

PRESIDENT CHAIN STORE CORP.

General shareholders' meeting 2007

Parliamentary Minute



June 15, 2007

PRESIDENT CHAIN STORE CORP.

General Shareholders' Meeting of PRESIDENT CHAIN STORE CORP. 2007

Time: 9:00 a.m. on June 15, 2007 (Friday)

Place: Conference room on 2F, No. 252, Peishen Road, Sec. 3, Shenkun Hsiang, Taipei County

Attendance: The number of shares represented by the shareholders present at the time of voting was 915,160,436, and 864,435,744 votes were cast for the proposal, which was 94.46% of the votes represented by the shareholders present.

President: Hsu, Chung Jen Recorder: Cheng, Yu Yun

Parliamentary procedure :

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

1st motion

Case: Business report 2006.

Contents: Please see Page 9 of this Manual for the business report 2006 (Appendix 1).

2nd motion

Case: Supervisors' report for the statement of final accounts for 2006.

- Contents: I. The Company's statement of final accounts has been audited and certified by the CPA, and the supervisors have issued the supervisors' report for it.
- II. Please refer to Pages 10-11 of this Manual for the supervisors' report (Appendix 2).

3rd motion

Case: Report of the Company investment in Mainland China.

Contents: The Company's investment in Mainland China as of December 31, 2006 is specified in the following non-exhaustive list:

Unit: USD

Investee in Mainland China	Cumulative investment	Indirect shareholding (%)
Shanghai President Coffee Corp.	2,000,000	30%
Presiclerc(Shautou) Ltd.	2,469,991	48.41%
Presiclerc(Qingdao) Ltd.	2,185,000	48.41%
Presiclerc(Beijing) Ltd.	2,217,625	36.55%
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	6,200,000	100%
PCSC (CHENGDU) Hypermarket Limited	6,390,000	100%
Total	29,472,970	

4th motion

Case: Report of the Company's amendments to parliamentary rules of the directors' meetings.

- Contents: I. To meet the "Parliamentary Rules of Directors' Meetings of Public Companies" promulgated by Financial Supervisory Commission, Executive Yuan, the Company amended the "Parliamentary Rules of Directors' Meetings of President Chain Store Corp."
- II. Please refer to Appendix 3 for the contrast table for the amendments.

IV. Ratification and discussion

1st motion

(Proposed by Board of Directors)

Case: Please ratify the Company's statement of final accounts for 2006.

- Contents: I. The Company's statement of final accounts for 2006 includes the business report and financial statement; the financial statement has been audited and certified by the CPA.
- II, Said statement of final accounts has been approved by the Board of Directors and examined by the supervisors.
- III. Please refer to Appendix 1 for the business report 2006. Please refer to Appendix 4 for the financial statement.

Resolution: The bill has been passed unanimously by all attendees in the shareholders meeting.

2nd motion

(Proposed by Board of Directors)

Case : Please ratify the allocation of earnings for 2006.

- Contents: I. Please refer to Appendix 5 for the allocation of earnings for 2006.
- II. The Company's distributable earnings for 2006 are NT\$3,539,540,000. The cash dividends to be distributed are NT\$3.5 per share, and the shareholders' meeting is proposed to authorize the Board of Directors to set the ex-dividend record date and date of distribution.

Resolution: The bill has been passed unanimously by all attendees in the shareholders meeting.

3rd motion

(Proposed by Board of Directors)

Case: Please ratify the amendments to the Company's articles of incorporation.

- Contents:
- I. To meet operational needs, the addition of "information software service" an "electronic information supply service" into the business lines is proposed. (Article II)
 - II. To meet the "Parliamentary Rules of Directors Meetings of Public Companies", a directors' meeting shall be called per quarter instead of every six months applicable. (Article XX)
 - III. In order to establish the Company's well-founded governance mechanism, strengthen directors' and supervisors' functions, and reduce the risk of material damages to the Company and shareholders, please add the provision providing that "the Company may purchase liability insurance for directors, supervisors and important officers during their tenure against any indemnity borne by them in the scope of business carried out by them. The insurance policy shall be taken out by the Board of Directors with full power". (Article XXIII-I)
 - IV. Please add the date of amendments to the Articles of Incorporation. (Article XXXIII).
 - V. Please refer to Appendix 6 for the contrast table for the amendments.
 - VI. The motion is proposed for ratification.

Resolution: The bill has been passed unanimously by all attendees in the shareholders meeting.

4th motion

(Proposed by Board of Directors)

Case: Please ratify the amendments to the Company's operational procedure for granting loan.

- Contents:
- I. To meet the Company's governance and enable control over the Company's fund loaning policy to be stricter, the amendments to "the Company's operational procedure for granting loan are proposed".
 - II. Please refer to Appendix 7 for the contrast table for the amendments.
 - III. The motion is proposed for ratification.

Resolution: The bill has been passed unanimously by all attendees in the shareholders meeting.

5th motion

(Proposed by Board of Directors)

Case: Please ratify the amendments to “the Company’s operational procedure for acquisition or disposition of assets”.

- Contents: I. To meet the “Guidelines for Public Company’s Acquisition or Disposition of Assets” promulgated by Financial Supervisory Commission, Executive Yuan on January 19, 2007, the amendments to the Company’s operational procedure for acquisition or disposition of assets are proposed.
- II. Please refer to Appendix 8 for the contrast table for the amendments.
- III. The motion is proposed for ratification.

Resolution: The bill has been passed unanimously by all attendees in the shareholders meeting.

6th motion

(Proposed by Board of Directors)

Case: Please ratify the relief of non-competition restriction imposed on the Company’s existing directors.

- Contents: I. This matter is handled in accordance with Article 209 of the Company Law and the official letter issued by TSEC on November 22, 2006.
- II. In consideration of the numerous managers, directors or supervisors of the affiliates assumed by the directors appointed by the Company, to meet the requirements provided by laws, the relief of non-competition restriction imposed by the Company’s existing directors in the scope of the Company’s business or the relevant functions in the companies re-invested, or re-invested indirectly, by other companies in the same trade is proposed.
- III. The motion has been approved by the 4th directors’ meeting at 8th term, and is submitted to the general shareholders’ meeting for discussion pursuant to laws.
- VI. The motion is proposed for ratification.

Resolution: The bill has been passed unanimously by all attendees in the shareholders meeting.

V. Preliminary motions

VI. Dissolution

Appendix 1

Business report 2006

Looking back on 2006, there were a total of 4,385 President chain stores with turnover amounting to 99.98 billion NTD. The total number of stores of the logistic sub-groups broke the 5,000 mark and reached 5,466. The consolidated turnover with subsidiaries amounted to 132.94 billion NTD, resulting in after-tax income of 3.82 billion NTD. Accordingly, the operating revenue and earnings both set unprecedented records.

The Company consistently adheres to the management philosophy “integration into customers’ lifestyle, and creation of brand value” to manage the 7-ELEVEN business, and to continue to bring new life style and pleasure to customers. We employ innovative marketing methods and continue improving product structure, and invigorate the relationship between stores and customers by virtue of providing a uniquely enjoyable consumer experience. Additionally, in order to create our discriminative, competitive strength, we introduce the **ibon** integrating eight functions including bonus exchange, ticket service and mobile office, et al., and re-marketed the Slurpee to combine pleasure with some cool elements. Also, in order to communicate the health and natural concept of **LOHAS** to consumers, we also held and developed a series of activities and products promoting health and nature, and fulfilled the concept for “fresh foods free from the additives monosodium glutamate and preservatives” in more than 180 fresh foods provided by 7-ELEVEN to strictly check on the consumers’ health.

We have also demonstrated the consolidated effect of the sub-groups continuously through the integration of resource and sharing mechanism, and thereby not only enabled the business performance of the existing reinvested enterprises to increase but also incorporated such new enterprises as “Uni-President Department Store Corp., FN Business Corp., Cold Stone Creamery Taiwan Ltd. and Marks and Spencer Corp.” successively in 2006, which reflect that our layout in the life industry is well established and solidifies the foundation of our long-term development. As to our off-shore layout, Shan Dong President Yinzuo Commercial Limited in Mainland China turned loss into gain in 2006. That is, our layout of investment in Mainland China has started producing the desired effect.

With respect to our social responsibility, we provide assistance in raising public welfare funds through our dense store service network and also promote environmental protectionism to the various operations and environmental protection accounting system. Our efforts have been recognized by the public. In 2006, we won the commendation for “Excellence in Corporation Social Responsibility” of 1st term of CommonWealth and were the only one grocery wholesale and retail business to be nominated and to win the prize. Additionally, in the selection of “2006 Most Admired Company in Taiwan”, we have won the first prize of grocery wholesale and retail business consecutively for twelve years.

Looking forward to 2007, the stores of 7-ELEVEN are expected to break 4,600. Meanwhile, in order to continue satisfying consumers’ comprehensive need for their lives and create more convenient shopping environment, we will introduce the **icashwave** and expand the **ibon** service scope and contents. The business performance of reinvested enterprises will grow on an on-going basis. We will continue adhering to the management philosophy highlighting the corporate governance and creating shareholders’ value to keep working hard for the company’s sustainable operation.

President: Hsu Chung-Jen Chairman: Kao Ching-Yuan

Appendix 2

President Chain Store Corp. Supervisors' report

I have examined the business report, financial statements and motions for allocation of earnings for 2006 submitted by the Board of Directors and consider that they should be true and correct, and hereby present this report in accordance with Article 219 of the Company Law.

To:

General Shareholders' Meeting 2007

President Chain Store Corp.
Supervisor: Ying Chien-Li

March 21, 2007

President Chain Store Corp.
Supervisors' report

We have examined the business report, financial statements and motions for allocation of earnings for 2006 submitted by the Board of Directors and consider that they should be true and correct, and hereby present this report in accordance with Article 219 of the Company Law.

To:

General Shareholders' Meeting 2007

President Chain Store Corp.
Supervisor: Nan Shan Life Insurance Co. Ltd.
Representative: Hsieh Kuan-Chien

March 21, 2007

President Chain Store Corp.
Allocation of earnings for 2006

Unit: NTD

Title	Amount
Income after tax 2006	3,822,328,487
Less: Legal reserve fund	(382,232,849)
Add : Special reserve reversion	530,965
Distributable earnings	3,440,626,603
Add: Unallocated earnings for the previous year	98,914,470
Cumulative distributable earnings	3,539,541,073
Less: Proposed allocation 2006	
Remuneration to directors and supervisors	(34,406,266)
Employees' bonus	(275,250,128)
Shareholders' cash dividend is NT\$3,500 per 1000 shares	(3,203,061,526)
Unallocated earnings - end	26,823,153

Remarks:

1. The earnings for this year shall be distributed from the earnings of 2006 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 3

President Chain Store Corp.

Contrast table for amendments to parliamentary rules of directors' meetings

Amended provisions	Existing provisions	Contents
<p>Article I These Rules are enacted in accordance with Paragraph 8 of Article 26-3 of the "Securities and Exchange Act" (hereinafter referred to as the "Act").</p>		<p>Disclose the basis for these Rules.</p>
<p>Article II The parliamentary contents, operational procedures, notes to be specified in the minutes, publication and compliance provided in the parliamentary rules of Board of Directors of President Chain Store Corp. (hereinafter referred to as "the Company") shall be defined in accordance with these Rules.</p>	<p>Article I Unless otherwise provided in laws or articles of incorporation, the parliamentary rules of Board of Directors of President Chain Store Corp. (hereinafter referred to as "the Company") shall be subject to these Rules.</p>	
<p>Article III The Board of Directors <u>shall hold a meeting at least once every quarter.</u> In calling a meeting of the Board of Directors, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each director within 7 days prior to the meeting, provided that in the case of emergency, the meeting may be convened at any time. <u>Unless in the case of emergency or with justified reasons, the circumstances referred to in Paragraph 1 of Article 7 herein shall be enumerated in the grounds for calling the meeting and be prohibited from being proposed as a preliminary motion.</u></p>	<p>Article II The Board of Directors shall hold a meeting at least once every six months. In calling a meeting of the Board of Directors, a notice setting forth therein time, place and the subject(s) to be discussed at the meeting shall be given to each director and supervisor within 7 days prior to the meeting, provided that in the case of emergency, the meeting may be convened at any time.</p>	<ol style="list-style-type: none"> 1. Define that the board of directors of a public company shall call a meeting at least once every quarter. 2. Define that the important issues to be proposed in a directors' meeting shall be enumerated in the grounds for calling the meeting, unless in the case of emergency or with justified reasons

Amended provisions	Existing provisions	Contents
<p>Article IV The directors' meeting shall be held at the Company's location and during the Company's business hours, or the location and time convenient for directors to attend the meeting and suitable for calling of the meeting.</p>	<p>Article V The directors' meeting shall be held at the Company's location and during the Company's business hours, provided that if necessary for business, the meeting may be held at the location and time convenient for directors to attend the meeting and suitable for calling of the meeting.</p>	
<p>Article V <u>The parliamentary unit shall be the "strategic planning group" designated by the Company's Board of Directors.</u> The parliamentary unit shall draft the directors' meeting parliamentary procedures and provide sufficient information, and send them out altogether when calling a meeting or within 7 days prior to the meeting. <u>Where directors consider that the parliamentary information is not sufficient, they may ask the parliamentary unit for supplementing the information.</u> <u>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.</u></p>	<p>Article III When calling the directors' meeting, the Company shall first draft the subjects to be discussed and the agenda, and provide directors, supervisors and the relevant attendants with the relevant information.</p>	<p>Define that the parliamentary unit designated by the Board of Directors shall draft the parliamentary contents, and provide sufficient information, and send them out altogether when calling a meeting. Where directors consider that the meeting or parliamentary information is not sufficient, they may ask the parliamentary unit for supplementing the information or the examination on the motions may be postponed subject to the Board of Directors' resolution.</p>

Amended provisions	Existing provisions	Contents
<p>Article VI</p> <p>The parliamentary procedures of the Company's periodical directors' meetings shall include the following at least:</p> <p>I. Report:</p> <p>(I) Business report.</p> <p>(II) Financial report.</p> <p>(III) Audit report.</p> <p>(IV) Other important reports.</p> <p>(V) <u>The previous meeting minutes and execution thereof.</u></p> <p>II. Ratification and Discussion:</p> <p>(I) The issues discussed in the previous meeting as reserved.</p> <p>(II) The issues scheduled to be discussed in this meeting.</p> <p>III. Preliminary motions.</p>		<p><u>This Paragraph is added</u></p> <p>Define the scope of the parliamentary contents.</p>
<p>Article VII</p> <p>The following issues shall be discussed in the Board of Directors' meeting:</p> <p>I. The Company's business plan.</p> <p>II. Annual financial report and semi-annual 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><u>This Paragraph is added</u></p> <p>Define the subjects to be discussed in the directors' meeting.</p>

Amended provisions	Existing provisions	Contents
<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 to be resolved 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 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 authorization and no general authorization shall be granted, and it is necessary to report the execution thereof to the Board of Directors.</p>	<p>Article XVI The Board of Directors shall grant the authority pursuant to the Company's articles of incorporation and the relevant laws and regulations.</p>	<p>According to Paragraph 4 of Article 208 of the Company Law, define that where the Board of Directors authorizes the authority of the Board of Directors between sessions of the Board of Directors' meetings, it is necessary to specify expressly the hierarchy, contents and issues of the authorization and no general authorization shall be granted.</p>

Amended provisions	Existing provisions	Contents
<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>	<p>Article IV An attendance book shall be provided for present directors to affix their signatures when the Board of Directors' meeting is held. 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 in replace of 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 two paragraphs shall act on behalf of no more than one person.</p>	
<p>Article X The Board of Directors' meeting shall be called and chaired by the Chairman of the Board, provided that the first meeting of each term of the Board of Directors shall be called by the director winning the ballots representing the most votes in the shareholders' meeting, and the chairperson thereof shall be assumed by the person entitled to hold the meeting. Where there are more than two persons entitled to hold the meeting, the chairperson shall be elected from among them. <u>Where the Chairman of the Board takes leave or fails</u></p>	<p>Article VI The Board of Directors' meeting shall be called and chaired by the Chairman of the Board, provided that the first meeting of each term of the Board of Directors shall be called by the director winning the ballots representing the most votes in the shareholders' meeting, and the chairperson thereof shall be elected from the present directors. Where the Chairman of the Board fails to exercise his authority with reasons, he shall appoint one managing director to be his proxy.</p>	<p>According to Article 203 and Article 208 of the Company Law, define that the convener and chairperson of the Board of Directors' meeting, and the proxy and priority thereof in the event of the Chairman's failure to exercise his authority.</p>

Amended provisions	Existing provisions	Contents
<p><u>to exercise his authority with reason, the Vice Chairman shall be his proxy. Where the Vice Chairman also takes leave or fails to exercise his authority with reason, the Chairman shall appoint a managing director to be his proxy. Where there is no managing director, one director shall be appointed to be the proxy. Where Chairman does not appoint any proxy, the proxy shall be elected among the managing directors or directors.</u></p>		
<p>Article XI When calling the Board of Directors' meeting, the parliamentary unit may inform the managerial personnel of the relevant departments who do not assume the position of directors to attend the meeting. If necessary, it may also invite CPAs, attorneys-at-law or other experts to attend the meeting.</p>	<p>Article VII When calling the Board of Directors' meeting, the managerial department shall prepare the relevant information for the present directors' reference at any time. The managerial personnel of the relevant departments shall attend the meeting to report the Company's current operational and business condition and respond to directors' questions to help directors to verify the condition of the Company and make the appropriate resolutions. Subject to the circumstances, CPA, attorneys-at-law or other experts may be invited to attend the meeting to provide experts' opinion to the Board of Directors for reference. Supervisors may take part in the discussion of motions when attending the meeting to state their opinion, provided that they shall have no voting right with respect to the issues subject to functions of the Board of Directors.</p>	<p>Define that when the Company calls the Board of Directors' meeting, the managerial personnel of the relevant departments or experts may attend the meeting to report and respond to questions, or provide the relevant experts' opinion.</p>

Amended provisions	Existing provisions	Contents
	<p>Article XI</p> <p>After any present director makes a speech, the chairperson may, personally or appoint the relevant personnel to, respond to the speech, or appoint the present experts to provide any necessary information.</p> <p>Where any director makes speeches with respect to the same motion repeatedly or any director's speech is beyond the subject and thereby prevents the other directors from making speeches or hinders the parliamentary procedure, the chairperson may prohibit him from making speeches.</p>	
<p>Article XII</p> <p>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 present directors are still less than a majority of the whole directors after the meeting is postponed for twice, the chairperson shall call the meeting again pursuant to Paragraph 2 of Article III herein.</p>	<p>Article IX</p> <p>The chairperson of the Board of Directors' meeting may announce the opening of the meeting at the meeting time and when there are a majority of the whole directors attending the meeting. Where the present directors are less than a majority of the whole directors at the meeting time, the chairperson may announce postponement of the meeting, provided that the postponement shall not be more than one hour in total.</p> <p>Where present directors are still less than a majority of the whole directors after the meeting is postponed, the chairperson shall announce the postponement of the meeting, and shall not resolve any motions.</p> <p>Where the meeting is announced and postponed by the chairperson, another meeting shall be called again pursuant to Article II herein.</p>	<p>Define that the opening of the meeting shall be announced at the meeting time, provided that where the attendants are less than the quorum, the chairperson may announce postponement of the meeting, and also restrict the hour(s) and frequency of postponement, and where the attendants are still less than the quorum after the meeting is postponed, the meeting shall be called again.</p>

Amended provisions	Existing provisions	Contents
<p>Article XIII</p> <p>The Board of Directors' meeting shall follow the parliamentary procedure scheduled in the notice of the meeting, provided that the procedure may be altered subject to a majority of present directors' approval. The chairperson shall not adjourn the meeting unless the parliamentary procedure scheduled in the preceding paragraph 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>	<p>Article X</p> <p>The motions to be discussed in the Board of Directors' meeting shall follow the parliamentary procedure scheduled in the notice of the meeting, provided that the procedure may be altered subject to a majority of present directors' approval. The chairperson shall not adjourn the meeting prior to conclusion of the motions (including preliminary motions), unless the scheduled parliamentary procedure referred to in the preceding paragraph is resolved.</p> <p>The chairperson may determine the time to announce breaks for negotiation in the process of the meeting.</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. 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> <ol style="list-style-type: none"> I. By raising hands; II. By roll-call voting; III. By voting. 	<p>Article XII</p> <p>Where the chairperson considers that the debate of a motion may be put to a vote, he may announce 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. Where any present director expresses dissent upon the chairperson's inquiry, the motion shall be put to a vote.</p>	

Amended provisions	Existing provisions	Contents
	<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>I. By raising hands; II By roll-call voting; III. By voting.</p>	
<p>Article XV Unless otherwise provided in the Securities and Exchange Act, Company Law and the Company's articles of incorporation, the motions proposed in the Board of Directors' meeting shall be resolved subject to attendance of a majority of the whole directors and agreement of a majority of the present directors. The resolution shall be reported on the spot and recorded.</p>	<p>Article XIII Unless otherwise provided in Company Law and the Company's articles of incorporation, the motions proposed in the Board of Directors' meeting shall be voted subject to agreement of a majority of the present directors.</p> <p>Where there is any proposal for amendments or alternate proposal with respect to the same motion, the chairperson shall consolidate the proposal with the original motion and decide the order of voting, provided that where any one of the proposals passes, the other proposals shall be deemed revoked and no voting is required. Where it is necessary to install scrutinizers and ballot counters in the process of voting, they shall be appointed by the chairperson, provided that the scrutinizers shall be directors.</p> <p>The voting result shall be reported on the spot and recorded.</p>	<p>According to Article 206 and Article 207 of the Company Law, define the requirements about the voting result of motions.</p>

Amended provisions	Existing provisions	Contents
	Where any resolutions made by the Board of Directors' meeting are the important information required under laws, the Company shall transmit the information to M.O.P.S. within the specific time limit.	
<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><u>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.</u></p>	<p>Article XIV</p> <p>In the event of any of the following circumstances, a director or other corporate representatives shall not take part in the debate and voting or exercise the voting right on behalf of other directors:</p> <p>Where the director has any interest with himself or the corporation he acts on behalf of with respect to any motion and thereby it is likely that the Company's interest will be infringed.</p> <p>Where the director considers that he should abstain from voting voluntarily.</p> <p>The Board of Directors' meeting resolves that the director should abstain from voting.</p>	<p>According to Article 206 of the Company Law whereas under Article 178 and Paragraph 2 of Article 180 of the same Law, define the directors' conflict of interest and prohibition from taking part in discussion and voting, and the resolution thereof shall be subject to the Company Law.</p>
<p>Article XVII</p> <p>The motions shall be recorded in the meeting minutes. The meeting minutes shall specify the following:</p> <p>I. Term No. (Year No.), time and location of the meeting.</p> <p>II. Chairperson's name.</p>	<p>Article XV</p> <p>The motions shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chairperson and recorder and submitted to each director, supervisor and the relevant attendants within 20 days upon the meeting.</p>	<p>1. Define the contents to be recorded in the meeting minutes;</p>

Amended provisions	Existing provisions	Contents
<p>III. Directors' attendance, including the names and number of the present directors, directors taking leave and absent directors.</p> <p>IV. Names and job titles of attendants.</p> <p>V. Recorder's name.</p> <p>VI. Reported issues: reporter's name and job title, and important opinion of directors, experts and other persons.</p> <p>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.</p> <p>VIII. Preliminary motions: Proposers' names, methods to resolve motions and resolutions, abstract of directors', experts' and other personnel's speech, or dissenting or qualified opinion which is recorded or stated in writing.</p> <p>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.</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>The abstract of the various motions, directors' dissent opinion, method of resolution and resolution result shall be specified in detail and factually pursuant to the relevant requirements.</p> <p>The meeting minutes shall be included in the Company's important files and maintained permanently in the duration of the Company's existence.</p>	<p>2. The meeting minutes may be distributed in electronic form;</p> <p>3. The meeting minutes shall be signed or sealed by the chairperson and recorder, and maintained permanently.</p>

Amended provisions	Existing provisions	Contents
<p>Article XVIII 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 five years</u> and in electronic form. 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, free from the requirements referred to in the preceding paragraph. Where the meeting is held in the form of video conference, the tape or video recordings for the meeting shall constitute a part of the meeting minutes and be maintained permanently.</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, free from the requirements referred to in the preceding paragraph. Where the meeting is held in the form of videoconference, the tape or video recordings for the meeting shall constitute a part of the meeting minutes and be maintained permanently.</p>	<p>The Board of Directors' meeting shall be recorded by tape or video in full and the tape or video recording shall be maintained for at least five years. Where the meeting is held in the form of videoconference, the tape or video recordings for the meeting shall be maintained permanently.</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 <i>mutatis mutandis</i>.</p>		<p>This Paragraph is added in order to fulfill the legislative intent of directors installed under the Securities and Exchange Act and to prescribe the provisions applicable to the managing directors of the Board of Directors, if any.</p>
<p>Article XXX Enactment of, and amendments to, these Rules shall be subject to the approval of the Board of Directors and reported to the shareholders' meeting.</p>	<p>Article XVII Enactment of, and amendments to, these Rules shall be subject to the approval of the Board of Directors and reported to the shareholders' meeting.</p>	

Appendix 4

Independent Auditor's Report

(96) Tsai-Shen-Bao-Zhi No. 06002877

To: President Chain Store Corporation

We have audited the President Chain Store Corporation's balance sheets prepared on December 31, 2006 and 2005, the income statements, statements of change in shareholders' equity and statements of cash flow covering the period of January 1 to December 31, 2006 and 2005. The financial statements are the responsibility of the management. Our responsibility is to express an opinion on the financial statements based on our audits. The investment income and relevant information disclosed in Note 11 of the long-term equity investment for President Chain Store Corp., which was valued with the Equity Method in 2006 and 2005, were based on the financial statements audited and certified by another CPA appointed by the investees. We do not audit those financial statements. The net investment income recognized is based on the financial statements audited by another CPA on December 31, 2006 and 2005, and includes an investment gain of NT\$83,178,000 and an investment loss of NT\$10,246,000, respectively. The relevant long-term equity investment balance was NT\$602,660,000 and NT\$659,828,000 respectively.

We conducted the audit in accordance with the standards of the Audit of Financial Statements and the accounting principles generally accepted in the People's 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, fairly present all materials aspects and the financial position of President Chain Store Corporation as of December 31, 2006 and 2005, the result of its operations and its cash flows for the periods of January 1 to December 31, 2006 and 2005. The above materials conform with 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 the Financial Accounting Standards 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 Standards No. 5 on Long-term Investments under the equity method, whereby goodwill is subject to annual impairment instead of amortization.

We have also audited President Chain Store Corporation's consolidated financial statements for the periods ending in 2006 and 2005, and have expressed an amended unqualified opinion thereon.

Pricewaterhouse Coopers
CPA

Lin Tung-Chiao, CPA

Chen Mei-Tzu, CPA

Approval Document issued by
the Securities and Futures
Commission (now Securities
and Futures Bureau) of the
Ministry of Finance: (81) Tai-Tsai-Cheng (VI) No. 79059
(82) Tai-Tsai-Cheng (VI) No. 39230

March 12, 2007

President Chain Store Corp. & Subsidiaries
Consolidated Balance Sheet
At the End of December 31, 2006 and 2005

Currency expression: NTD 1,000

	December 31, 2006		December 31, 2005			December 31, 2006		December 31, 2005	
	Amount	%	Amount	%		Amount	%	Amount	%
<u>Assets</u>					<u>Liabilities and Shareholders' Equity</u>				
Current Assets					Current liability				
Cash and cash equivalents (Note IV(1))	\$ 3,238,414	9	\$ 2,706,066	6	Note payable	\$ 1,086,381	3	\$ 635,020	2
Financial assets, which change in fair values are recognized as gains or losses – current	131,073	-	4,953	-	Notes payable – related parties (Note V)	1,457,735	4	874,655	3
Investments in bonds with no public quotations – current	20,000	-	40,000	-	Accounts payable	191,285	-	219,022	1
Net accounts receivable (Note V)	301,572	1	382,262	1	Accounts payable – related parties (Note V)	4,992,827	14	4,213,792	12
Other accounts receivable (Note V)	427,335	1	389,869	1	Income taxes payable (Note IV(12))	662,224	2	607,843	2
Inventories (Note IV (2))	2,880,782	8	2,755,466	8	Accrued expenses (Notes IV (8) and V)	2,421,968	7	2,055,289	6
Other current assets (Notes IV (12), V and VII)	<u>885,144</u>	<u>3</u>	<u>818,307</u>	<u>3</u>	Other accounts payable (Note IV (9))	4,557,458	13	3,786,256	11
Total current assets	<u>7,884,320</u>	<u>22</u>	<u>6,466,923</u>	<u>19</u>	Advance receipts	1,023,146	3	845,605	2
Funds and investments					Current portion of long-term liabilities (Note IV(10))	<u>900,000</u>	<u>2</u>	<u>200,000</u>	<u>1</u>
Financial assets that are available for sale – non current (Note III, IV (3))	514,718	1	140,534	-	Total current liabilities	<u>17,293,024</u>	<u>48</u>	<u>13,437,482</u>	<u>40</u>
Financial assets measured at cost – non current (Note IV(4))	12,381,271	34	11,994,727	36	Long-term liability				
Bond portfolios with no active market – non current	-	-	20,000	-	Derivative financial liabilities for hedging-non current (Note X)	14,994	-	-	-
Long-term investments (Equity method) (Note IV(5))	<u>6,352,509</u>	<u>18</u>	<u>5,509,166</u>	<u>16</u>	Corporate bonds (Note IV (10))	1,100,000	3	2,000,000	6
Total funds and investments	<u>19,248,498</u>	<u>53</u>	<u>17,664,427</u>	<u>52</u>	Long-term debt	-	-	<u>1,320,000</u>	<u>4</u>
Fixed assets (Note V)					Total long-term liabilities	<u>1,114,994</u>	<u>3</u>	<u>3,320,000</u>	<u>10</u>
Costs					Other liability				
Lands	1,534,725	4	1,538,231	5	Accrued pension liabilities (Note IV (11))	358,480	1	359,752	1
Building	930,971	3	931,193	3	Guarantee deposit received	<u>1,569,094</u>	<u>4</u>	<u>1,345,066</u>	<u>4</u>
Machinery and equipment	8,486,401	23	8,078,982	24	Total other liabilities	<u>1,927,574</u>	<u>5</u>	<u>1,704,818</u>	<u>5</u>
Lease improvement	3,986,263	11	3,549,768	10	Total liabilities	<u>20,335,592</u>	<u>56</u>	<u>18,462,300</u>	<u>55</u>
Other equipment	<u>13,241</u>	-	<u>13,411</u>	-	Shareholders' Equity				
Cost and revaluation	14,951,601	41	14,111,585	42	Capital (Note IV (13))	9,151,604	25	9,151,604	27
Less: accumulated depreciation (Note IV (6))	(8,101,857)	(22)	(7,157,200)	(21)	Paid-in Capital				
Construction in process and prepayment for equipment	<u>1,578</u>	-	<u>-</u>	-	Retained earnings (Note IV (14))				
Net fixed assets	<u>6,851,322</u>	<u>19</u>	<u>6,954,385</u>	<u>21</u>	Legal reserve	2,543,649	7	2,178,381	7
Other assets					Special reserve	531	-	55,758	-
Assets leased to others (Notes IV (7) and VII)	999,648	3	1,014,082	3	Unassigned retained earnings	3,921,243	11	3,787,913	11
Idle Assets	321,498	1	325,232	1	Other adjustments in SH's equity				
Refundable deposit (Note VII)	937,603	2	878,875	3	Unrealized revaluation gains (Note III)	359,191	1	-	-
Other assets –other (Note IV(12))	<u>75,877</u>	-	<u>331,501</u>	<u>1</u>	Cumulative translation adjustment	<u>6,956</u>	-	<u>(531)</u>	-
Total other assets	<u>2,334,626</u>	<u>6</u>	<u>2,549,690</u>	<u>8</u>	Total shareholders' equity	<u>15,983,174</u>	<u>44</u>	<u>15,173,125</u>	<u>45</u>
					Undertakings or contingent liabilities (Notes V and VII)				

Total Assets

\$ 36,318,766 100

\$ 33,635,425 100

1XXX

Total liabilities and shareholders' equity

\$ 36,318,766 100

33,635,425 100

President Chain Store Corporation

Income Statements For the period ended December 31, 2006 and 2005

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

	2006		2005	
	Amount	%	Amount	%
Operating revenue				
4110 Net sales	\$ 96,628,741	97	\$ 90,671,647	97
4800 Other operating revenue (Note V)	<u>3,350,877</u>	<u>3</u>	<u>3,001,963</u>	<u>3</u>
4000 Total operating revenue	99,979,618	100	93,673,610	100
Operating cost				
5110 Cost of goods sold (Note V)	<u>(69,736,937)</u>	<u>(70)</u>	<u>(65,514,526)</u>	<u>(70)</u>
5910 Gross Profit	<u>30,242,681</u>	30	<u>28,159,084</u>	<u>30</u>
Operating expenses (Notes IV (16), (17) and V)				
6100 Selling expenses	(22,789,148)	(23)	<u>(21,003,015)</u>	(23)
6200 General and administration exp.	<u>(2,939,532)</u>	<u>(3)</u>	<u>(2,979,029)</u>	<u>(3)</u>
6000 Total operating expenses	<u>(25,728,680)</u>	<u>(26)</u>	<u>(23,982,044)</u>	<u>(26)</u>
6900 Operating income	<u>4,514,001</u>	<u>4</u>	<u>4,177,040</u>	<u>4</u>
Non-operating incomes				
7310 Gain on valuation of financial assets (Note III)	7,734	-	65,492	-
7122 Dividend Income	191,251	-	192,709	-
7130 Gain on disposal of fixed assets (Note V)	-	-	18,816	-
7210 Rent revenue (Note V)	46,059	-	28,563	-
7480 Miscellaneous incomes (Note V)	<u>658,910</u>	<u>1</u>	<u>515,914</u>	<u>1</u>
7100 Total non-operating income	<u>903,954</u>	<u>1</u>	<u>821,494</u>	<u>1</u>
Non-operating expenses				
7510 Interest expenses	(68,770)	-	(76,657)	-
7521 Loss on investment (equity method) (Notes III and IV (5))	(79,287)	-	(56,311)	-
7530 Loss on disposal of fixed assets	(20,516)	-	-	-
7540 Loss on disposal of investments	(17,984)	-	(42,897)	-
7570 Allowance for reduction of inventory to market	-	-	(66,429)	-
7630 Impairment (Note IV (4))	(127,297)	-	(85,480)	-
7880 Other expenses	<u>(46,513)</u>	<u>=</u>	<u>(40,106)</u>	<u>=</u>
7500 Total non-operating expenses	<u>(360,367)</u>	<u>=</u>	<u>(367,880)</u>	<u>=</u>
7900 Income before tax	5,057,588	5	4,630,654	5
8110 Income Tax (Note IV (12))	<u>(1,235,633)</u>	<u>(1)</u>	<u>(977,969)</u>	<u>(1)</u>
8900 Earnings of continued operations	3,821,955	4	3,652,685	4
9300 Accumulated effects from changes in accounting principles (Note III)	373	=	-	=
9600 Net Income After Tax	<u>\$ 3,822,328</u>	<u>4</u>	<u>\$ 3,652,685</u>	<u>4</u>
	pre-tax	after tax	pre-tax	after tax
Earnings per share (Note IV (15))				
9750 Net income	<u>\$ 5.53</u>	<u>\$ 4.18</u>	<u>\$ 5.06</u>	<u>\$ 3.99</u>

The accompanying notes constituted an integral part of the financial statements,
Please refer to the report of independent accountants dated March 12, 2007

Chairman: Kao Ching-Yuan

Manager: Hsu Chung-Ren

Chief Accountant: Lai Hsin-Ti

President Chain Store Corporation
Statement of Changes in Shareholders' Equity

☪ For the period ended December 31, 2006 and 2005

Currency expression: NTD 1,000

	Retained Earnings				Other adjustment in SH's equity		Total
	Paid-in Capital	Legal reserve	Special reserve	Unallotted retained earnings	Unrealized revaluation gains	Cumulative translation adjustment	
<u>2005</u>							
Balance at January 1, 2005	\$ 9,151,604	\$ 1,873,794	\$ -	\$ 3,402,185	\$ -	(\$ 55,785)	\$ 14,371,825
Appropriation of earnings:							
Legal reserve	-	304,587	-	(304,587)	-	-	-
Special reserve	-	-	55,758	(55,758)	-	-	-
Employee bonus	-	-	-	(107,421)	-	-	(107,421)
Remuneration to Directors & Supervisors	-	-	-	(53,710)	-	-	(53,710)
Cash dividends	-	-	-	(2,745,481)	-	-	(2,745,481)
Earnings in 2005	-	-	-	3,652,685	-	-	3,652,685
Adjustments of conversion from foreign long-term	-	-	-	-	-	<u>55,227</u>	<u>55,227</u>
Balance at December 31, 2005	<u>\$ 9,151,604</u>	<u>\$ 2,178,381</u>	<u>\$ 55,758</u>	<u>\$ 3,787,913</u>	<u>\$ -</u>	<u>(\$ 531)</u>	<u>\$ 15,173,125</u>
<u>2006</u>							
Balance at January 01, 2006	\$ 9,151,604	\$ 2,178,381	\$ 55,758	\$ 3,787,913	-	(\$ 531)	\$ 15,173,125
Appropriation of earnings:							
Legal reserve	-	365,268	-	(365,268)	-	-	-
Reversion of special reserve	-	-	(55,227)	55,227	-	-	-
Employee bonus	-	-	-	(200,559)	-	-	(200,559)
Remuneration to Directors & Supervisors	-	-	-	(66,853)	-	-	(66,853)
Cash dividends	-	-	-	(3,111,545)	-	-	(3,111,545)

The accompanying notes constituted an integral part of the financial statements. Please refer to the report of independent accountants dated March 12, 2007.

Chairman: Kao Ching-Yuan

Manager: Hsu Chung-Ren

Chief Accountant: Lai Hsin-Ti

President Chain Store Corporation
Statement of Changes in Shareholders' Equity

☪ For the period ended December 31, 2006 and 2005

Currency expression: NTD 1,000

	Retained Earnings			Other adjustment in SH's equity		Total	
	Paid-in Capital	Legal reserve	Special reserve	Unallotted retained earnings	Unrealized revaluation gains		Cumulative translation adjustment
Earnings in 2005	-	-	-	3,822,328	-	-	3,822,328
Adjustments on unrealized gains or losses on financial instruments	-	-	-	-	359,191	-	359,191
Adjustments of conversion from foreign long-term investments	-	-	-	-	-	7,487	7,487
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>\$ 15,983,174</u>

The accompanying notes constituted an integral part of the financial statements. Please refer to the report of independent accountants dated March 12, 2007.

Chairman: Kao Ching-Yuan

Manager: Hsu Chung-Ren

Chief Accountant: Lai Hsin-Ti

President Chain Store Corporation

Statement of Cash Flow

For the period ended December 31, 2006 and 2005

Currency expression: NTD 1,000

	2006	2005
<u>Cash flows from operating activities</u>		
Net income	\$	\$
Adjustments to reconcile net income to net cash provided by operating activities	-----	-----
Gain on valuation of financial assets	(7,734)	(65,492)
Increase (or decrease) of allowance for uncollectible accounts	(6,685)	3,969
Increase (or decrease) of allowance for reduction of inventory to market	(56,530)	66,429
Depreciation	1,657,958	1,679,882
Depreciation of leased assets	18,168	3,879
Amortizations	254,908	380,774
Cash dividend from long-term investment under equity method	234,690	135,755
Recognized return on long-term investments under equity method	79,287	56,311
Disposal gain on long-term investment under equity method	(52,380)	-
Financial assets measured at cost – impairment losses	127,297	85,480
Loss (or gain) on disposal of fixed assets	20,516	(18,816)
<u>Changes in assets and liabilities</u>		
Accounts receivable	80,690	(133,743)
Other accounts receivable	(30,781)	(98,487)
Inventories	(68,786)	(619,338)
Other current assets	(83,032)	(56,565)
Deferred income tax assets	16,911	(13,104)
Notes payable	1,034,441	178,519
Accounts payable	751,298	248,691
Income taxes payable	54,381	253,772
Accrued expenses	366,679	357,749
Other accounts payable	704,105	1,369,959
Advance receipts	177,541	260,062
Accrued pension liabilities	(1,272)	(2,311)
Net cash provided by operating activities	9,093,998	7,726,060

(Continue)

Cash flows from investing activities

Increase (or decrease) in current financial assets whose changes in fair value are recognized in earnings	(\$ 118,386)	\$303,517
Decrease in loans to related parties	-	30,000
Acquisition of financial assets measured at cost	(570,000)	(3,947,248)
Decrease in financial assets on basis cost	7,697	255,020
Acquisition of long-term investment-equity method	(1,143,979)	(510,805)
Proceeds from disposal of long-term investment – equity method	94,989	-
Decrease of bond portfolios with no active market	40,000	40,000
Cash purchase of property, plant and equipment	(1,554,848)	(1,669,583)
Proceeds from disposal of fixed assets	46,534	875,896
Increase in deposits-out	<u>(58,728)</u>	<u>(59,557)</u>
Net cash provided by financing activities	<u>(3,256,721)</u>	<u>(4,682,760)</u>

Cash flows from financing activities

Increase in guarantee deposits received	224,028	181,601
Increase (or decrease) in long-term loans	(1,320,000)	820,000
Payback of corporate bond	(200,000)	-
Payment of cash dividends	(3,111,545)	(2,745,481)
Payment of directors' remuneration & employees' bonus	<u>(267,412)</u>	<u>(161,131)</u>
Net cash provided by financing activities	<u>(4,674,929)</u>	<u>(1,905,011)</u>
Net increase (or decrease) in cash and cash equivalent	1,162,348	1,138,289
Beginning balance of cash and cash equivalent	<u>2,076,066</u>	<u>937,777</u>
Ended balance of cash and cash equivalent	<u>\$ 3,238,414</u>	<u>\$2,076,066</u>

Supplement disclosures of cash flow information

Interest paid	<u>\$ 70,456</u>	<u>\$77,025</u>
Income tax paid	<u>\$ 1,164,341</u>	<u>\$737,301</u>

Investing and financing activities of partial payment in cash

Purchase of property, plant and equipment	\$ 1,621,945	\$1,640,728
Add: beginning balance of accounts payable on equipment	211,747	240,602
Less: ended balance of accounts payable on equipment	<u>(278,844)</u>	<u>(211,747)</u>
Acquisition of fixed assets	<u>\$1,554,848</u>	<u>\$1,669,583</u>

Independent Auditor's Report

(96) Tsai-Shen-Bao-Zhi No. 06003051

To: President Chain Store Corporation

We have reviewed the accompanying consolidated balance sheet for President Chain Store Corp. and the subsidiaries as of January 1 to December 31, 2006 and 2005 and the related statements of income and cash flows for those years. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our review. Some 2006 and 2005 financial statements of the business entities in the consolidated financial statements are certified by other CPAs instead of us. Therefore, our opinion on the amount listed in the consolidated financial statements of the Company and its subsidiaries for 2006 and 2005 was based on the other CPAs' audit report. The said subsidiaries' assets amounted to NT\$1,246,196 thousand and NT\$1,074,584 thousand on December 31, 2006 and 2005, respectively, which represented a ratio of 3% and 2% to total consolidated assets. The net income in the period of January 1 to December 31, 2006 and 2005 amounted to NT\$2,845,636 thousand and NT\$2,712,408 thousand, which represented a ratio of 2% of total consolidated net income for both years. The investment income of the Company and its subsidiaries from long-term equity investments under the equity method and the relevant information about the investees, as disclosed in Note XI to these financial statements, was valued and disclosed according to the financial statements audited and certified by the other CPAs appointed by the investees respectively covering the same period. We did not audit or certify those financial statements. The investment incomes that were recognized based on the other CPAs' audited financial statements for 2006 and 2005 were NT\$53,508 thousand and NT\$3,842 thousand. Until December 31, 2006 and 2005, they had the balances of the relevant long-term equity investment, which amounted to NT\$191,519 thousand and NT\$162,291 thousand.

We conducted the audit in accordance with the standards on the Audit of Financial Statements and the accounting principles generally accepted in the People's 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 were free of material misstatements. An audit includes examining on a test basis, and evidence supporting the amounts and disclosure listed in the financial statements. An audit also includes assessing the accounting principles used, significant estimates made by the management, and evaluating the overall financial statement presentation. We believe that our audits and the other CPAs' audit reports provide a reasonable basis for the opinion as stated.

In our opinion, which is based on our audits and the reports of other auditors, the financial statements referred to in the first paragraph fairly present the financial position of President Chain Store Corporation and its subsidiaries as of December 31, 2006 and 2005. The financial statements additionally fairly present the result of their operations and their cash flows for the periods of January 1 to December 31, 2006 and 2005, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Business Accounting Guidelines and accounting principles generally accepted in the People's Republic of China.

As stated in Note III, President Chain Store Corporation and its subsidiaries have adopted the principle under Financial Accounting Standards No. 34 on the Financial Instruments: Recognition and Measurement, and No. 36 on the 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 Standards No. 5 on Long-term Investments under the equity method whereby goodwill is subject to annual impairment instead of amortization.

Pricewaterhouse Coopers
CPA

Lin Tung-Chiao, CPA

Chen Mei-Tzu, CPA

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

(81) Tai-Tsai-Cheng (VI) No. 79059

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

March 12, 2007

President Chain Store Corp. & Subsidiaries
Consolidated Balance Sheet
At the End of December 31, 2006 and 2005

Currency expression: NTD 1,000

		December 31, 2006		December 31, 2005				December 31, 2006		December 31, 2005	
		Amount	%	Amount	%			Amount	%	Amount	%
<u>Assets</u>						<u>Liabilities and Shareholders' Equity</u>					
Current Assets						Current liability					
1100	Cash and cash equivalence (Note IV(1))	\$ 6,095,851	12	\$ 4,566,017	10	2100	Short-Term debt	\$ 1,215,758	2	\$ 742,742	2
1310	Financial assets which change in fair values are recognized as gains or losses—current (Note IV(2))	1,421,770	3	981,789	2	2110	Short-term bills payable	502,334	1	689,003	1
1140	Net accounts receivable (Note V)	2,175,152	4	1,706,340	4	2120	Notes payable (Note V)	2,744,318	5	1,599,112	4
1160	Other accounts receivable (Note V)	814,272	2	825,571	2	2140	Accounts payable	8,193,771	17	7,463,328	17
120X	Inventories (Note IV (3))	6,363,162	13	5,858,918	13	2150	Accounts payable—related parties (Note V)	1,753,803	3	1,546,827	3
1280	Other current assets (Notes IV (14) and VII)	1,427,652	3	1,277,277	3	2160	Income taxes payable (Note IV(14))	814,626	2	717,799	2
11XX	Total current assets	18,297,859	37	15,215,912	34	2170	Accrued expenses (Notes IV (10) and V)	3,639,426	7	3,153,591	7
Funds and investments						Other accounts payable (Note IV (11))					
1450	Financial assets that are available for sale— non current	522,623	1	140,534	-	2210	Other accounts payable (Note IV (11))	5,395,770	11	4,457,693	10
1480	Financial assets measured at cost—non current (Note IV(5))	13,190,071	27	12,831,185	29	2260	Advance receipts	1,321,644	3	1,014,629	2
1421	Long-term investments (Equity method)	768,977	2	647,351	1	2270	Current portion of long-term liabilities (Notes IV (12) and V)	1,265,608	3	563,633	1
14XX	Total funds and investments	14,481,671	30	13,619,070	30	21XX	Total current liabilities	26,847,058	54	21,948,357	49
Fixed assets (Note IV and VI)						Long-term liability					
Costs						2430 Derivative financial liabilities for hedging-non current (Note X)					
1501	Lands	2,022,086	4	2,025,717	4	2410	Corporate bonds (Note IV (12))	1,100,000	2	2,000,000	4
1521	Building	2,059,821	4	2,146,595	5	2420	Long-term debt	858,653	2	1,857,557	4
1551	Transportation Equipments	1,950,287	4	1,684,351	4	2450	Long-term notes and accounts payable— related parties (Note 5)	116,532	-	211,583	1
1571	Machinery and equipment	11,338,839	23	10,359,268	23	24XX	Total long-term liabilities	2,090,179	4	4,069,140	9
1631	Lease improvement	6,157,135	13	5,224,988	12	2810	Other liability	511,364	1	509,926	1
1681	Other equipment	1,687,160	3	1,472,345	3	2820	Accrued pension liabilities (Note IV (13))	1,772,856	4	1,572,824	4
15XY	Cost and revaluation	25,215,328	51	22,913,264	51	28XX	Guarantee deposit received	2,284,220	5	2,082,750	5
15X9	Less: accumulated depreciation (Note IV (8))	(12,911,638)	(26)	(10,884,087)	(24)	2XXX	Total other liabilities	31,221,457	63	28,100,247	63
1670	Construction in process and prepayment for equipment	145,488	-	73,017	-	Shareholders' Equity					
15XX	Net fixed assets	12,449,178	25	12,102,194	27	Capital Stock (Note IV (15))					
Intangible Assets						3110 Paid-in Capital					
1780	Other intangibles	106,901	-	113,044	-	Retained earnings (Note IV (16))					
Other assets						3310 Legal reserve					
1800	Assets leased to others (Notes IV (9) and	1,061,352	2	1,017,093	2	3320 Special reserve					
1810	Idle Assets	321,931	1	325,232	1	3350 Unassigned retained earnings					
1820	Refundable deposit (Note VII)	1,632,947	3	1,556,542	4	Other adjustment in SH's equity					
1880	Other assets—other (Note IV(14))	883,372	2	1,006,325	2	3450 Unrealized revaluation gains (Note III)					
18XX	Total other assets	3,899,602	8	3,905,192	9	3420 Cumulative translation adjustment					
						3610 Minority equity					
						3XXX Total shareholders' equity					

The accompanying notes constituted an integral part of the consolidated financial statements. Please refer to the report of independent accountants dated March 12, 2007

Chairman: Kao Ching-Yuan

Manager: Hsu Chung-Ren

Chief Accountant: Lai Hsin-Ti

President Chain Store Corp. & Subsidiaries
Consolidated Balance Sheet
At the End of December 31, 2006 and 2005

Currency expression: NTD 1,000

		December 31, 2006		December 31, 2005				December 31, 2006		December 31, 2005	
		Amount	%	Amount	%			Amount	%	Amount	%
<u>Assets</u>						<u>Liabilities and Shareholders' Equity</u>					
						Undertakings or contingent liabilities (Notes V and VII)					
1XXX	Total Assets	\$ 49,235,211	100	\$ 44,955,412	100	1XXX	Total liabilities and shareholders' equity	\$ 49,235,211	100	\$ 44,955,412	100

The accompanying notes constituted an integral part of the consolidated financial statements. Please refer to the report of independent accountants dated March 12, 2007

Chairman: Kao Ching-Yuan

Manager: Hsu Chung-Ren

Chief Accountant: Lai Hsin-Ti

President Chain Store Corp. & Subsidiaries
Consolidated Income Statement
For the period ended December 31, 2006 and 2005

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

	2006		2005	
	Amount	%	Amount	%
Operating revenue				
4110 Net sales	\$ 125,487,012	94	\$ 113,500,342	95
4800 Other operating revenue (Note V)	<u>7,457,564</u>	<u>6</u>	<u>6,440,544</u>	<u>5</u>
4000 Total operating revenue	132,944,576	100	119,940,886	100
Cost of operation				
5110 Cost of goods sold (Notes IV(18) and V)	(93,041,700)	(70)	(83,225,037)	(69)
5910 Gross Profit	<u>39,902,876</u>	<u>30</u>	<u>36,715,849</u>	<u>31</u>
Operating expenses (Notes IV (18) and IV(19))				
6100 Selling expenses	(28,083,109)	(21)	(25,745,594)	(22)
6200 General and administration exp.	(6,700,076)	(5)	(6,140,914)	(5)
6000 Total operating expenses	(34,783,185)	(26)	(31,886,508)	(27)
6900 Operating income	<u>5,119,691</u>	<u>4</u>	<u>4,829,341</u>	<u>4</u>
Non-operating incomes				
7310 Gain on valuation of financial assets	10,744	-	79,382	-
7122 Dividend Income	191,994	-	193,520	-
7140 Gains on disposal of investment	5,675	-	-	-
7480 Miscellaneous income	<u>904,080</u>	<u>1</u>	<u>601,326</u>	<u>1</u>
7100 Total non-operating income	<u>1,112,493</u>	<u>1</u>	<u>874,228</u>	<u>1</u>
Non-operating expenses				
7510 Interest expenses	(164,284)	-	(158,227)	(1)
7521 ROI under equity method (Note IV (6))	(37,397)	-	(81,726)	-
7530 Loss on disposal of fixed assets	(40,493)	-	(98,994)	-
7540 Loss on disposal of investments	-	-	(51,344)	-
Allowance for reduction of inventory to market	(24,498)	-	(75,231)	-
7630 Impairment	(322,074)	(1)	(85,480)	-
7880 Other expenses	(111,192)	-	(90,319)	-
7500 Total non-operating expenses	(699,938)	(1)	(641,321)	(1)
7900 Income before tax	5,532,246	4	5,062,248	4
8110 Income tax expense (Note IV (14))	(1,491,698)	(1)	(1,215,249)	(1)
8900 Earnings of continued operations	4,040,548	3	3,846,999	3
Accumulated effects from changes in accounting principles (Note III)	<u>9,773</u>	<u>-</u>	<u>-</u>	<u>-</u>
9600X X Consolidated total net income (loss)	<u>\$ 4,050,321</u>	<u>3</u>	<u>\$ 3,846,999</u>	<u>3</u>
From:				
9601 Consolidated total net income (loss)	\$ 3,822,328	3	\$ 3,652,685	3
9602 Minority equity net income (loss)	<u>227,993</u>	<u>-</u>	<u>194,314</u>	<u>-</u>
	<u>\$ 4,050,321</u>	<u>3</u>	<u>\$ 3,846,999</u>	<u>3</u>
	<u>pre-tax</u>	<u>after tax</u>	<u>pre-tax</u>	<u>after tax</u>
Basic EPS (Note IV (17))				
9710 Earnings of continued operations	\$ 6.05	\$ 4.43	\$ 5.53	\$ 4.20
9740A A Minority equity	(0.38)	(0.25)	(0.32)	(0.21)
9750 Net income after tax	<u>\$ 5.67</u>	<u>\$ 4.18</u>	<u>\$ 5.21</u>	<u>\$ 3.99</u>

The accompanying notes constituted an integral part of the consolidated financial statements.
Please refer to the report of independent accountants dated March 12, 2007

Chairman: Kao Ching-Yuan

Manager: Hsu Chung-Ren

Chief Accountant: Lai Hsin-Ti

President Chain Store Corp. & Subsidiaries
Consolidated Statement of changes in Shareholders' Equity
For the period ended December 31, 2006 and 2005

Currency expression: NTD 1,000

	Retained Earnings				Other adjustment in SH's equity		Minority equity	Total
	Paid-in Capital	Legal reserve	Special reserve	Unallotted retained earnings	Unrealized revaluation gains	Cumulative translation adjustment		
<u>2005</u>								
Balance at January 01, 2005	\$ 9,151,604	\$ 1,873,794	\$ -	\$ 3,402,185	\$ -	(\$ 55,758)	\$ 619,603	\$ 14,991,428
Appropriation of earnings								
Legal reserve	-	304,587	-	(304,587)	-	-	-	-
Special reserve	-	-	55,758	(55,758)	-	-	-	-
Employee bonus	-	-	-	(107,421)	-	-	-	(107,421)
Remuneration to Directors & Supervisors	-	-	-	(53,710)	-	-	-	(53,710)
Cash dividends	-	-	-	(2,745,481)	-	-	-	(2,745,481)
2005 Consolidated total net income (loss)	-	-	-	3,652,685	-	-	194,314	3,846,999
Adjustments of conversion from foreign long-term investments	-	-	-	-	-	55,227	-	55,227
Statement of Minority Equity	-	-	-	-	-	-	868,123	868,123
Balance at December 31, 2005	<u>\$ 9,151,604</u>	<u>\$ 2,178,381</u>	<u>\$ 55,758</u>	<u>\$ 3,787,913</u>	<u>\$ -</u>	<u>(\$ 531)</u>	<u>\$ 1,682,040</u>	<u>\$ 16,855,165</u>
<u>2006</u>								
Balance at January 01, 2006	\$ 9,151,604	\$ 2,178,381	\$ 55,758	\$ 3,787,913	\$ -	(\$ 531)	\$ 1,682,040	\$ 16,855,165
Appropriation of earnings								
Legal reserve	-	365,268	-	(365,268)	-	-	-	-
Reversion of special reserve	-	-	(55,227)	55,227	-	-	-	-
Employee bonus	-	-	-	(200,559)	-	-	-	(200,559)
Remuneration to Directors & Supervisors	-	-	-	(66,853)	-	-	-	(66,853)
Cash dividends	-	-	-	(3,111,545)	-	-	-	(3,111,545)
2006 Consolidated total net income (loss)	-	-	-	3,822,328	-	-	227,993	4,050,321

The accompanying notes constituted an integral part of the consolidated financial statements.
Please refer to the report of independent accountants dated March 12, 2007

Chairman: Kao Ching-Yuan

Manager: Hsu Chung-Ren

Chief Accountant: Lai Hsin-Ti

President Chain Store Corp. & Subsidiaries
Consolidated Statement of changes in Shareholders' Equity
For the period ended December 31, 2006 and 2005

Currency expression: NTD 1,000

	<u>Retained Earnings</u>			<u>Other adjustment in SH's equity</u>		<u>Minority equity</u>	<u>Total</u>	
	<u>Paid-in Capital</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unallotted retained earnings</u>	<u>Unrealized revaluation gains</u>			<u>Cumulative translation adjustment</u>
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>

The accompanying notes constituted an integral part of the consolidated financial statements.
Please refer to the report of independent accountants dated March 12, 2007

Chairman: Kao Ching-Yuan

Manager: Hsu Chung-Ren

Chief Accountant: Lai Hsin-Ti

President Chain Store Corp. & Subsidiaries
Consolidated Statement of Cash Flow
For the period ended December 31, 2006 and 2005

Currency expression: NTD 1,000

	-	<u>2006</u>	-	<u>2005</u>
Cash flows from operating activities				
Consolidated total net income (loss)	\$	4,050,321	\$	3,846,999
Adjustments to reconcile net income to net cash provided by operating activities				
Gain on valuation of financial assets	(	10,744)	(	79,382)
Increase (or decrease) of allowance for uncollectible accounts		-		3,969
Allowance for reduction of inventory to market		24,498		75,231
Depreciation		2,889,646		2,542,783
Depreciation of leased assets		18,168		3,879
Amortizations		404,672		510,203
Investment loss recognized under equity method		37,397		81,726
Goodwill-impairment loss		148,522		-
Financial assets measured at cost- impairment losses		173,552		85,480
Loss (or gain) on disposal of fixed assets		40,493		98,994
Changes in assets and liabilities				
Accounts receivable	(	468,812)	(	885,964)
Other accounts receivable		11,299	(	317,557)
Inventories	(	528,742)	(	3,049,465)
Other current assets	(	146,498)	(	297,719)
Deferred income tax assets	(	22,111)	(	40,170)
Notes payable		1,145,206	(	9,691)
Accounts payable		937,419		3,898,940
Income taxes payable		96,827		339,270
Accrued expenses		485,835		803,828
Other accounts payable		850,076		1,718,231
Advance receipts		307,015		421,516
Accrued pension liabilities		1,438		123,256
Net cash provided by operating activities		<u>10,445,477</u>		<u>9,874,357</u>
<u>Cash flows from investing activities</u>				
Increase (or decrease) in current financial assets whose changes in fair value are recognized in earnings	(	429,237)	(	353,113)
Decrease in loans to related parties		-		30,000
Acquisition of long-term investment-equity method	(	156,870)		-
Decrease of bond investment		-		100,000
Acquisition of financial assets measured at cost	(	570,000)	(	4,511,453)
Decrease in financial assets on basis of cost		7,697		123,500
Cash purchase of property, plant and equipment	(	3,269,556)	(	5,061,366)
Proceeds from disposal of fixed assets		59,284		887,967
Increase of other intangible assets	(	17,772)	(	76,171)
Increase in deposits-out	(	76,405)	(	366,035)
Increase of other assets – others	(	406,260)	(	390,465)
Net cash provided by financing activities	(	<u>4,859,119</u>)	(	<u>9,617,136</u>)

(Continue)

President Chain Store Corp. & Subsidiaries
Consolidated Statement of Cash Flow
For the period ended December 31, 2006 and 2005

Currency expression: NTD 1,000

	-	<u>2006</u>	<u>2005</u>
<u>Cash flows from financing activities</u>			
Increase of short-term loan	\$	473,016	\$ 203,403
Increase (or decrease) of short-term bills payable	(	186,669)	104,795
Increase (or decrease) in long-term loans	(	1,091,980)	1,047,459
Payback of corporate bond	(	200,000)	-
Increase in guarantee deposit received		200,032	409,922
Payment of cash dividends	(	3,111,545)	(2,745,481)
Payment of directors' remuneration and employees' bonus	(	267,412)	(161,131)
Increase in minority interest		<u>120,547</u>	<u>868,123</u>
Net cash provided by financing activities	(	<u>4,064,011</u>)	(<u>272,910</u>)
Effect of exchange rate on financial statement		7,487	55,227
Effect of subsidiary consolidated for the first time		<u>-</u>	<u>2,691,544</u>
Net increase (or decrease) in cash and cash equivalent		1,529,834	2,731,082
Beginning balance of cash and cash equivalent		<u>4,566,017</u>	<u>1,834,935</u>
End balance of cash and cash equivalent	\$	<u><u>6,095,851</u></u>	\$ <u><u>4,566,017</u></u>
<u>Supplement disclosures of cash flow information</u>			
Interest paid	\$	<u>136,850</u>	\$ <u>122,201</u>
Income tax paid	\$	<u>1,350,447</u>	\$ <u>855,484</u>
Investing and financing activities of partial payment on cash			
Acquisition of fixed assets	\$	3,357,557	\$ 5,172,410
Less: ended balance of accounts payable on equipment	(	511,060)	(423,059)
Add: beginning balance of accounts payable on equipment		<u>423,059</u>	<u>312,015</u>
Cash disbursement in current period	\$	<u><u>3,269,556</u></u>	\$ <u><u>5,061,366</u></u>

President Chain Store Corp. & Subsidiaries
Consolidated Statement of Cash Flow
For the period ended December 31, 2006 and 2005

Currency expression: NTD 1,000

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2006

2005