics retail. V. F399990 Other retails. VI. IZ01010 Photocopy. VII. F201070 Flowers and plants retail. VIII. F209060 Education, musical instruments and entertainment appliances retail. IX. JE01010 Lease. X. IE01010 Agent of telecommunication subscribers' numbers. XI. I401010 General advertising service. XII. F207050 Fertilizer retail. XIII. F210010 Timepiece retail. XIV. F210020 Eyeglasses retail. XV. F216010 Photographic equipment retail. XVI. JZ99030 Photography. XVII. F204110 Clothes, dresses, shoes, hats, umbrellas and retail apparel. XVIII. A102060 Food supply. XIX. F213010 Electric appliances retail. 	<p>Add business lines to meet the Company's need in business</p>

Provision	Amended provisions	Existing provisions	Contents
XX.	F208031 Medical facilities retail.	XX.	F208031 Medical facilities retail.
XXI.	F205040 Furniture, bedding, kitchenware and fixtures retail.	XXI.	F205040 Furniture, bedding, kitchenware and fixtures retail.
XXII.	F207030 Sanitary appliances retail.	XXII.	F207030 Sanitary appliances retail.
XXIII.	F401010 International trade.	XXIII.	F401010 International trade.
XXIV.	JA01010 Motor repair service.	XXIV.	JA01010 Motor repair service.
XXV.	F214030 Auto and motorcycle spare parts and outfit retail.	XXV.	F214030 Auto and motorcycle spare parts and outfit retail.
XXVI.	G202010 Parking lot management	XXVI.	G202010 Parking lot management
XXVII.	IZ14011 Public welfare lottery agency.	XXVII.	IZ14011 Public welfare lottery agency.
XXVIII.	JZ99050 Intermediary service	XXVIII.	JZ99050 Intermediary service
XXIX.	IZ99990 Other industrial and commercial service (agent of enrollment information, registration form, tickets sold on a consignment basis, collection of goods on a consignment, collection of payment commissioned by enterprises).	XXIX.	IZ99990 Other industrial and commercial service (agent of enrollment information, registration form, tickets sold on a consignment basis, collection of goods on a consignment, collection of payment commissioned by enterprises).
XXX.	F401161 Cigarette products importer.	XXX.	F401161 Cigarette products importer.
XXXI.	F401171 Alcohol drinks importer.	XXXI.	F401171 Alcohol drinks importer.
XXXII.	Any business not prohibited or restricted by laws and regulations other than the business requiring special approval.	XXXII.	Any business not prohibited or restricted by laws and regulations other than the business requiring special approval.
XXXIII.	F301010 Department store.	XXXIII.	F301010 Department store.
XXXIV.	F301020 Supermarket.	XXXIV.	F301020 Supermarket.
XXXV.	F399010 Convenience store.	XXXV.	F399010 Convenience store.
XXXVI.	F501030 Beverage shop.	XXXVI.	F501030 Beverage shop.
XXXVII.	F501060 Restaurant.	XXXVII.	F501060 Restaurant.
XXXVIII.	G902011 2 nd class telecommunication business.	XXXVIII.	G902011 2 nd class telecommunication business.
XXXIX.	I301010 Information software service.	XXXIX.	I301010 Information software service.
XL.	I301030 Electronic information supply	XL.	I301030 Electronic information supply

Provision	Amended provisions	Existing provisions	Contents
	service. XLI. F206010 Hardware retailer store XLII. F212011 Petroleum stations. XLIII. F212050 Petroleum products retailing XLIV. JA01990 Other automobile services. XLV. F212061 Natural gas stations	service.	
Article XXXIII	<u>Addition to the original provision: 20th amendment to the Company's articles of incorporation was made on June 13, 2008.</u>	These Articles were enacted subject to agreement of all incorporators on June 4, 1987, and enforced as of the date when the competent authority approved them. 1 st amendment was made on June 26, 1990. 2 nd amendment was made on June 28, 1991. 3 rd amendment was made on May 29, 1992. 4 th amendment was made on August 21, 1992. 5 th amendment was made on May 26, 1993. 6 th amendment was made on May 20, 1994. 7 th amendment was made on Dec. 27, 1994. 8 th amendment was made on May 16, 1996. 9 th amendment was made on May 20, 1997. 10 th amendment was made on May 21, 1998. 11 th amendment was made on June 10, 1999. 12 th amendment was made on June 15, 2000. 13 th amendment was made on June 12, 2001. 14 th amendment was made on June 25, 2002. 15 th amendment was made on June 24, 2003. 16 th amendment was made on June 29, 2004. 17 th amendment was made on June 14, 2005. 18 th amendment was made on June 14, 2006. 19 th amendment was made on June 15, 2007.	Dates of additions and amendments