

V. OPERATIONAL HIGHLIGHTS

1. Business Activities

1-1 Business Scope

a. Officially Registered Business Items

(1)	F203020	Tobacco & alcohol retails	(18)	A102060	Retails of staple food	(33)	F301010	Department stores
(2)	F206020	Retails of daily products	(19)	F213010	Retails of home appliances	(34)	F301020	Supermarkets
(3)	F203010	Retails of food, groceries and beverages	(20)	F208031	Retails of medical equipment	(35)	F399010	Convenience stores
(4)	F208040	Retails of cosmetics	(21)	F205040	Retail of furniture, beds, kitchenware, decorative items	(36)	F501030	Beverage stores
(5)	F399990	Other retails	(22)	F207030	Retails of cleaning products	(37)	F501060	Restaurants
(6)	IZ01010	Photocopying	(23)	F401010	International trading	(38)	G902011	Type II telecommunications business
(7)	F201070	Retails of flowers	(24)	JA01010	Automotive repair services	(39)	I301010	IT & software Services
(8)	F209060	Retails of educational, musical and entertainment products	(25)	F214030	Retails of automobile and motorcycle accessories and merchandise	(40)	I301030	Provision of electronic information and services
(9)	JE01010	Leasing	(26)	G202010	Parking lot operations	(41)	F206010	Hardware retailing
(10)	IE01010	Distribution of telecommunications subscriptions	(27)	IZ14011	Public welfare lottery	(42)	F212011	Filling station operation
(11)	I401010	Advertising services	(28)	JZ99050	Agency services	(43)	F212050	Petroleum products retailing
(12)	F207050	Retails of fertilizers	(29)	IZ99990	Other services (agent for school enrollments, applications, ticket sales, receiving goods on behalf of customers and bill collections on behalf of other businesses)	(44)	JA01990	Other automobile-related services
(13)	F210010	Retails of watches and clocks						
(14)	F210020	Retails of glasses						
(15)	F216010	Retails of photo and film equipment	(30)	F401161	Importing of tobacco			
(16)	JZ99030	Photography	(31)	F401171	Importing of alcohol			
(17)	F204110	Retails of cloth, clothes, shoes, hats, umbrellas and accessories	(32)	Any business activities unless otherwise restricted by law				

b. Sales Breakdown by Category in Year 2007 and 2008

Unit: NT\$1,000

Product Category	Sales & Percentages			
	2007		2008	
	Amount	%	Amount	%
Food Services	12,760,107	12.90%	13,590,416	13.80%
Publications	14,154,817	14.31%	13,383,606	13.59%
Beverages	33,789,556	34.16%	34,350,269	34.88%
Non-Food	26,360,997	26.65%	25,073,333	25.46%
Ordinary Food	11,612,687	11.74%	11,857,146	12.04%
Others	237,398	0.24%	226,507	0.22%
Gross Sales	98,915,562	100.00%	98,481,277	100.00%
Sales Discount	-30,185		-44,208	
Net Sales	98,885,377		98,437,069	
Other Operating Revenue	3,478,464		3,754,189	
Total Operating Revenue	102,363,841		102,191,258	

3. Present and Future Products and Services

In 2008, PCSC celebrated its 30th anniversary. Through its commitment to the “Always OPEN” philosophy, PCSC has succeeded in building up a strong brand image, becoming one of the most admired brands in Taiwan.

In line with the general trend towards “LOHAS” (Lifestyles of Health and Sustainability), PCSC has continued to introduce light, healthy, additive-free food choices, which have proved very popular to customers. At the same time, responding to the government policy to reduce carbon dioxide emissions, PCSC has added taxi booking services available from “ibon” kiosks, so that, while enjoying the convenience that 7-ELEVEN offers, customers can also make a contribution towards helping the planet.

During price rocketing period, PCSC’s “Helping Customers in hardship Time” marketing initiatives have resulted in impressive sales performance, and have also strengthened the positive feelings that customers have towards 7-ELEVEN. In particular, the “i-cash with every meal” promotion has given a significant boost to sales of fresh food, while also helping to differentiate 7-ELEVEN from its competitors.

By 2008, the number of outlets offering City Café service had reached 2,500. There has been a cumulative total of 50 million customers tasting City Café, making 7-ELEVEN Taiwan’s largest and most convenient fresh-brewed coffee chain. Given that today’s customers are generally looking for high quality but reasonably priced products and services, PCSC intends to expand the City Café brand, integrating it with popular leisure and entertainment activities to enrich people’s urban lifestyles and becoming an integral part of people’s way of life.

Following the re-introduction of the Slurpee into Taiwan beverage market in 2006, an average of around 100 million gulps have been sold every year, making Taiwan as top three selling of Slurpees in the world. For this reason, the SLURPuccino was launched in Taiwan before any other country in Asia. New flavors and new types of Slurpee have been introduced for different seasons of the year, with an emphasis on giving customers the fun of choosing their own combinations. PCSC has worked to give the Slurpee a fashionable, cutting-edge image that will appeal to young people, and will make those who are already familiar with the product view it in a new light.

Looking ahead to 2009, we will continue to devote to develop fresh food products, making customers enjoy delicious and healthy eating. At the same time, PCSC will be leveraging its procurement power to introduce outstanding international brands into Taiwan market, enabling customers in Taiwan to enjoy world-class products at reasonable prices. PCSC will also continue to integrate its operations with customers’ daily life by introducing innovative services for the ibon kiosks, in line with the company’s goal of making 7-ELEVEN a community service center.

1-2 Macroeconomy and Industry Overview

Macroeconomy

The impact of the sub-prime mortgage crisis and the global economic downturn in 2008 led to a decline in consumer confidence and reduced consumer spending. Compared to 2007, the consumer confidence index fell by 13.45 points in 2008, and Taiwan’s economic growth rate fell by 3.83 percentage points. The majority of experts maintained conservative attitude toward economic growth in 2009.

Industry Overview

In 2008, the Taiwanese retail sector as a whole posted combined annual sales of NT\$3,225.4 billion, down 1.47% compared to 2007. For the general merchandise retail industry, annual sales came to NT\$792.8 billion, representing a growth rate of 2.74% compared to 2007. Total annual sales in the convenience chain store industry were NT\$200.4 billion; although this figure was 1.18% up on 2007, it had negative growth excluding price index changes. As the boundaries between industries become blurred, competition is growing more intense, and the combination of the economic downturn, low consumer confidence and rising operating costs is creating severe challenges in all industries. Faced with this difficult environment, PCSC has continued to focus on innovation, developing new, high-value-added products and services that can meet customers’ needs and enhance the company’s operational performance.

The store numbers of convenience store chains in Taiwan by the end of 2008 are as follows:

	7-ELEVEN	Family Mart	Hi-Life	OK	Total
Total	4,800	2,324	1,244	826	9,194

1-3 Research and Development

PCSC is committed to making life more convenient, helping to integrate customers' lifestyles with high technology. In 2008, PCSC introduced a number of innovative services in 7-ELEVEN:

- a. Expanding the range of services available from ibon kiosks:
New services introduced for the ibon multimedia kiosks in 2008 included taxi booking service, digital storage service, T-Cat express delivery waybill printing service, etc. Combined with ibon's existing ticket purchase, loyalty point redemption, bill payment and mobile office services, these new services have made the range of services available at 7-ELEVEN even broader. By the end of 2008, more than 4,600 ibon kiosks had been installed.
- b. Roll-out of new ETC services
Customers can now pay freeway ETC (Electronic Toll Collection) charges and purchase ETC in-car units at 7-ELEVEN; 7-ELEVEN now offers a comprehensive range of ETC services that covers everything from the initially purchase of the ETC in-car unit, to outstanding bill payment. The availability of these services has given 7-ELEVEN a significant competitive advantage with respect to other convenience store chains.
- c. Introduction of an icash loyalty point system
In line with the general trend towards not bringing change for purchases, in 2008, 7-ELEVEN introduced a new consumer loyalty points system that makes icash cards even more attractive to customers and encourages the usage frequency of icash card holders, thereby boosting consumer loyalty.
- d. Making it possible for customers to pre-order and collect goods at different 7-ELEVEN stores:
7-ELEVEN has become the first convenience store chain in Taiwan to introduce a new, convenient service whereby customers who order special food products for Chinese New Year can specify which store they want to collect them from. Besides meeting customers needs and freeing them from geographical constraints, this new service has also enhanced 7-ELEVEN's competitiveness in the New Year foodstuffs market.
- e. Opening of self-service filling stations:
Impressed by the potential offered by integrated operation of convenience stores and filling stations, PCSC has introduced self-service filling station operation. The buildings and facilities used for these filling stations make effective use of renewable energy sources, including solar power and wind power, embodying the spirit of LOHAS (Lifestyles of Health and Sustainability) architecture.
- f. Introduction of a new digital storage system in response to the growth of stay-at-home economy:
Responding to the high demand and anticipated strong future growth in the online game market, 7-ELEVEN now offers remote digital storage service for online game. The functions offers by this unprecedentedly user-friendly digital storage platform include support for multiple games on a single card, along with a high level of convenience; customers can decide how much storage they need, and pay accordingly. This convenient, flexible online storage system is expected to spark a new trend, becoming the ideal choice for players in today's new era of digital lifestyles.

g. In 2008, PCSC spent a total of NT\$139,576,000 on the development of new systems. Up to March 31, 2009, PCSC has spent NT\$6,470,000 on new system development.

1-4 Short and Long-Term Operating Strategies

- a. Short-term operating strategy
 - (1) Control costs and enhance profitability per store.
 - (2) Expand competitive advantage through diversification to attract more customers.
 - (3) Continue to improve business processes and strengthen PCSC synergy.
- b. Long-term operating strategy
 - (1) Enhance profitability per store.
 - (2) Increase gross margin.
 - (3) Establish an effective model for sustainable operation of franchise store.
 - (4) Speed up manpower cultivation and implement ongoing improvements to human resources systems.

2. Market Analysis and Merchandise:

2.1 Market Analysis

- a. Main products (service) sales areas:
In line with our goal of transforming 7-ELEVEN become community service centers, the company is constantly seeking to provide customers with an ever higher level of convenience. In everything from the introduction of innovative services such as ATM, bill collection, pre-ordering, and ibon kiosk services through to the introduction of high-quality private label and international products, Japanese tempura, Japanese-style rice-balls, etc., the aim has been to put 7-ELEVEN at the heart of the consumer's lifestyle, and to promote a new, superior way of life. In accordance with the company philosophy that "wherever customers need us, there will be 7-ELEVEN," the geographical scope of 7-ELEVEN operations includes not only the main island of Taiwan, but also Penghu Islands, Kinmen, Matsu, Green Island, etc.
- b. Supply/Demand in the future and growth prospects:
 - (1) By the end of 2008, 7-ELEVEN held market share of 52.2% in the convenience store chain sector (based on the number of stores.) We are the dominant player and also the leading brand in customer's minds. In the future, 7-ELEVEN will focus on stabilizing profitability and maintaining market share.
 - (2) In 2008, Taiwan convenience store industry as a whole posted annual sales growth of 1.18%, lower than the average for the general merchandise sector, and the lowest growth rate for past nine years. The main reason for this low growth was the impact of the global economic downturn, which has led to change consumer behaviors. In the future, 7-ELEVEN will continue to adjust product mix and to develop private label products to increase the differentiation from competitors. At the same time, we will continue to introduce innovative and convenient services for customers to drive stable growth for the company.
- c. Competitive Advantages:
Despite the intense competition in Taiwanese convenience store industry, a company that is able to leverage its own sources of competitive advantages and identify customers' needs can

still establish a leading position in the market. Main competitive advantages of 7-ELEVEN are as follows:

- (1) A positive corporate image and strong brand recognition.
- (2) Large scale of operations resulting in strong bargaining power of facilitating new product development and sales.
- (3) Powerful information system platforms and stable infrastructures help to create new business opportunities.
- (4) Ability to innovate new products and services in response to changes in customers' demand.

d. Positive and negative factors for future growth and strategies responses:

(1) Positive factors:

- Changing of family structure (getting married later or not getting married, smaller family size), and increasing in eat-out population
- Customers are more aware of LOHAS (Lifestyles of Health and Sustainability) concept, creating new business opportunities.
- A gradual decreasing of the restrictions for Chinese tourists to visit Taiwan.
- Increasing demand for pet products and products of the elderly, due to the aging of the population, the trend towards to smaller families and more people who remain unmarried.

(2) Negative factors:

- Over 9,000 convenience stores in a gradually saturated market.
- Blurred boundaries between industries led intense competition.
- Operating cost rising due to more onerous regulatory requirements and higher public payment ratios.
- Inflation result in decreasing of real income and conservative consumption.
- More target customers move and work overseas led to slower growth of consumption in Taiwan.

(3) Response strategies:

Faced with the challenges, PCSC will continue to innovate, while also working to create group synergy. On the product side, we will implement rigorous quality control, adjust product mix to meet with customers' needs, and enhance service quality, providing customers safe products and even higher levels of convenience.

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

- a. Utilization: Daily necessities.
- b. Production: None.

2-3 Supply of major raw materials: None.

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

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

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

Unit: NT\$1,000

Year	2007		2008		
	Name of Vendor	Amount	%	Amount	%
	Retail Support International Corp.	40,396,485	57%	39,781,705	57%
	Uni-President Cold-Chain Corp.	16,014,350	23%	16,509,427	24%
	Wisdom Distribution Service Corp.	8,254,575	12%	8,092,490	12%

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

2-5 Production over the past two years: None.

2-6 Sales over the past two years.

Unit: NT\$1,000

Sales Value	Year	2007	2008
		Domestic Sales	Domestic Sales
Main Product Categories		Sales Value	Sales Value
	Food services	12,760,107	13,590,416
	Publications	14,154,817	13,383,606
	Beverages	33,789,556	34,350,269
	Non-food	26,360,997	25,073,333
	Ordinary food	11,612,687	11,857,146
	Others	237,398	226,507
	Total sales revenue	98,915,562	98,481,277

Note: All product sales are domestic sales; all sales figures are expressed as sales value

3. Personnel Information

Year		2007	2008	As of April 24, 2009
No. of Employees	Store Employees	2,864	2,534	2,439
	Headquarters	1,776	1,780	1,772
	Part-time	3,004	2,019	1,850
	Total	7,644	6,333	6,061
Average Age		28	29	30
Average Years of Service		4.8	6.0	6.4
Education Level (%)	PhD	-	-	-
	Master	4.7	3.5	3.5
	Bachelor	48	48	48
	High School	43.9	44.5	44.5
	Others	3.5	4	4

4. Environmental Protection and Expenditures

4-1 Environmental (Green) Accounting

PCSC spares no efforts in protection of environment. This can be seen in the company's efforts to reduce energy consumption, develop additive-free food products, maintain a clean and sanitary environments on its premises, and promote awareness of health and environmental issues in line with the Lifestyles of Health and Sustainability (LOHAS) concept. In the last few years, PCSC has also redoubled its efforts in the area of corporate social responsibility (CSR), seeking to make an even greater contribution to the society. We adopt the environmental (green) accounting system to present this information in the form of financial figures.

Under PCSC's green accounting system, environment-related expenditure items (both at company headquarters and at stores) are divided into six main categories: products, stores, delivery, office management, internal environmental education, and contributions to society. Below is the table summarize environmental expenditures. The total PCSC's investments and expenditures in environmental protection in 2008 was NT\$629,812,364; the main items included: (1) Store cleaning, beautification, and waste disposal – NT\$195.05 million; (2) Green purchasing on recycled paper – NT\$62 million; (3) Purchasing of environmental friendly packaging materials – NT\$103.02 million; (4) Investment of extending the lifespan of equipment and facilities – NT\$65.84 million. Other ongoing initiatives include kitchen waste recycling, development of additive-free food products, promotion of a paperless office environment, energy conservation at the stores, and charity work of environmental protection.

4-2 Environmental related expenditures:

a. Table of environmental related expenditures

Unit: NT\$

Type	Item	Content	Benefits, resource effectiveness / reduction of emissions	Investments	Expenses	Total	
Products	Security and environmental concerns during the manufacturing, procurement and selling process of products	Purchase of paper lunch boxes, and other environmental friendly packaging materials, such as PLA Slurpee cups and salad boxes.	Resource conservation		103,017,453	142,364,323	
		Inspections on products and environments	Protection of human health		15,012,939		
	Specific fresh food products free from the use of preservatives, artificial flavourings or residual pesticides In compliance with the regulations of Waste Disposal Act and Resource Recycling Act in terms of recovery and cleaning of packages and containers, recycling and processing of food wastes	Inspections on fresh food contents	Protection of human health		5,421,782		
		Resources recycling and processing	A total of 3,220 trips made to recycle kitchen wastes in 2008 (732 tons of expired fresh food products recycled from 668 stores.)		18,912,149		
Stores	Energy conservation	Purchase of energy-saving equipment, including electricity saving devices for 183 stores, inverter-equipped air conditioners for 410 stores, heat insulation screen installation, relocation of power supply for open refrigerated displays, maintaining of air conditioning temperature at 26°C in 4,500 stores, replacement of conventional light-bulbs with energy-saving light-bulbs in 4,500 stores, and reducing the hours in which store external lighting is switched on.	Energy conservation	46,375,000	7,440,658	393,625,286	
	Cleaning and disposal of wastes and resource recycling	Cleaning and greening of store environment and disposal of wastes	Maintenance of clean environment		195,047,783		
	Extending the lifespan of equipment, construction materials, etc.	Purchase of steel counters for 386 stores and renovation/reuse of other environmental protection equipment	Reduction of tree cutting by 1,930 and resource waste		34,740,000		31,104,410
		Adoption of environmental friendly stone paper for store clocking-in cards, thereby reducing carbon dioxide emissions by 1,406 kilos.	Reduce carbon dioxide emissions and clean the air				3,820,027
	Green procurement	Reducing wood used in City Café stirring sticks by 40%, and paper used by 20%.	Reduction of tree cutting				10,500,000
		Incorporation of 15% recycled material into invoices, reducing paper needed by 127.65 tons.	Reduction of tree cutting				61,998,008
		Adoption of new solar-powered heating systems at Cingjing Plaza and Dongshan Plaza	Reduce carbon dioxide emissions and clean the air		2,599,400		-
Delivery	Enhancement of loading efficiency, shortening of delivery time and delivery distance to lower the impact to the environment	Two-distribution system for bread and fresh good products	Fewer resources needed for deliveries; average journey time reduced by 1.5 hours.		638,000	1,493,572	
		Reduction of greenhouse gases and recycling of HFCs for distribution vehicles	Reduction of carbon dioxide emissions by 3.5 tons and a purchase of 207 kilograms of environmental friendly coals		103,500		
	Implementation of Reserve Logistics (recycling of resource)	Spending of manpower and equipment on Reserve Logistics at stores	Reduction of wastes		752,072		

Type	Item	Content	Benefits, resource effectiveness / reduction of emissions	Investments	Expenses	Total
Office expenses	Disposal of waste, recycling of resources and maintenance of the environment	Cleaning and greening of office environment and disposal of wastes	Maintenance of clean environments and recycling of resources: 4,967 kilograms of pet bottles, 52,883 kilograms of paper and 1,308 kilograms of tin cans		12,166,805	41,507,109
	Promotion of paperless environments	Deployment and maintenance of communications platforms, HR systems and electronic publications	Reduction of waste (reduction of 33 boxes of salary slips and 4.5 boxes of labor insurance receipt slips)		25,565,870	
	Maintenance of the environmental management system	Personnel expenses on environmental protection activities	Maintenance and promotion of the environmental management system		3,774,434	
Internal education	Educational campaigns to promote environmental protection	Promotional campaigns on a variety of environmental issues and the organization of an environmental cleaning society	Environmental education to employees		442,721	442,721
Social contribution	External promotion of information concerning the environment	A variety of educational and promotional campaigns for recycling and green products and a trip to Japan to promote the environmental cleaning society	Promotion of environmental education		2,892,533	50,379,353
	Activities social charity and environmental protection	7-EVELEP deep-cleaning activities and "Clean up the World" with a total of 21,468 participants	Cleaning up of 20,774 kilograms of garbage		1,218,811	
		Green Fund tree-planting activity	Promotion of environmental education		258,940	
		LOHAS events and Simple Life Music Festival	Promotion of environmental education		13,434,773	
		A variety of CSR campaigns	Corporate Social Responsibility		19,584,296	
	Sponsoring of environmental groups	Promotion of environmental education		12,990,000		
Total				83,714,400	546,097,964	629,812,364

b. In 2008, and as of March 31, 2009, some stores were received noise pollution and waste disposal fines from government environmental agencies totaling NT\$844,772 and NT\$239,429 respectively. Remedial measures: PCSC has instructed all stores to improve and will step up the efforts to ensure that all stores are fully aware of relevant regulations and requirements.

4-3 Benefits of Investments in Environmental Protection:

a. Main benefits from the introduction of energy-saving equipment and facilities:

- Maintaining in-store air-conditioning temperature at 26°C:
There were 4,500 stores adopted the policy, with a total NT\$7,000,000 investment in new equipment, achieving electricity savings 666,000 kWh per month.
- Replacement of tungsten light-bulbs with energy-savings light-bulbs:
Energy-saving light-bulbs have been installed in 4,500 stores, at a total NT\$900,000 investment, achieving electricity savings of 112,500 kWh per month.
- Installation of inverter-equipped air conditioner units in new stores:
Inverter-equipped air conditioner units have been installed in 410 stores, at a total cost of NT\$150,000. This measure has achieved electricity savings of 164,000 kWh per month, or 1,968,000 kWh annually.
- Adoption of power savers:
Power saver units have been installed in 183 stores at a cost of NT\$13,725,000. This measure has achieved electricity savings of 123,500 kWh per month, or 1,482,000 kWh annually.

- Keeping stores' internal and external lighting switched off during the daytime during the period July – August 2008:
Reducing the period during which store lighting is switched on each day to the period 18:00 – 06:00 (a 12-hour reduction) made it possible to save 550 kWh of electricity per month per store. This policy was adopted in 4,100 stores, at a cost of NT\$24,600,000, enabling the company as a whole to save 4.51 million kWh annually.
- Keeping Slurpee machines switched off during the slack months (January – April 2008, and December 2008):
Implemented in 1,068 stores, this measure achieved electricity savings of 576 kWh per month per store, or 3,076,000 kWh annually for the company.
- Keeping Slurpee machines switched hibernated for 6 hours a day during the slack months (January – April 2008 and December 2008):
Slurpee machines switched on reduced from 24 hours a day to from 06:00 to 24:00 during the slack season. This policy executed in 4,468 stores and achieved electricity savings of 144 kWh per month per store, or approximately 3,217,000 kWh annually for the company.
- Adoption of steel counters:
Steel counters have been installed in 386 stores, at a total cost of NT\$34,740,000, thereby reducing the equivalent of 1,930 trees cutting. The old wooden counters compare to steel ones we adopted had a relatively short lifespan, and could not be recycled or repurposed.
- Adoption of 32W fluorescent lights in stores and passageways:
32W fluorescent lights have been installed in 380 stores, permitting electricity savings of 460 kWh per month per store, or 174,800 per month for the company. Compared to the 36W lights that were used before, a 32W light enables an electricity saving of 7W per hour.

b. Food protection for customers

To ensure that customers can enjoy full peace of mind to food safety, before fresh food products go on sale they are all inspected to ensure that they are free from preservatives and micro-organisms; the packaging is also subjected to rigorous inspection. In 2008, PCSC spent a total of NT\$5,421,782 on product inspection to confirm that a total of 326 fresh food products were preservative-free.

4-4 Information related to EU RoHS Directives

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

5. Labor-Capital Relations

5-1 Employee benefits

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

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

b. Comprehensive employee benefits

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

PCSC offers benefits such as self-select benefit program, overseas trips for senior employees, health examination, employee stock ownership plans, club subsidies, library centers, discount purchasing, wedding and funeral allowances, paid maternity and paternity leaves, dormitories for female employees, group insurances, employee travel allowances and other benefits provided by Employee Benefits Committee to meet the needs of employees.

c. Integration of the group's training resources

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

d. Special franchise program

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

e. Safe and harmonious workplace

PCSC provides its employees with a safe and harmonious workplace that encourages positive

interactions between male and female employees, and a set of related crisis management policies have been defined. In addition, PCSC regularly inspects indoor air quality, water quality and illumination and sterilizes the workplace in order to create a superior working environment.

Also, to ensure the health and safety of employees at work, all employees are offered group accidental insurance, life insurance and medical insurance at the first day of employment. They are also given subsidies for their health check-ups.

f. Retirement plan

(1) Old system under the Labor Standards Act

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

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

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

(3) New system under the Labor Pension Act

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

5-2 Labor-Capital relations

a. Open communications channel

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

b. Employee Code of Conduct

PCSC has published an Employee's Handbook and set out a scheme for rewards and disciplinary actions. An implementation committee has been put in place to execute these

procedures. Self-Discipline Pack for Employees has also been defined to clearly state the code of conduct for employees.

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

- (1) Employees cannot embezzle public funds for personal purposes, engage in unscrupulous behaviors for profits, involve in illegal acts, violate any contracts, damage public properties or jeopardize the company's reputation.
- (2) Employees shall not abuse any other individual, affect other individual's work performance or threaten to exchange the establishment of service contracts, compensations, performance reviews, promotions/demotions, rewards/disciplinary actions with any words or actions that contain sexual requests, sexual connotations or sexual discriminations.
- (3) Employees shall not give gifts to managers or treat managers for meals; however, managers may give gifts to subordinates and treat subordinates for meals as a token of gratitude for their hard work.
- (4) Employees shall not be engaged in non-business monetary transactions with any business-related vendors or individuals.
- (5) Employees shall not receive any benefits from business-related vendors or individuals.

(6) Employees shall not make any publications, statements or displays in the name of the Company without permission from the Company.

(7) Employees should maintain the confidentiality of the business activities they are responsible for and shall never, in any circumstances, assist any company or individual that has conflicts of interests with our company or compete against our company by revealing the business secrets of our company.

(8) The attendance and all kinds of behaviors should be in compliance with the regulations set forth by HR.

c. Labor –Capital negotiations

PCSC has always valued its human resources as its most significant asset, and has worked to align the vision of the Company and the development goals of employees. Therefore, the interaction between PCSC and its employees has been very positive and harmonious over the years.

d. Losses due to labor disputes

PCSC provides employees with a comprehensive benefit system, quality working environment and open communications channel. Therefore, no major labor disputes have occurred and no significant losses have been reported.

6. Important Contracts:

As of April 24, 2009

Contract Type	Contracting Party	Term of Agreement	Summary	Restrictive Clauses
Regional licensing agreement	7-ELEVEN, Inc.	July 20, 2000 - perpetuity	1. During the term of the agreement, PCSC is authorized by 7-ELEVEN Inc. to operate its convenience store chain business in the licensed areas, and has the right to use the 7-ELEVEN franchise system, logos, business know-how, trademarks and service marks. 2. PCSC is required to pay royalties to 7-ELEVEN Inc. every month.	PCSC is obliged to make its best efforts to manage, operate and expand the convenience store business within the authorized area. PCSC is not permitted to operate its convenience store business outside the authorized area, or to continue with the operation of its convenience store business during the period of one year after the termination of the contract.
Long-term loan agreement	Mega International Commercial Bank/ Calyon Corporate and Investment Bank/ HSBC/Chinatrust Commercial Bank/ Taipei Fubon Bank/The Bank of Tokyo-Mitsubishi UFJ/Sumitomo Mitsui Banking Corp./Mizuho Bank/Scotiabank/Hua Nan Commercial Bank/Land Bank of Taiwan	Sept. 28, 2007 – Sept. 28, 2010	NT\$7 billion syndicated credit loan	The following three financial ratios, calculated on the basis of the audited annual and the semi-annual consolidated financial reports, must be conformed to: 1. Liability ratio $\leq 100\%$ {[short-, mid- and long-term bank loans (including long-term debt that will come due within the current year or the current business period) + short-term bill financing balance + domestic and overseas corporate bonds (including convertible bonds)]/net value of tangible assets} 2. Interest coverage ratio ≥ 5 [(pre-tax profit + interest income + depreciation + amortization) / interest expenses] 3. Net value of tangible assets \geq NT\$15 billion (net value – intangible assets)
Long-term Guarantee	Mega International Commercial Bank	Jan. 26, 2008 – Jan. 25, 2010	NT\$900 million credit loan	None
Long-term Guarantee	Taishin International Bank	Jan. 05, 2009 – Jan. 05, 2012	NT\$500 million credit loan	None
Long-term loan agreement	Chinatrust Commercial Bank	Feb. 17, 2009 – May 17, 2011	NT\$1.6 billion credit loan	None
Long-term loan agreement	Cathay United Bank	Aug. 30, 2007 – Aug. 30, 2010	NT\$600 million credit loan	None
Long-term loan agreement	Chang Hwa Bank	Jan. 04, 2008 – Feb. 28, 2010	NT\$500 million credit loan	None
Long-term loan agreement	Hua Nan Commercial Bank	Mar. 28, 2008 – Mar. 28, 2010	NT\$500 million credit loan	None
Long-term loan agreement	E. Sun Bank	Oct. 07, 2008 – Oct. 07, 2010	NT\$300 million credit loan	None
Long-term loan agreement	Taipei Fubon Bank	Jul. 20, 2007 – Jun. 19, 2010	NT\$500 million credit loan	None
Long-term loan agreement	Bank of Taiwan	Feb. 09, 2009 – Feb. 09, 2011	NT\$300 million credit loan	None
Long-term loan agreement	Mizuho Bank	Oct. 27, 2008 – Oct. 27, 2010	NT\$500 million credit loan	None
Long-term loan agreement	Bank SinoPac	Jun. 30, 2008 – Jun. 30, 2011	NT\$500 million credit loan	None