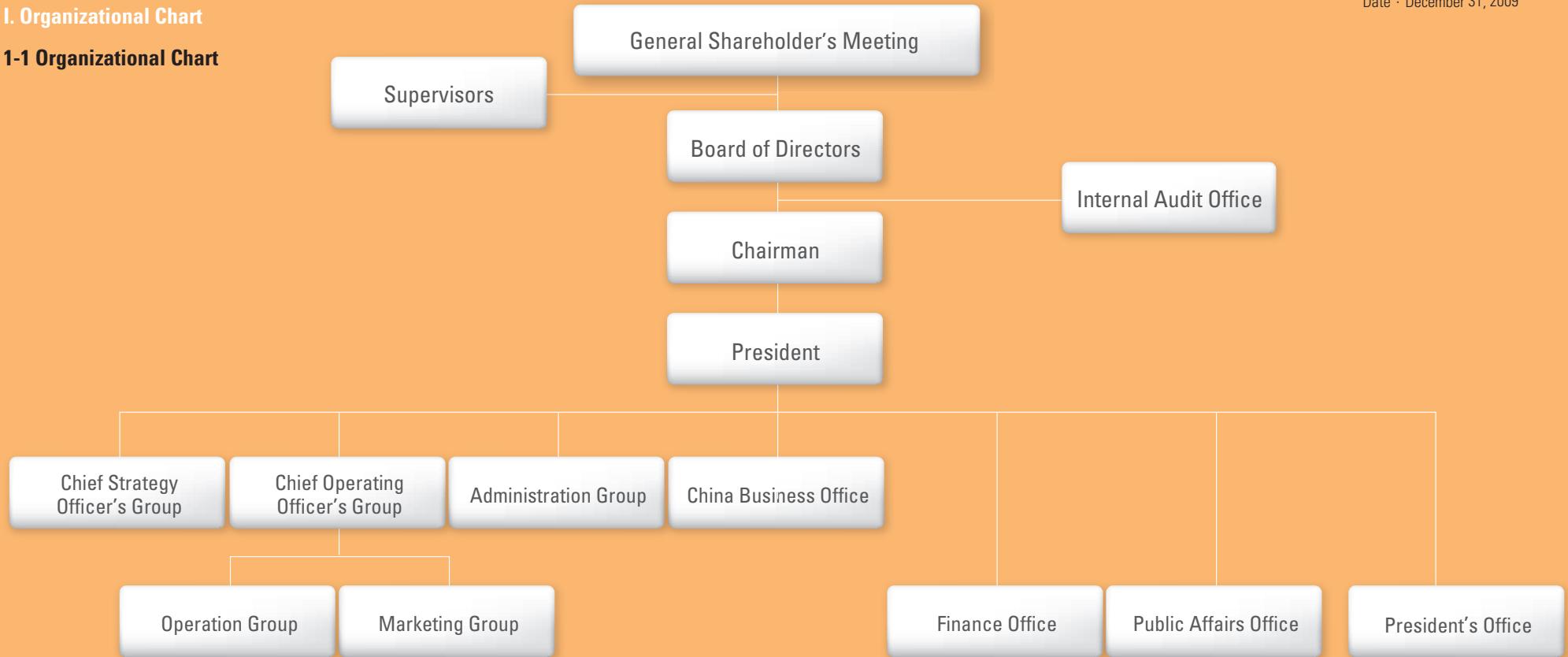


### III. CORPORATE GOVERNANCE

#### I. Organizational Chart

##### 1-1 Organizational Chart

Date : December 31, 2009



##### 1-2 Function Description of Each Group

- Chief Strategy Officer's Group: Directing the management of horizontally integrated subsidiaries in Taiwan
- Chief Operating Officer's Group: Directing the operation and management of 7-ELEVEn and vertically integrated subsidiaries in Taiwan
- Administration Group: Integration and planning of back office
- China Business Office: Development and management of investments in China
- Finance Office: Management and planning of financial and accounting affairs, investor relations
- Public Affairs Office: Planning and implementation of public relations and corporate social responsibility (CSR)
- President's Office: Strategic planning and new business development
- Internal Audit Office: Management and implementation of internal auditing and internal control system

## 2. Information of Directors, Supervisors, and Management Team:

### 2-1 Directors and Supervisors

#### a. Information of Directors and Supervisors

December 31, 2009

Title	Name	Elected Date	Term (Years)	First Elected Date	Shareholding When Elected		Current Shareholdings		Spouse's and Minor Children's Shareholding		Shareholding by Nominee Arrangements		Education & Experience (Note 3)	Positions at Other Companies	Other Officer, Director or Supervisor who is the spouse or a relative within the second degree of Consanguinity		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director Institutional Shareholders	Uni-President Enterprise Corp.	2009.06.10	3	1987.06.10	415,489,816	45.40%	471,996,430	45.40%	—	—	—	—	—	—	—	—	—
Chairman (Representative)	Kao Chin Yen (Note 1)	2009.06.10	3	1987.06.10	26,254	—	29,824	—	—	—	—	—	Honorary PhD, Lincoln University, USA Honorary PhD, Sun-Yat-Sen University. Honorary PhD, National Cheng Kung University,	(Note 5)	Director	Lo Chih-Hsien	Son-in-law
Managing Director (Representative)	Lin Chang Sheng (Note 1)	2009.06.10	3	1987.06.10	27,148	—	30,840	—	—	—	—	—	Cheng Kung University	(Note 5)	—	—	—
Managing Director (Representative)	Hsu Chung Jen (Note 1)	2009.06.10	3	1987.06.10	20,499	—	23,286	—	—	—	—	—	MBA, Waseda University, Japan	President of the Company (Note 5)	—	—	—
Director (Representative)	Lin Lung Yi (Note 1)	2009.06.10	3	2000.06.15	16,514	—	18,759	—	25,139	—	—	—	National Cheng Kung University	(Note 5)	—	—	—
Director (Representative)	Lo Chih Hsien (Note 1)	2009.06.10	3	2000.06.15	908,640	0.10%	1,032,215	0.10%	1,014,315	0.10%	—	—	MBA, UCLA, USA	(Note 5)	Chairman	Kao Ching-Yen	Father-in-law
Director (Representative)	Yang Wen Long (Note 1)	2009.06.10	3	2003.06.24	—	—	10,000	—	—	—	—	—	National Chung Hsing University	(Note 5)	—	—	—
Director (Representative)	Su Tsung Ming (Note 1)	2009.06.10	3	2008.02.14	—	—	—	—	—	—	—	—	MBA, University of Iowa, USA	(Note 5)	—	—	—
Director (Representative)	Chang Jen Yun Huei (Note 1)	2009.06.10	3	2006.06.14	—	—	—	—	—	—	—	—	Dept of Chemistry, University of Chinese Culture	Senior Vice President of the Company (Note 5)	—	—	—
Director Institutional Shareholder	Kao Chuan Investment Co., Ltd.	2009.06.10	3	2009.06.10	3,995,401	0.44%	4,538,775	0.44%	—	—	—	—	—	—	—	—	—
Director (Representative)	Hong Ho I (Note 2)	2009.06.10	3	2009.06.10	—	—	—	—	—	—	—	—	Nan Ying Commercial and Industrial School	(Note 5)	—	—	—
Supervisor (Natural Person)	Yin Chien Li	2006.06.14	3	2003.06.24	—	—	—	—	—	—	—	—	National Chung Hsing University	(Note 5)	—	—	—
Supervisor (Institutional shareholder)	Kai Yu Investment Corp.	2009.06.10	3	2009.06.10	3,700,000	0.40%	4,203,000	0.40%	—	—	—	—	—	—	—	—	—
Supervisor (Representative)	Wu Chung Pin (Note 3)	2009.06.10	3	2009.06.10	—	—	—	—	—	—	—	—	Dept of Accounting, Christian Chung Yuan University	(Note 5)	—	—	—

Note 1: Representative of Uni-President Enterprises Corp.

Note 2: Representative of Kao Chuan Investment Co. Ltd.

Note 3: Representative of Kai Yu Investment Corp.

Note 4: For more information on the experience of directors and supervisors, please refer to the attached 2009 annual report disc.

Note 5: For more information on the positions held by directors and supervisors at PCSC and other companies, please refer to the attached 2009 annual report disc.

**b. Independence and Professional Expertise of Board Members and Supervisors**

Name	Item	With over 5 years of work experience and the following professional qualifications			Independence Ranking (Note)										Number of independent directorship in other public companies
		Lecturing at public or private colleges or universities in business, law, finance, accounting or company operations	Licenses and qualifications, obtained through national examinations, such as judges, district attorneys, lawyers, accountants, or other practices	Work experience in business, law, finance, accounting or company operations	1	2	3	4	5	6	7	8	9	10	
Kao Chin Yen				■		■	■				■		■		—
Lin Chang-Sheng				■		■	■	■			■	■	■		—
Hsu Chung Jen				■		■	■	■			■	■	■		—
Lin Lung Yi				■		■	■	■			■	■	■		—
Lo Chih Hsien				■											—
Yang Wen Long				■		■	■	■	■		■	■	■		—
Su Tsung Ming			■			■	■	■	■		■	■	■		—
Chang Jen Yun Huei				■		■	■	■	■		■	■	■		—
Hong Ho I						■	■	■			■	■	■		—
Yin Chien Li				■		■	■	■	■		■	■	■	■	—
Wu Chung Pin				■		■	■	■			■	■	■		—

Note: \* ■ indicates that the board member(s) or supervisor(s) meet the following criteria:

- (1) Not an employee of the Company or the Company's affiliate.
- (2) Not a director or supervisor of the Company or the Company's affiliate.  
(However, this does not apply to the independent directors of the Company, its parent company or any of the Company's subsidiaries which the Company holds directly and indirectly over 50% stake.)
- (3) Not an individual shareholder who holds, or whose spouse or minor children hold, or who uses nominee accounts to hold, over 1% of the Company's issued shares or as one of the top 10 major shareholders.
- (4) Neither a spouse, a relative within two degrees of consanguinity, nor lineal relative within five degrees of the person listed in the previous three items.
- (5) Not a director, supervisor or employee of an juridical person shareholder that directly owns over 5% of the Company's issued shares or an institutional investors that is one of the top 5 major juridical person shareholder.

(6) Not a director, supervisor or manager of any company or organization that has business or financial relations with the Company or that owns over 5% of the Company's shares.

(7) Not an owner, partner, director, supervisor, manager or spouse of any of such individual whose sole proprietorship, partnership, company or institution provides services or consulting advise in business, law, finance and accounting to the Company or the Company's affiliates.

(8) Not a spouse or a relative within two degrees of consanguinity to any director.

(9) Not in a situation described in Article 30 of the Company Act.

(10) Not elected as a government agency, juridical person or their representative as stated in Article 27 of the Company Act.

**c. In the cases where directors and supervisors are representatives of juridical person shareholders, the top ten major shareholders and their proportion of such juridical person shareholders are as follows:**

Name of institutional shareholder	Dominant shareholders of the institutional shareholders	December 31, 2009
Uni-President Enterprise Corp.	Kao Chyuan Investment Co., Ltd. (4.29%), AMN Securities Asia (HK) Limited in the custody of Citibank (3.45%), Ho Po-Ming(2.6%), Ho Po-Yu(2.27%), BNP Private Bank Singapore Branch in the custody of HSBC (1.67%), Kao Hsiao-Ling (1.63%), Liu Hsiao-Jen(1.55%), Mitsubishi Investment Account in the custody of Standard Chartered Bank (1.54%), National Financial Stabilization Fund Management Committee (1.37%), T. Rowe Price Emerging Markets Stock in the custody of Chase Bank Taipei Branch (1.04%)	
Kao Chuan Investment Co., Ltd.	Kao Hsiao-Ling (61.68%), Lo Chih-Hsien (20.19%), Kao Lai-Huan(13.47%), Lin Hang-Di (1.58%), Kao Chin-Yen (1.10%), Kao Tsu-Yi (1.02%), Lo Hsi-Ai (0.96%)	
Kai Yu Investment Corp.	Uni-President Enterprise Corp (100%)	

**d. List of top ten major juridical person shareholders showed above and their respective major shareholders**

Name of institutional shareholder	Dominant shareholders of the institutional shareholders	December 31, 2009
Kao Chyuan Investment Co., Ltd.	Kao Hsiao-Ling (61.68%), Lo Chih-Hsien (20.19%), Kao Lai-Huan(13.47%), Lin Hang-Di (1.58%), Kao Chin-Yen (1.10%), Kao Tsu-Yi (1.02%), Lo Hsi-Ai (0.96%)	
Uni-President Enterprise Corp.	Kao Chyuan Investment Co., Ltd.(4.29%), AMN Securities Asia (HK) Limited in the custody of Citibank (3.45%), Ho Po-Ming(2.6%), Ho Po-Yu(2.27%), BNP Private Bank Singapore Branch in the custody of HSBC (1.67%), Kao Hsiao-Ling (1.63%), Liu Hsiao-Jen(1.55%), Mitsubishi Investment Account in the custody of Standard Chartered Bank (1.54%), National Financial Stabilization Fund Management Committee (1.37%), T. Rowe Price Emerging Markets Stock in the custody of Chase Bank Taipei Branch (1.04%)	

## 2-2 Information of President, Senior Vice Presidents, Vice Presidents and Division Heads

December 31, 2009

Title	Name	Elected Date	Shareholding		Spouse's and Minor Children's Shareholding		Shareholding by Nominee Arrangements		Education & Experience (Note 1)						Positions in Other Companies	Managers Who Are Spouse or Relatives Within Two Degrees of Consanguinity			
			Shares	%	Shares	%	Shares	%								Title	Name	Relation	
President	Hsu Chung-Jen	1987.07.01	23,286	—	—	—	—	—	MBA, Waseda University, Japan						Note 2	—	—	—	
Senior Vice President	Chang Jen Yun-Huei	1999.01.01	—	—	—	—	—	—	BS, Dept of Chemistry, University of Chinese Culture						Note 2	—	—	—	
Senior Vice President	Hsieh Chien-Nan	2000.09.01	10,053	—	506	—	—	—	BA, Dept of Business Administration, Christian Chung Yuan University						Note 2	—	—	—	
Senior Vice President	Lai Nan-Bey	2008.06.13	—	—	—	—	—	—	BA, Dept of Business Administration, Tung Hai University						Note 2	—	—	—	
Senior Vice President	Huang Chien-Li	2009.01.01	7,411	221	MBA, Marketing and Logistics, National Kaohsiung First University of Science and Technology						Note 2						—	—	—
Chief Auditor (Vice President)	Lin Wen-Ching	1999.01.01	326	—	—	—	—	—	National Tainan Commercial Vocational Senior high school						Note 2	—	—	—	
Vice President	Chen Jui-Tang	2000.01.01	13,652	—	—	—	—	—	BA, Dept of Economics, National Taiwan University						Note 2	—	—	—	
Vice President	Yang Yen-She	2002.02.01	1,895	—	—	—	—	—	MBA, The City University of New York						Note 2	—	—	—	
Vice President	Wang Wen-Kui	2004.10.01	15,279	—	—	—	—	—	MBA, National Kaohsiung First University of Science and Technology						Note 2	—	—	—	
Vice President	Tsai Tu-Chang	2008.06.13	260	—	—	—	—	—	BA, Business Administration, Tatung Institute of Technology						Note 2	—	—	—	
Vice President	Lee Chi-Ming	2008.10.01	1,121	—	—	—	—	—	BA, Accounting, Suchow University						Note 2	—	—	—	
Finance Office Manager	Wu Wen-Chi	2009.01.01	556	—	737	—	—	—	BA, Accounting, University of Missouri, USA						Note 2	—	—	—	
Accounting Division Manager	Lai Hsin-Ti	2001.04.01	—	—	919	—	—	—	BA, Economics, Tamkang University						Note 2	—	—	—	

Note 1: For more information on the background of the management, please refer to the attached 2009 annual report disc "The List of Positions Held by Management Team in Other Companies".

Note 2: For the list of position held by management team in other companies, please refer to the attached 2009 annual disc "The List of Position Held by Management Team on Other Companies".

## 2-3 Compensations to Directors, Supervisors, President and Senior Vice Presidents

December 31, 2009/ Unit: NT\$1,000

Title	Name	Remunerations to Directors						Summation of A, B, C and D as % of After-Tax Income	Compensation paid to directors who are also serving as company employees						Summation of A, B, C, D, E, F and G as % of After-Tax Income	Other Compensations from Affiliates other than Subsidiaries							
		Remunerations (A)		Pensions (B)		Earnings Distributions (C)			Salary, bonuses and special allowance (E)		Pensions (F)		Earnings Distribution to Employees (G)		Employee Stock Option Plan (H)								
		PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies		PCSC	All consolidated companies	PCSC	All consolidated companies	Cash Dividends	Stock Bonuses	Cash Dividends	Stock Bonuses							
Director, Juridical Person shareholder	Uni-President Enterprise Corp.																						
Director, Juridical Person shareholder	Kao Chuan Investment Co., Ltd. (Note 1)																						
Chairman	Kao Chin-Yen (Note 2)																						
Managing Director	Lin Chang-Sheng (Note 2)																						
Managing Director/President	Hsu Chung-Jen (Note 2)	14,105	21,200	—	—	30,864 (Note 4)	30,014 (Note 4)	2,550	4,770	1.17%	1.29%	11,931 (Note 5)	11,931 (Note 5)	108 (Note 7)	108 (Note 7)	1,092 (Note 4)	—	1,092 (Note 5)	—	—	1.49%	1.59%	Yes (Note 6)
Director	Lin Lung-Yi (Note 2)																						
Director	Lo Chih-Hsien (Note 2)																						
Director	Yang Wen-Lung (Note 2)																						
Director	Su Tsung-Ming (Note 2)																						
Director/Vice President	Chang Jen Yun-Huei (Note 2)																						
Director	Hong Ho-I (Note 3)																						

(Note 1) New Juridical Person I shareholder Kao Chuan Investment Co., Ltd. assumed office on June 10 2009.

(Note 2) Representative of Uni-President Enterprise Corp.

(Note 3) Representative of Kao Chuan Investment Co., Ltd.,

(Note 4) Earning Distribution for has not yet been approved by the General Meeting. The figures are based on the proposal approved by Board Meeting.

(Note 5) Including car leasing expense for managers

(Note 6) Compensations for acting as directors for the investees that are not consolidated in the financial statement.

(Note 7) The actual payment amounted to NT\$108k and was the contribution under the new retirement pension allocation system.

Compensations to Directors	Names of Directors				
	A+B+C+D		A+B+C+D+E+F+G		
	PCSC	All consolidated companies	PCSC	All consolidated companies	
NT\$0	—	—	—	—	—
NT\$1 (inc)~ NT\$2,000,000	Lin Chang-Sheng, Hsu Chung-Jen, Lin Lung-Yi, Lo Chih-Hsien, Yang Wen-Long, Su Tsung-Ming, Chang Jen Yun-Huei, Hong Ho-I, Kao Chyuan Investment Co., Ltd.	Lin Chang-Sheng, Lin Lung-Yi, Lo Chih-Hsien, Yang Wen-Long, Su Chung-Ming, Chang Jen Yun-Huei, Hong Ho-I, Kao Chyuan Investment Co., Ltd.	Lin Chang-Sheng, Hsu Chung-Jen, Lin Lung-Yi, Lo Chih-Hsien, Yang Wen-Long, Su Tsung-Ming, Chang Jen Yun-Huei, Hong Ho-I, Kao Chyuan Investment Co., Ltd.	Lin Chang-Sheng, Lin Lung-Yi, Lo Chih-Hsien, Yang Wen-Long, Su Tsung-Ming, Chang Jen Yun-Huei, Hong Ho-I, Kao Chyuan Investment Co., Ltd.	Lin Chang-Sheng, Lin Lung-Yi, Lo Chih-Hsien, Yang Wen-Long, Su Tsung-Ming, Chang Jen Yun-Huei, Hong Ho-I, Kao Chyuan Investment Co., Ltd.
NT\$2,000,000 (inc)~ NT\$5,000,000	—	Hsu Chung-Jen	—	—	Hsu Chung-Jen
NT\$5,000,000 (inc)~ NT\$10,000,000	—	—	—	—	—
NT\$10,000,000 (inc)~ NT\$15,000,000	Kao Chin-Yen	—	—	Kao Chin-Yen	—
NT\$15,000,000 (inc)~ NT\$30,000,000	Uni-President Enterprise Corp.	Kao Chin-Yen Uni-President Enterprise Corp.	Uni-President Enterprise Corp.	Uni-President Enterprise Corp.	Kao Chin-Yen Uni-President Enterprise Corp.
NT\$30,000,000 (inc)~ NT\$50,000,000	—	—	—	—	—
NT\$50,000,000 (inc)~ NT\$100,000,000	—	—	—	—	—
Over NT\$100,000,000	—	—	—	—	—
Total	11	11	11	11	11

### b. Compensations to Supervisors

Title	Name	Remunerations to Supervisors						Summation of A, B and C as % of After-Tax Income (Note 8)		Other Compensations from Affiliates other than Subsidiaries	
		Remunerations (A)		Earnings Distributions(B)		Execution Fees (C)					
		PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies		
Supervisor (natural person)	Yin Chien-Li	—	—	—	—	—	—	—	—	—	
Supervisor, Juridical Person shareholder (Note 1)	Kao Chyuan Investment Co., Ltd.	—	—	—	—	—	—	—	—	—	
Supervisor	Hong Ho-I (Note 2)	—	—	5,621 (Note 5)	5,621 (Note 5)	600	600	0.15%	0.14%	NA	
Supervisor, Juridical Person shareholder	Kai Yu Investment Corp.(Note 3)	—	—	—	—	—	—	—	—	—	
Supervisor	Wu Chung-Pin(Note 4)	—	—	—	—	—	—	—	—	—	

Note 1 : The term of Kao Chuan Investment Co., Ltd. ended on June 10 2009.

Note 2 : Representative of Kao Chyuan Investment Co., Ltd., an institutional shareholder.

Note 3 : Kai Yu Investment Corp. was elected supervisor on June 10 2009.

Note 4 : Representative of Kai Yu Investment Corp., an institutional shareholder.

Note 5 : Earnings distribution for 2009 has not yet been approved by the shareholders' meeting : the figures are based on the proposal by the Board Meeting.

Compensations to Supervisors	Names of Supervisors				
	A+B+C+D		All consolidated companies		
	PCSC	—	—	—	—
0 元	—	—	—	—	—
NT\$1 (inc) ~ NT\$2,000,000	Kao Chyuan Investment Co., Ltd., Hong Ho-I, Kai Yu Investment Corp., Wu Chung-Pin	—	Kao Chyuan Investment Co., Ltd., Hong Ho-I, Kai Yu Investment Corp., Wu Chung-Pin	—	—
NT\$2,000,000 (inc) ~ NT\$5,000,000	Yin Chien-Li	—	Yin Chien-Li	—	—
NT\$5,000,000 (inc) ~ NT\$10,000,000	—	—	—	—	—
NT\$10,000,000 (inc) ~ NT\$15,000,000	—	—	—	—	—
NT\$15,000,000 (inc) ~ NT\$30,000,000	—	—	—	—	—
NT\$30,000,000 (inc) ~ NT\$50,000,000	—	—	—	—	—
NT\$50,000,000 (inc) ~ NT\$100,000,000	—	—	—	—	—
Over NT\$100,000,000	—	—	—	—	—
Total	5	5	5	5	5

## c. Compensations to President and Senior Vice Presidents

December 31, 2009/ Unit: NT\$1,000

Title	Name	Salary (A)		Pensions (B)		Bonus and Special Allowance (C)		Earning Distributions to Employees(D)				Summation of A, B, C and D as % of After-Tax Income		Employee Stock Option Plan		Other Compensations from Affiliates other than Subsidiaries	
		PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	All consolidated companies	PCSC	Stock Bonuses	Cash Dividends	Stock Bonuses	Cash Dividends	PCSC	All consolidated companies	本公司	All consolidated companies	
President	Hsu Chung-Jen																
Senior Vice President	Chang Jen Yun-Huei																
Senior Vice President	Hsieh Chien-Nan	12,713	14,552	516	516	9,978 (Note 1)	10,028 (Note 1)	2,332 (Note 2)	—	2,332 (Note 2)	—	0.63%	0.62%	—	—	Yes (Note 3)	
Senior Vice President	Lai Nan-Bey																
Senior Vice President	Huang Chien-Li																

Note 1 : Including the car leasing expense for managers.

Note 2 : Earnings distribution for 2009 has not yet been approved by the Shareholders' Meeting; the figures are based on the proposal approved by the Board Meeting.

Note 3 : Compensations for acting as directors or supervisors for the investees that are not consolidated in the financial statement.

Compensations to President and Senior Vice Presidents	Names of President and Senior Vice Presidents	
	PCSC	All consolidated companies
NT\$0	—	—
NT\$1 (inc)- NT\$2,000,000	—	—
NT\$2,000,000 (inc)- NT\$5,000,000	Chang Jen Yun-Huei, Hsieh Chien-Nan, Lai Nan-Bey, Huang Chien-Li	Chang Jen Yun-Huei, Hsieh Chien-Nan, Lai Nan-Bey
NT\$5,000,000 (inc)- NT\$10,000,000	Hsu Chung-Jen	Hsu Chung-Jen, Huang Chien-Li
NT\$10,000,000 (inc)- NT\$15,000,000	—	—
NT\$15,000,000 (inc)- NT\$30,000,000	—	—
NT\$30,000,000 (inc)- NT\$50,000,000	—	—
NT\$50,000,000 (inc)- NT\$100,000,000	—	—
Over NT\$100,000,000	—	—
Total	5	5

## d. Distribution of Employee Bonuses to Management Team

December 31, 2009/ Unit: NT\$1,000

	Title	Name	Stock Bonus		Cash Bonus		Total	Total as % of After-Tax Income
			Stock Bonus	Cash Bonus	Stock Bonus	Cash Bonus		
Managers	President	Hsu Chung-Jen						
	Senior Vice President	Chang Jen Yun-Huei						
	Senior Vice President	Hsieh Chien-Nan						
	Senior Vice President	Lai Nan-Bey						
	Senior Vice President	Huang Chien-Li						
	Chief Auditor (Vice President)	Lin Wen-Ching						
	Vice President	Chen-Jui-Tang	—					
	Vice President	Yang Yen-Sen			4,661		4,661	0.11%
	Vice President	Wang Wen-Kui						
	Vice President	Lee Chi-Ming						
	Vice President	Tsai Tu-Chang						
	Financial Office Manager	Wu Wen-Chi						
	Accounting Division Manager	Lai Hsin-Ti						

Note: Earnings distribution for 2009 has not yet been approved by the Shareholders' Meeting; the figures are based on the proposal approved by the Board Meeting.

## 2-4 Analysis of the total compensations (as a percentage of net income) to directors, supervisors, president and senior vice presidents of PCSC and all the consolidated companies over the past two years. Explanations of the compensation policies, standards, arrangements, procedures for defining compensations and the relation between compensation packages and the company's performance.

a. Compensation paid to Directors, Supervisors, President and Senior Vice Presidents over the past two years as a percentage of net profit after tax

Year	Position	Directors (Note3)	Supervisors	President and Senior Vice Presidents
2009	PCSC (Note 1)	1.49%	0.15%	0.63%
	All consolidated companies (Note 2)	1.59%	0.14%	0.62%
2008	PCSC (Note 1)	1.90%	0.16%	1.09%
	All consolidated companies (Note 2)	2.01%	0.15%	1.13%

Note 1: PCSC's net profit after tax in 2009 was NT\$4,059,124,000; PCSC's net profit after tax in 2008 was NT\$3,519,681,000.

Note 3: Directors' compensation includes salaries paid to directors who are also serving as company employees.

Note 2: Total net profit after tax in 2009 for all consolidated companies was NT\$4,406,002,000; total net profit after tax in 2008 for all consolidated companies was NT\$3,602,670,000.

b. Explanation of compensation policy, standards and arrangements, the procedures for setting compensation, and the relationship between compensation and company performance

- (1) PCSC's compensation policy is based on the company's business strategy, human resources strategy and financial health. Every year, the company takes part in salary surveys undertaken by specialist salary survey organizations; the company's compensation levels are then reviewed in light of the results of these surveys.
- (2) The standards on which compensation for directors and supervisors is based are clearly specified in the company's Articles of Incorporation. (Please refer to page 34 – Employee Bonuses and Directors' and Supervisors' Compensation).
- (3) The compensation paid to PCSC's President and Senior Vice Presidents is set according to their individual performance and their contribution to the company's operations, in line with PCSC's compensation regulations and taking into consideration the typical compensation levels paid by other companies (using data compiled by specialist market research firms). The awarding of bonuses is based on PCSC's performance management regulations, taking into consideration the company's performance in the year in question and the performance of the individual concerned.

## 3. Corporate Governance Mechanism

### 3-1 Operations of Board Meetings

The Board has convened six meetings (A) during the most recent year and by the end of the published date of annual report. Below is the attendance record of individual directors and supervisors.

Title	Name	Attendance in Person(B)	Attendance by Proxy	Attendance Rate % (A/B) (Note)	Remark
Chairman	Uni-President Enterprise Corp. Ko Chin Yen	6	0	100%	–
Managing Director	Uni-President Enterprise Corp. Lin Chang-Sheng	6	0	100%	–
Managing Director	Uni-President Enterprise Corp. Hsu Chung-Jen	6	0	100%	–
Director	Uni-President Enterprise Corp. Lin Lung-Yi	6	0	100%	–
Director	Uni-President Enterprise Corp. Lo Chih-Hsien	6	0	100%	–
Director	Uni-President Enterprise Corp. Yang Wen-Long	6	0	100%	–
Director	Uni-President Enterprise Corp. Su Tsung-Ming	6	0	100%	–
Director	Uni-President Enterprise Corp. Chang Jen Yun-Huei	6	0	100%	Assumed office as director on June 10 2009

Title	Name	Attendance in Person(B)	Attendance by Proxy	Attendance Rate %(A/B) (Note)	Remark
Director	Kao Chyuan Investment Co., Ltd. Hong Ho-I	5	0	100%	—
Supervisor	Yin Chien-Li	6	0	100%	
Supervisor	Kai Yu Investment Corp. Wu Chung-Pin	5	0	100%	Assumed office as supervisor on June 10 2009
Supervisor	Kao Chyuan Investment Co., Ltd. Hong Ho-I	1	0	100%	The term of previous supervisor ended on June 10 2009

Other issues to be noted:

a. Issues specified in Article 14-3 of Securities Transaction Law and other issued opposed by non-executive directors or to which non-executive directors reserve their opinions should be recorded in writing in the meeting minutes of the Board. Dates, sessions, and contents of resolutions of the Board Meetings, opinions from all the non-executive directors and the responses to their opinions should be noted.

【Explanations】 PCSC has not yet appointed any non-executive directors. Therefore, the issues specified in Article 14-3 of Securities Transaction Law and other issued opposed by non-executive directors or to which non-executive directors reserve their opinions do not apply.

b. In cases where directors avoid the issues in which they have conflicts of interests, the names of the directors, contents of resolutions, reasons why they should avoid and the results of votes should be noted.

【Explanations】 For issues where directors have conflicts of interests with the Company, the principle is that such conflicts of interests shall not affect the voting results.

c. The intended augmentations of the functions of the Board (such as the establishment of Audit Committee and the enhancement of information transparency) during the recent years and the evaluation of the actual implementations.

Note: The Company has established its procedure for Board session in accordance with the Practice of Corporate Governance on March 8 2005, and reported to a regular session of the General Meeting on June 14 2005, and has made amendment to related procedure of the Board on the avoidance of conflict of interests on March 12 2008. Such move helped to vitalize the functions of the Board. In responding to organizational change and the regulation of the Executive Yuan Financial Supervisory Commission, the Company amended the procedure for Board session again in a session held on March 19 2009. This amendment was approved by the General Meeting in a session dated June 10 2009. The functions of the Board became viable since then.

Note: The actual attendance rate (expressed as a percentage) is obtained by comparing the number of board meetings held during the term of office with the number of meetings actually attended

### 3-2 Operations of Audit Committee: PCSC has not yet established an Audit Committee. Therefore, there is no information to be disclosed.

### 3-3 Participation by Supervisors in the Operations of the Board of Directors

During the most recent fiscal year and as of the date of publication of this report, a total of six board meetings were held (A). Attendance by supervisors at these board meetings was as follows:

Title	Name	Actual no. of meetings attended (B)	Actual attendance rate(B/A)%(Note)	Remark
Supervisor	Yin Chien-Li	6	100%	
Supervisor	Kao Chyuan Investment Co., Ltd. Hong Ho-I	1	100%	The term of previous supervisor ended on June 10,2009
Supervisor	Kai Yu Investment Corp. Wu Chung-Pin	5	100%	Assumed office as supervisor on June 10,2009

Other points noted:

a. Responsibilities of the supervisors:

(1) Communication between supervisors and the company's employees and shareholders: Supervisors are able to communicate with employees and shareholders through various types of reports and communication channels (including telephone, fax, e-mail, etc.)

(2) Communication between supervisors and the internal auditors and accountants: The periodic reports compiled by the internal auditors keep the supervisors informed of the company's operational status and auditing status. The supervisors can also use telephone, mail, fax, conferences etc. to communicate with the accounting personnel, to keep themselves up-to-date with the company's financial and operational status.

Note: The actual attendance rate (expressed as a percentage) is obtained by comparing the number of board meetings held during the supervisor's term of office with the number of meetings actually attended by that supervisor.

### 3-4 Discrepancy and Reasons between Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies and Company Practices

Item	Status	Deviation from Corporate Governance Best Practice for TSE/GTSM Listed Companies, and Reasons for Such Deviation
1. Shareholder structure and shareholder rights		
(1) The Company's policy in handling shareholders' suggestions and disputes	1. Besides appointing a common stock transfer agent to handle shareholder affairs, PCSC has also established a comprehensive spokesperson system and an investor relations team to deal with shareholder issues. 2. Organized seminars and conferences for institutional investors, and participated in related seminars and conferences held by securities dealers and the TSEC for proactive communications with the investors.	Compliant.
(2) Availability of a list of major shareholders and details of the ultimate owners of these shareholders	PCSC is fully aware of its major shareholders through its common stock transfer agent. Changes in the shareholder structure are reported on a regular basis to the directors, supervisors and senior managers. With regard to the details of the ultimate owners of major shareholders, besides natural persons, because PCSC has an active relationship with its major shareholders, PCSC can obtain details of the ultimate ownership of major shareholders from these shareholders when necessary.	
(3) Establishment of risk control mechanisms and firewalls with respect to affiliates	PCSC has formulated Procedures Governing the Monitoring of Subsidiaries in accordance with the Regulations for the Establishment of Internal Control Systems by Public Companies, so as to ensure effective risk control with respect to subsidiaries.	
2. Structure and Responsibilities of the Board of Directors		
(1) Appointment of independent directors	PCSC has not yet appointed any independent directors.	Although PCSC has so far not appointed any independent directors, its director representatives are all financial and business professionals who fulfill their duties in accordance with the requirements of the law and with PCSC's Articles of Incorporation. In the future, PCSC will comply with all new regulatory requirements in this respect.
(2) Periodic assessment of the independence of the external auditors	On the basis of an internal evaluation of external auditors' independence, PCSC has concluded that the external auditors are independent, as they are not serving as directors or auditors, do not hold shares in the company, do not receive a salary from the company, and have no conflicting interests with the company.	Compliant.
3. Establishment of communication channels with stakeholders	1. PCSC deals with banks and other creditors in accordance with the principles of honesty and openness, providing all necessary sales and financial information to enable them to make informed decisions in light of PCSC's operational status. 2. PCSC encourages its employees to communicate directly with managers. In addition, a discussion forum has been set up to facilitate discussion among employees and enable them to express their views on the company's operations. 3. PCSC has established a public website to disclose sales and financial information as well as matters relating to corporate social responsibility. 4. PCSC has established a joint service center to serve as a channel for communication between PCSC, its suppliers, employees, and customers. 5. Organized seminars and conferences for institutional investors, and participated in related seminars and conferences held by securities dealers and the TSEC for proactive communications with the investors.	Compliant.
4. Information disclosure		
(1) Establishment of a public website to disclose sales, financial and corporate governance information	PCSC has established a corporate website at <a href="http://www.7-11.com.tw">www.7-11.com.tw</a> , which is used to disclose sales, financial and corporate governance information.	Compliant.
(2) Other methods used for disclosure	1. PCSC has established a corporate website at <a href="http://www.7-11.com.tw">www.7-11.com.tw</a> , which also offers English version. There is a dedicated investor relations team, responsible for the collection and disclosure of corporate information and the updating of the website contents. 2. In accordance with legal requirements, PCSC has established a comprehensive spokesperson system, with PCSC President Hsu, Chung Jen serving as Spokesperson and Senior Vice President Hsieh, Chien Nan as Acting Spokesperson. 3. The information presented at the presentations for analysts and institutional investors that PCSC holds every year is posted on the company website and also on the Taiwan Stock Exchange Market Observation Post System at <a href="http://www.mops.tse.com.tw">http://www.mops.tse.com.tw</a> .	
5. Establishment of functional committees such as a nomination committee and compensation committee		

Item	Status	Deviation from Corporate Governance Best Practice for TSE/GTSM Listed Companies, and Reasons for Such Deviation
	PCSC has not yet established any functional committees such as a nomination committee or compensation committee.	<ol style="list-style-type: none"> <li>1. Although PCSC has not established a nomination committee or compensation committee, PCSC's directors and supervisors are all professionals who carry out their duties in accordance with the requirements of the law and relevant regulations. In addition, PCSC has established a comprehensive in-house competition evaluation mechanism to support the formulation of compensation policy and structure.</li> <li>2. In the future, PCSC will continue to comply with relevant laws and regulations when planning and implementing matters relating to this area.</li> </ol>
6.	If the company observes the Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies and has defined a set of principles accordingly for its corporate governance, please describe how the system works and explain any variance from the Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies. PCSC has not defined a set of rules governing its corporate governance practices; however, PCSC complies with all relevant regulations and has been working steadily towards the implementation of best practice. PCSC has already formulated Rules Governing the Procedures for Shareholders Meetings, Procedures for selection of Directors and Supervisors, and Procedures for Board Meetings.	
7.	Other important information that can contribute to a thorough understanding of the company's corporate governance: (1) There is no spousal relationship between PCSC's Chairman and President, and they are not relatives within one degree of consanguinity. (2) PCSC periodically submits financial, business and other related report for directors and supervisors. PCSC also undertakes evaluation and planning with respect to the ongoing training of directors and supervisors. (3) With respect to proposals where there is a conflict of interest between a director and the company, the company seeks to ensure that such conflict of interest does not affect the voting results. (4) PCSC has purchased liability insurance for its directors, supervisors and key personnel. (5) PCSC discloses financial and business information pursuant to relevant laws and regulations, and is working on an ongoing basis to strengthen transparency. The company has also established an investor relations team to serve as a conduit for direct communication between PCSC and investors. (6) PCSC formulates strategies, procedures and indicators, and undertakes regular analysis and appraisal of changes in risk status, in accordance with relevant laws and regulations, policies, and market changes; the company also takes appropriate measures to reduce the overall level of latent risk. (7) With regard to other matters relating to corporate governance, PCSC will continue to comply with all relevant laws and regulations.	
8.	Any corporate governance appraisal reports that the company compiles in-house or commissions an outside agency to compile on its behalf should note the appraisal results, any major shortcomings (or recommendations), and the steps should be taken. PCSC does not currently compile corporate governance appraisal reports or commission any external agency to do so on its behalf. However, PCSC intends to adopt a corporate governance self-appraisal system in the future.	

### 3-5 Performance of Corporate Social Responsibility:

a. President Chain Store Corporation has demonstrated its effort in social responsibility as a corporate citizen through its commitments to its employees, shareholders, and consumers. Further to the transparency of information, President Chain Store Corporation is fully involved in social charity and community events so that the 7-ELEVEn stores all across the country were turned into a “Community Service Center” of the people. In the 22nd year of national charity donation, the company has already helped 59 charity groups raise more than NT\$1 billion of fund for social causes and helped in countless number of social catastrophes. From 2007 onward, it started its charity products subscription model to assist social charity groups to display their merchandises on the shelves of 7-ELEVEn and helped them to create income. It made full efforts in incepting corporate management and marketing concept, and also participated in the design and packing of merchandises in order to help the misfortunes to obtain independence and dignity in their livelihood. Its effort in the development of the marketing mode of charity products has not been made in vain. In 2009, 7-ELEVEn was the only enterprise in Taiwan conferred with the Outstanding Corporate Social Innovation award. President Chain Store Corporation has donated to establish the Good Neighbor Foundation, and supported community environmental protection, community building, and nomination of good people with a view to bring together the people of the community for a better living environment.

For long time, 7-ELEVEn has paid utmost attention to the protection of the environment demonstrated by its introduction of energy-efficient equipment into the stores, adjustment of its logistic supply lines, promotion of kitchen waste recycling, launch of green purchases,

intensifying education on environmental protection, and implementing environment protection in the office. Since 2005, 7-ELEVEn started to launch the LOHAS the concept of “Love the globe, love your family and love yourself” in parallel of the global trend. In 2008, 7-ELEVEn conducted an overall review of the operation and introduced energy-efficient equipment and policy, thereby the lights in the corridors will not be lit during daylight, a reduction of lighting in the corridors and stores if the intensity of lighting is adequate and community security assured, the adoption of energy-efficient refrigerators and air-conditioning equipment. In addition, 7-ELEVEn adopted the new generation of environmentally friendly light bulbs light tubes ahead of the others in the industry. In 2009, 7-ELEVEn rallied to recycle the carbon cartridges used in the printers at its stores. In reviewing its effort through its green accounting system, 7-ELEVEn has invested in more than NT\$591 million in update its equipment for environmental protection last year. It is estimated that 7-ELEVEn has saved 75,509,000 Kw/H worth of electricity and reduced the emission of carbon dioxide by 48,000 tons in 2009. This is the equivalence of the emission volume of carbon dioxide by 3.2 million passenger cars in one day. In all, 7-ELEVEn has saved NT\$124 million worth of electricity consumption.

b. For 15 consecutive years, President Chain Store Corporation has been conferred with the “Best Enterprise of Taiwan” and the won the champion in retailing and wholesaling. In 2009, it was conferred with the “2009 Corporate Citizen Award”, which recognized its effort in social responsibility. In October 2004, President Chain Store Corporation introduced green accounting whereby the effort of the company in environmental protection was interpreted in terms of financial information, which made it the first enterprise of the country that incepted this system into the service sector. In November 2005, President Chain Store Corporation

was conferred the “1st Green Accounting Award” by the Department of Commerce of the Ministry of Economic Affairs, and cited the “Outstanding Shop in Energy Saving” by the City of Taipei in 2009. 7-ELEVEn is the only enterprise in the service industry being recognized for its effort in environmental protection.

- c. PCSC has established a Call Center; suppliers, customers and employees can make their opinions heard by calling the Center's toll-free number (0800-008-711) or by e-mail (public@mail.7-11.com.tw).
- d. PCSC provides employees with comprehensive education and training programs and a first-class employee welfare system (including subsidized health examinations, financial support to cover the cost of weddings, etc.). PCSC is concerned for employees' physical and mental health; the company has arranged for the Teacher Chang Foundation to provide counseling services for PCSC staff, in line with PCSC's determination to create a friendly, safe, harmonious working environment for all of its employees.

### **3-6. The ways to inquire Company's Corporate Governance Guidelines and other relevant regulations: PCSC has not yet formulated Corporate Governance Guidelines.**

### **3-7. Implementation Status of Internal Control System**

- a. Internal Control Declaration: Please refer to the attached 2009 annual report disc.
- b. If the company has commissioned external accountants to review the company's internal control system, the accountants' report should be disclosed: Not applicable.

### **3-8. During the most recent year and as of the date of publication of the Annual Report, any disciplinary measures taken to the Company or its internal staff due to violations of legal requirements or taken by the Company to its internal staff due to their violations of the internal control system. The details of the disciplinary measures, major faults and improvement measures should be noted: None.**

### **3-9. During the most recent year and as of the date of publication of this report, important resolutions passed by Shareholders' Meeting and Board Meetings:**

- a. Major resolutions passed by the Shareholders' Meeting (The following resolutions have been completed):

During the most recent year and up until the publication date of this report, PCSC has held one Shareholders' Meeting.

The Shareholders' Meeting of the Company was held in June 10 2009 with the following resolutions made in the session:

Approval of the financial report for 2008; Approval of earning distribution for 2008 ; , capitalization of retained earnings into new shares for 2008, Approval of revision to the Articles of Incorporation, Approval of revisions to the Procedure for Financing Third Parties, Approval of revisions to the Procedure for Guarantee and Endorsement, Approval of the election of new directors and supervisors, and Approval of cancellation of non-competition of directors.

### **b. Major resolutions passed by Board Meetings:**

(The adjustment of the framework for investments in China, the investment to establish the “Shanghai President Chain Store F&B Co., Ltd” (tentative), investment to establish the “Uni-Sato Co., Ltd.” (tentative), and investment to establish the “Shanghai Sato F&B Management Co., Ltd.” (tentative), and renewal of the financing agreements with financial institutions in Q2 2010 are still in process. The proposals of earning distribution for 2009, revision to the Procedure for the Acquisition of Disposition of Assets, the addition of Article II, Article VII, Article XXIII and Article XXXIII of the Articles of Incorporation of the Company will all require approval by the 2010 Shareholders' Meeting).

The Board of the Company held 6 meetings and 1 meeting for the Managing Directors in the most recent year (2009) until the publication of the Annual Report with the major resolutions summarized below:

#### **(1) The 14th session of the 8th Board of Directors (March 19 2009)**

- Approval of the 2008 business report and , financial statement.
- Approval of the 2008 asset impairment write down proposal..
- Approval of the 2008 earnings distribution and capitalization of retained earnings plan.
- Approval of proposal to apply to financial institutions for an increased credit limit and to apply for contract renewal on expiry.
- Approval of granting NT\$100 million of endorsement and guarantees to 21 Century Enterprise Co., Ltd.
- Approval of proposal to revoke the proposal of granting guarantee through endorsement amounted to US\$2 million to Philippine 7-11(Philippine Seven Corporation).
- Passed the proposal of the acquisition of equity issued by Wuhan Uni-President Oven Fresh Bakery Co., Ltd.
- Passed the proposal of the election of new directors and supervisors.
- Passed the proposal to lift the ban on directors in avoidance of the conflict of interests.
- Passed the amendment and addition of Article II, Article VI, and Article XXXIII of the Articles of Incorporation.
- Passed the amendment to the Procedure for Financing Third Parties.
- Passed the amendment to the Procedure for Guarantee and Endorsement.
- Passed the amendment to the “Board session procedure for President Chain Store Corporation” .
- Passed the motions on the rights of the shareholders in presenting proposals.
- Passed the audit findings of the internal audits of the Company.
- Passed the amendment to the 2008 “Internal Management and Control System” .
- Passed the proposal of the date and place for the regular session of the 2009 General Meeting and the 1st session of the Board.

#### **(2) The 1st session of the 9th Board of Directors (date: June 10 2009)**

- Passed the election of the 9th managing directors.
- Passed the proposal of continuing the employment of Mr. Hsu Chung-Jen as the President of President Chain Store Corporation.
- Passed the proposal of the date and place for the 2nd session of the 9th Board of Directors.

(3) The 1st session of the managing directors of the 9th Board (date: June 10 2009)

- Passed the election of the chairman of the 9th Board.

(4) The 2nd session of the 9th Board (date: July 1 2009)

- Resolved to authorize the chairman in making decision of dividend payout and set the day for stock dividend and the date for the issuing of new shares.
- Resolved to continue the insurance coverage of the directors, supervisors, and key personnel of the Company against liabilities.
- Resolved to increase the limit of credit line from financial institutions and renewal of expired financing agreements.
- Resolved to change the syndicated loan case.
- Resolved to raise new capital for Uni-President Department Store Corp.
- Resolved to raise new capital for Tung-Ho Development Co., Ltd.
- Resolved to lift the restriction of avoidance of the conflict of interests to the managers of the Company.
- Passed the proposal of the date and place for the 3rd session of the 9th Board of Directors.

(5) The 3rd session of the 9th Board (date: August 27 2009)

- Recognition of the financial reports covering the first half of 2009.
- Resolved to raise new capital for Q-Ware Systems& Services Corp
- Resolved the subsidiary of the Company, "President Chain Store (BVI) Holdings Co., Ltd." to sell the equity shares of T&T Supermarket Inc. of Canada.
- Resolved to increase the limit of credit line from financial institutions and renewal of expired financing agreements.
- Resolved to acquire the equity shares of Mech-President Corp.
- Resolved Mech-President Corp. to grant guarantee through endorsement.
- Resolved to acquire the equity shares of President Musashino Corporation
- Resolved to invest for the establishment of "Shanghai President Chain Store F&B Co. Ltd. (tentative).
- Passed the proposal of the remuneration to the chairman of the "President Chain Store (BVI) Holdings Ltd." , a subsidiary of the Company.

■ Passed the proposal of the date and place of the 4th session of the 9th Board of Directors.

(6) The 4th session of the 9th Board of Directors (date: December 11 2009)

- Passed the 2010 Internal Audit Plan.
- Passed the amendment to the Procedure of the Acquisition and Disposition of Assets.
- Resolved the proposal to eliminate the credit limit of the Company to some of the affiliates in granting guarantee and endorsement.
- Passed the proposal of the renewal of financing agreements with financial institutions.
- Resolved to raise new capital for President FN Business Corp.
- Resolved to raise new capital for Pet plus Co., Ltd.
- Resolved to acquire the equity shares of Q-Ware Systems & Services Corp.
- Passed the proposal of the date and place of the 5th session of the 9th Board of Directors.

(7) The 5th session of the 9th Board of Directors (date: March 19 2010)

- Recognition of the 2009 business report and financial statements.
- Recognition of the 2009 asset impairment write-down proposal .
- Passed the proposal of the distribution of earnings and dividend payout in 2009.
- Passed the proposal of the renewal of financing agreements with financial institutions.
- Passed the amendment and addition of Article II, Article VII, Article XXIII, and Article XXXIII of the Articles of Incorporation.
- Resolved to accept the rights of the shareholders in presenting proposals.
- Resolved to invest for the establishment of President Sato Restaurant. (Tentative).
- Resolved to invest for the establishment of Shanghai Sato F&B Management Co., Ltd. (Tentative)
- Passed the audit findings of the internal audits of the Company.
- Passed the amendment to the content of "Internal Management and Control System" in 2009.
- Passed the proposal for human resources upgrading for meeting business needs.
- Passed the proposal for the date and place of the regular session of the General Meeting in 2010 and the 6th session of the 9th Board of Directors.
- Passed the agenda for the regular session of the General Meeting in 2010.

**3-10. Different opinions in records or written statements from directors or supervisors regarding important resolutions made by the Board in the most recent year and as of the date of publication of the Annual Report: None.**

**3-11. Resignation or dismissal of personnel responsible for preparing financial statements:**

During 2009 and up until to April 23, 2010, no personnel related to financial reports resigned or were dismissed.

#### 4. Auditors Information

##### 4-1 Auditor fees

Currency : NTD 1,000

Firm	Auditors	Audit period	Remark				
			spendingAmount scale	Public	Auditor fees	Non-auditor fees	Total
PRICEWATERHOUSECOOPERS	Tsai, Ching Pao	Chang, Ming Hui	Less than \$2,000	—	—	—	—
			\$2,000 ~ \$4,000	—	—	2,308	—
			\$4,000 ~ \$6,000	—	—	—	—
			\$6,000 ~ \$8,000	7,450	—	—	—
			\$8,000 ~ 10,000	—	—	—	9,758
			More than \$10,000	—	—	—	—

Firm	Auditors	Auditor fees	Non-auditor fees					Audit period	Remarks
			System design	Business registration	Human Resources	Others	Total		
PRICEWATERHOUSECOOPERS	Tsai, Ching Pao	7,450	—	—	—	2,308	2,308	2009	The non-auditing fees are for the project of reorganizing investments in China .
	Chang, Ming Hui	—	—	—	—	—	—	—	—

##### 4-2 Switching of auditors: The following shall be disclosed if the company changed its CPA firm in the past two year

###### a. About the previous auditors

Replacement Date	January 1, 2008
Reasons for replacement	Internal work adjustments at PRICEWATERHOUSECOOPERS
Details of why the previous auditor terminated or refused to accept the assignment	None
Reports with any opinion other than an unqualified opinion over the most recent two years, and the reasons	None
Opinions different from those of the company	None
Other disclosures(Article X- (V)-1- (4) of this standard shall be disclosed)	None

###### b. About the new auditors

Firm	PRICEWATERHOUSECOOPERS
Auditors	Chang, Ming Hui
Appointment Date	January 1, 2008
The possible opinions, consulting advise and results regarding any specific accounting treatments or principles before appointment date	None
Any written opinions issued by new auditors that are different from those of previous auditors	None

###### c. Previous auditors' response to Item 1, Paragraph 5, Article 10 and Sub-item 3 of Item 2, Paragraph 5, Article 10 of these principles: None.

**4-3 If the Company's Chairman, President, or managers responsible for financial and accounting affairs have held any posts in the chartered accounting firm or its affiliates that audit for the Company during the past year, all the relevant information should be disclosed: Not applicable to PCSC**

## 5. Net Change in Shareholdings and in Shares Pledged by Directors, Supervisors, Management and Shareholders with Shareholding more than 10%.

### 5-1 Status of changes:

Title	Name	2009		As of April 23, 2010	
		Net Change in Shareholdings	Net Changes in Shares Pledged	Net Change in Shareholdings	Net Changes in Shares Pledged
Director; juridical person shareholder; major shareholder	Uni-President Enterprise Corp	56,506,614	—	—	—
Supervisor; juridical person shareholder	Kao Chyuan Investment Co. Ltd.	543,374	—	—	—
Supervisor; juridical person shareholder	Kai Yu Investment Corp.	503,200	—	—	—
Chairman	Kao, Chin Yen	3,570	—	—	—
Managing director	Lin, Chang Sheng	3,692	—	—	—
Managing director / President	Hsu, Chung Jen	2,787	—	—	—
Director	Lin, Lung Yi	2,245	—	—	—
Director	Lo, Chih Hsien	123,575	—	—	—
Director	Yang, Wen Long	10,000	—	—	—
Director	Su, Tsung Ming	—	—	—	—
Director / Senior Vice President	Chang Jen, Yun Huei	—	—	—	—
Director	Hong, Ho I (Note 1)	—	—	—	—
Supervisor	Ying, Chien Li	—	—	—	—
Supervisor	Wu Tsung-Pin (Note 2)	—	—	—	—
Senior Vice President	Hsieh, Chien Nan	1,203	—	—	—
Senior Vice President	Lai, Nan Bey	—	—	—	—
Senior Vice President	Huang, Chien Li	887	—	—	—
Chief Auditor (Vice President)	Lin, Wen Ching	39	—	—	—
Vice President	Chen, Jui Tang	1,634	—	—	—
Vice President	Yang, Yen Sen	226	—	—	—
Vice President	Wang, Wen Kui	1,829	—	—	—
Vice President	Tsai, Tu Chang	31	—	—	—
Vice President	Lee, Chi Ming	134	—	—	—
Finance Office Manager	Wu, Wen Chi	66	—	—	—
Accounting Division Manager	Lai, Hsin Ti	—	—	—	—

Note 1 : Representative of Kao Chyuan Investment Co., Ltd., an institutional shareholder, Hong Ho-I, assumed office on June10 2009.

Note 2 : Representative of Kai Yu Investment Corp., Wu Chung-Pin, assumed office on June 10 2009.

### 5-2 Stock Transfer Agreements: None.

### 5-3 Stock Pledge Agreements: None.

## 6. Any of the top 10 major shareholders has relationships specified by the ROC Statement of Financial Accounting Standards No. 6:

Name	Shareholding		Spouse's and Minor Children's Shareholding		Shareholding by Nominee Arrangements		The names and relations of top 10 shareholders are under SFAS No. 6, as stakeholder or spouse, kindred within the 2nd tier under the civil code.				Remark
	Shares	%	Shares	%	Shares	%	Shares	%			
Uni-President Enterprise Corp. Chairman: Kao Chin Yen	471,996,430	45.40%	0	0	0	0	None		None		
Representative of Uni-President Enterprise Corp. Kao Chin Yen	29,824	0.003%	0	0	0	0	Representative of Uni-President Enterprise Corp. Lo Chih Hsien		Son in law		
Representative of Uni-President Enterprise Corp. Lin Chang Sheng	30,840	0.003%	0	0	0	0	None		None		
Representative of Uni-President Enterprise Corp. Hsu Chung Jen	23,286	0.002%	0	0	0	0	None		None		
Representative of Uni-President Enterprise Corp. Lin Lung Yi	18,759	0.002%	25,139	0.002%	0	0	None		None		
Representative of Uni-President Enterprise Corp Lo Chih Hsien	1,032,215	0.10%	1,014,315	0.1%	0	0	Representative of Uni-President Enterprise Corp. Kao Chin Yen		Father in law		
Representative of Uni-President Enterprise Corp. Yang Wen Long	10,000	0.001%	0	0	0	0	None		None		
Representative of Uni-President Enterprise Corp. Su Tsung Ming	0	0	0	0	0	0	None		None		
Representative of Uni-President Enterprise Corp. Chang Jen Yun Huei	0	0	0	0	0	0	None		None		
First State Asia Pacific Leaders Fund account in custody of Citibank	24,431,208	2.35%	0	0	0	0	None		None		
Cathay Life Insurance Co., Ltd. Chairman: Tsai Hong Tu	18,998,528	1.83%	0	0	0	0	None		None		
PCSC Employees Benefits Trust account in custody of Chinatrust Commercial Bank	16,082,162	1.55%	0	0	0	0	None		None		
Mathew International Fund Investment Account in the custody of HSBC	12,442,608	1.20%	0	0	0	0	None		None		
Government of Singapore Fund in custody of Citigroup (Taiwan)	12,438,445	1.20%	0	0	0	0	None		None		
Templeton Developing Market Trust Company Special Account in the custody of JPMorgan Chase Bank N.A Taipei Branch	11,944,114	1.15%	0	0	0	0	None		None		
J.P.Morgan as trustee for Saudi Arabia Monetary Agency investment account	11,763,184	1.13%	0	0	0	0	None		None		
Management Board Public Service Pension Fund Ministry of Civil Service Republic of China	10,065,870	0.97%	0	0	0	0	None		None		
Nan Shan Life Insurance Co., Ltd. Chairman: Hsieh Shih Rong	8,651,565	0.83%	0	0	0	0	None		None		

## 7. Ownership by PCSC's Directors, Supervisors, Managers, directly or indirectly, of PCSC's long-term investments:

Unit: Shares, % / As of December 31, 2009

Long-Term Investments	Ownership by PCSC		Direct/Indirect Ownership by Directors, Supervisors and Management Team		Total Ownership	
	Shares	%	Shares	%	Shares	%
President Drug Store Business Corp.	50,744,117	100.00%	0	0.00%	50,744,117	100.00%
Ren-Hui Investment Corp.	53,194,997	100.00%	0	0.00%	53,194,997	100.00%
Capital Inventory Services Corp.	2,500,000	100.00%	0	0.00%	2,500,000	100.00%
Wisdom Distribution Service Corp.	10,847,421	100.00%	0	0.00%	10,847,421	100.00%
President Chain Store (BVI) Holdings Ltd.	77,052,958	100.00%	0	0.00%	77,052,958	100.00%
PCSC (China) Limited	50,513,148	100.00%	0	0.00%	50,513,148	100.00%
President FN Business Corp.	1,900,000	100.00%	0	0.00%	1,900,000	100.00%
Cold Stone Creamery Taiwan Ltd.	10,465,291	100.00%	0	0.00%	10,465,291	100.00%
President YiLan Art and Culture Corp.	20,000,000	100.00%	0	0.00%	20,000,000	100.00%
Uni-President Oven Bakery Corp.	6,511,963	100.00%	0	0.00%	6,511,963	100.00%
President Being Corp.	3,000,000	100.00%	0	0.00%	3,000,000	100.00%
21 Century Enterprise Co., Ltd.	13,000,000	100.00%	0	0.00%	13,000,000	100.00%
President Chain Store Tokyo Marketing Corporation.	3,564,750	100.00%	0	0.00%	3,564,750	100.00%
Mech-President Corp.	53,504,613	80.87%	12,496,511	18.89%	66,001,124	99.76%
Q-ware Systems & Services Corp.	21,751,616	77.40%	2,349,651	8.36%	24,101,267	85.76%
President Pharmaceutical Corp.	17,520,593	73.74%	0	0.00%	17,520,593	73.74%
President Transnet Corp.	70,000,000	70.00%	20,000,000	20.00%	90,000,000	90.00%
President Collect Services Co. Ltd.	1,050,000	70.00%	0	0.00%	1,050,000	70.00%
Uni-President Department Store Corp.	56,000,000	70.00%	24,000,000	30.00%	80,000,000	100.00%
Pet Plus Co., Ltd.	7,000,000	70.00%	0	0.00%	7,000,000	70.00%
President Musashino Corp.	36,603,000	70.00%	10,458,000	20.00%	47,061,000	90.00%
Uni-President Cold-Chain Corp.	19,593,272	60.00%	6,521,090	20.00%	26,084,362	80.00%
President Information Corp.	16,744,311	56.00%	8,970,166	30.00%	25,714,477	86.00%
Bank Pro E-Service Technology Co	7,200,000	53.33%	675,000	5.00%	7,875,000	58.33%
Duskin Serve Taiwan Co.	15,300,000	51.00%	0	0.00%	15,300,000	51.00%
Afternoon Tea Taiwan Co., Ltd.	8,670,000	51.00%	0	0.00%	8,670,000	51.00%
Books.com Co.,Ltd	10,000,000	50.03%	0	0.00%	10,000,000	50.03%
Mister Donut Taiwan Corp.	8,791,268	50.00%	0	0.00%	8,791,268	50.00%
Rakuten Taiwan Co.. Ltd.	22,246,000	49.00%	0	0.00%	22,246,000	49.00%
Muji Taiwan Co..Ltd.	4,633,000	41.00%	1,130,000	10.00%	5,763,000	51.00%
President Organics, Co.	1,833,333	36.67%	2,833,333	56.67%	4,666,666	93.34%
President Coffee Corp.	10,691,337	30.00%	7,127,558	20.00%	17,818,895	50.00%
Uni-President Yellow Hat Corp.	2,100,000	30.00%	0	0.00%	2,100,000	30.00%
Retail Support International Corp.	6,430,000	25.00%	5,144,000	20.00%	11,574,00	45.00%
Uni-President Development Corp	60,000,000	20.00%	90,000,000	30.00%	150,000,000	50.00%
Tong-Ho Development Corp.	19,930,000	19.93%	72,120,000	72.12%	92,050,000	92.05%
Presicarre Corp.	122,611,121	19.50%	128,901,798	20.50%	251,152,919	40.00%

Tong-Jeng Development Corp.	209,000,000	19.00%	445,500,000	40.50%	654,500,000	59.50%
Dayeh Takashimaya Taiwan Inc.	20,000,000	16.67%	0	0.00%	20,000,000	16.67%
President Technology Corp.	750,000	15.00%	0	0.00%	750,000	15.00%
Q-ware Communications Co., Ltd.	8,059,091	11.27%	10,131,605	14.17%	18,190,696	25.44%
President Yamako Corp.	650,000	10.00%	0	0.00%	650,000	10.00%
President Investment Trust Corp.	2,667,600	7.60%	2,129,980	6.07%	4,797,580	13.67%
PK Venture Capital Corp.	10,000,000	6.67%	10,000,000	6.67%	20,000,000	13.34%
Career Inpek Co.	837,753	5.37%	0	0.00%	837,753	5.37%
Toppoly Optoelectronics Corp.	71,057,016	3.51%	105,645,114	5.21%	176,702,130	8.72%
President International Development Corp.	50,000,000	3.33%	965,500,000	64.30%	1,015,500,000	67.63%
Uni-OAO Travel Service Corp.	60,000	2.86%	0	0.00%	60,000	2.86%
President Securities Corp.	31,356,893	2.64%	346,428,663	29.17%	377,785,556	31.81%
Kaohsiung Rapid Transit Corp.	20,000,000	2.00%	20,000,000	2.00%	40,000,000	4.00%
New Century Info Comm Co. Ltd.	23,203,495	0.89%	0	0.00%	23,203,495	0.89%
Duskin Co. Ltd.	300,000	0.45%	0	0.00%	300,000	0.45%
Grand Bills Corp.	108,160	0.02%	89,584,848	16.57%	89,693,008	16.59%

# IV. FUND RAISING

## I. Capital and Shares

### 1-1 Source of Capital:

#### a. Shares Issued:

Unit: NT\$; Shares / As of April 23, 2010

Month / Year	Par Value	Authorized Capital		Paid-in Capital		Source of Capital	Capital Expansion by Assets other	Remark
		Shares	Amount	Shares	Shares			
July/2002	10	900,000,000	9,000,000,000	772,031,899	7,720,318,990	Capitalization of profit	None	July 19, 2002 (91) Tai-Tsai-Cheng (1) No. 0910140565
July/2003	10	900,000,000	9,000,000,000	858,499,471	8,584,994,710	Capitalization of profit	None	July 17, 2003 (92) Tai-Tsai-Cheng (1) No. 09201322
August/2004	10	960,000,000	9,600,000,000	915,160,436	9,151,604,360	Capitalization of profit	None	July 20, 2004 Chin-Kuan-Cheng-Yi-Tse No. 0930132295
August/2008	10	1,050,000,000	10,500,000,000	1,039,622,255	10,396,222,550	Capitalization of profit	None	2009.7.16 Approval Letter Chin-Kuan-Cheng-He-Fa No. 0980035714 on file

Note: the stated capital of the Company at its initial operation in June 1987 amounted to NT\$ 100,000,000, and the paid-in capital as of April 23 2010, after capitalization of retained earnings for several times, amounted to NT\$10,396,222,550.

#### b. Capital and Shares:

Unit: Shares

Type of Stock	Authorized Capital			Remark
	Outstanding Shares	Non-Issued	Total	
Common Stock, Inscribed	1,039,622,255	10,377,745	1,050,000,000	Publicly Traded

### 1-2 Shareholder Structure:

Unit: Shares / As of April 23, 2010

Shareholder	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Individuals	Foreign Institutions & Individuals	Total
No. of Shareholders	1	0	151	26,010	438	26,600
Shareholding	5	0	566,108,565	86,586,554	386,927,131	1,034,622,255
Holding Percentage	0.00%	0.00%	54.45%	8.33%	37.22%	100%

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

Par Value NT\$10 / As of April 23, 2010

Tiers of Shareholding (Unit: Shares)	No. of Shareholders	Total Shareholding (Unit: Shares)	Holding Percentage
1 ~ 999	10,123	2,402,062	0.23%
1,000 ~ 5,000	13,057	25,669,168	2.47%
5,001 ~ 10,000	1,641	11,993,358	1.15%
10,001 ~ 15,000	548	6,705,538	0.65%
15,001 ~ 20,000	258	4,670,218	0.45%
20,001 ~ 30,000	260	6,378,211	0.61%
30,001 ~ 50,000	214	8,431,103	0.81%
50,001 ~ 100,000	159	11,410,570	1.10%
100,001 ~ 200,000	89	12,663,520	1.22%
200,001 ~ 400,000	66	18,698,631	1.80%

400,001 ~ 600,000	32	15,505,820	1.49%
600,001 ~ 800,000	26	17,633,352	1.70%
800,001 ~ 1000,000	13	11,588,596	1.12%
Over 1,000,001	114	885,872,108	85.20%
Total	26,600	1,039,622,255	85.20%

#### 1-4 Major Shareholders:

As of April 23, 2010

Shareholders	Shareholding (Shares)	Holding Percentage (%)
Uni-President Enterprise Corp.	471,996,430	45.40%
First State Asia Pacific Leaders Fund account in custody of Citibank.	24,431,208	2.35%
Cathay Life Insurance Co., Ltd.	18,998,528	1.83%
PCSC Employees Benefits Trust account in custody of Chinatrust Commercial Bank	16,082,162	1.55%
Mathew International Fund Investment Account in the custody of HSBC	12,442,608	1.20%
Government of Singapore Fund in custody of Citigroup (Taiwan)	12,438,445	1.20%
Templeton Developing Markets Trust account in custody of JPMorgan Chase Bank N.A. Taipei Branch	11,944,114	1.15%
J.P.Morgan as trustee for Saudi Arabian Monetary Agency investment account.	11,763,184	1.13%
Management Board Public Service Pension Fund Ministry of Civil Service Republic of China	10,065,870	0.97%
Nan Shan Life Insurance Co., Ltd.	8,651,565	0.83%

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

Unit: NT\$

Item	Year	2008	2009	As of April 23, 2010
Market Price per Share	Highest	122.5	89.8	85.8
	Lowest	65.90	68.9	71.90
	Average	95.10	78.65	77.36
Net Value per Share	Before Distribution	17.97	18.20	19.54
	After Distribution	14.33	(Note)	(Note)
Earnings per Share	Weighted Average Shares (Shares)	915,160,436	1,039,622,255	1,039,622,255
	Earnings per Share (Undiluted)	3.85	3.90	1.55
	Earnings per Share (Diluted)	3.39	(Note)	(Note)
Dividend per Share	Cash Dividends	2.04	(Note)	—
	Stock Dividends	1.36	(Note)	—
	Dividend from Capital Surplus	0	(Note)	—
Return on Investment	Accumulated Undistributed Dividends	0	(Note)	—
	Price/Earning Ratio	24.37	20.17	—
	Price/Dividend Ratio	45.99	(Note)	—
	Cash Dividend Yield Rate	2.17%	(Note)	—

Note: As of March 31 2010, the earnings distribution of 2009 has not been approved by the General Shareholders' Meeting.

## 1-6 Dividend Policy and Implementation Status:

### a. Dividend Policy:

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

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

- (1) Directors and Supervisors' remunerations: 1% of the net profit of the year
- (2) Employees' bonuses: no less than 0.2% of the net profit of the year
- (3) Shareholders' dividends and bonuses: after deductions (1) and (2) from the accumulated distributable earnings, a range between 80% and 100% may be distributed. However, a percentage between 50% and 100% of such distributions should be paid as cash dividends. The remainder is booked as undistributed earnings.

b. The proposal for the distribution of earnings for fiscal year 2009 in the General Shareholders' Meeting of 2010 has been resolved by the Board meeting dated March 19 2010: the Board moved to allocate the amount of NT\$3,742,640,118 from accumulated retained earnings as cash dividends at NT\$3.6 per share pending on the approval of the General Meeting and authorization to the Board for setting the ex-dividend day.

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

According to Guidelines for Disclosure of Financial Forecasts by Public Companies, PCSC is not required to release its 2010 financial forecasts. Therefore, under the decree of Tai-tsai-cheng (1) Letter No. 00371 issued on February 1, 2000, PCSC is not required to disclose this information.

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

a. According to PCSC's Articles of Incorporation, the dividend pool is net profit after tax, after the offsetting of previous losses, the allocation of 10% legal reserve and the adjustment of special retained earnings of the year at any amount deducted from shareholders' equity. The reverse of the deduction items in shareholders' equity afterwards may be included in the pool of the distributable earnings of the year. The remaining earnings of the year, along with undistributed earnings from the previous year are considered accumulated distributable earnings. The distribution of accumulated distributable earnings is carried out by the Board of Directors in consideration of industry conditions, the Company's future operations and investment plans. The proposal to distribute earnings shall take effect upon the approval from the Shareholders' Meeting. The remunerations of Directors and Supervisors are set at 1% of the total earnings and the employees' bonuses shall be no less than 0.2% of the total earnings of the year.

b. The Board resolved to allocate retained earnings in 2009 as employee bonuses, remuneration for the directors and supervisors specified as follows:

- (1) The Board moved to allocate the amount of NT\$218,913,131 as employee bonuses, and the amount of NT\$36,485,522 as remuneration for the directors and supervisors.
- (2) The proportion of employee stock dividends to capitalization of retained earnings into new shares: all employee bonuses of the Company will be paid in cash.
- (3) Employee bonuses in 2009 was estimated at NT\$ 218,913,131 while remuneration for the directors and supervisors was estimated as NT\$36,485,522. The total of employee bonuses and remuneration for the directors and supervisors proposed to release is identical with the amount so recognized.

c. Allocation of employee bonuses and Directors' and Supervisors' remuneration from 2008 retained earnings:

PCSC's distribution of employee bonuses and Directors' and Supervisors' remuneration from 2008 retained earnings was as follows:

Allocations Determined by the Shareholders' Meeting and the Board of Directors		
Distribution (Unit: NT\$1,000)		
Employees' Bonuses	\$	190,063
Directors' and Supervisors' Remunerations	\$	31,677
Earnings per Share (Unit: NT\$)	\$	3.39
EPS after bonuses and remunerations	\$	3.39

- d. The estimate of employee bonuses and remuneration for the directors and the supervisors is made by multiplying the percentage as stated in the Articles of Incorporation by corporate earnings as of the end of the accounting period. In case of any discrepancy between the actual amount paid out and the estimate, a reconciliation will be made by the accounting method as recognized as profit or loss of the next period.
- e. The actual payout of employee bonuses and remuneration for the directors and supervisors of the previous year (including the quantity of shares, amount and stock price) and the recognized amount of such were congruent.

**1-9 Share Buyback: None**

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

**2-1 Issuing of Corporate Bonds: None**

**2-2 Preference Shares: None**

**2-3 Global Depository Receipts: None**

**2-4 Employee Stock Option Plan: None**

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

**3. Status of Capital Utilization Plan**

**3-1 Capital Projection:**

Any incomplete share issuance or private placement or any completed share issuance or private placement within the past three years from which benefits have not yet been reported, as of March 31, 2010: None.

**3-2 Status of Implementations:**

Individual analysis of the purpose of each capital investment project, and comparison of implementation with the originally anticipated benefits, as of March 31, 2010: None

# V. OPERATIONAL HIGHLIGHTS

## 1. Business Activities

### 1-1 Business Scope

#### a. Officially Registered Business Items

- (1) F203020 Tobacco & alcohol retails
- (2) F206020 Retails of daily products
- (3) F203010 Retails of food, groceries and beverages
- (4) F208040 Retails of cosmetics
- (5) F399990 Other retails
- (6) IZ01010 Photocopying
- (7) F201070 Retails of flowers
- (8) F209060 Retails of educational, musical and entertainment products
- (9) JE01010 Leasing
- (10) IE01010 Distribution of telecommunications subscriptions
- (11) I401010 Advertising services
- (12) F207050 Retails of fertilizers
- (13) F210010 Retails of watches and clocks
- (14) F210020 Retails of glasses
- (15) F216010 Retails of photo and film equipment
- (16) JZ99030 Photography
- (17) F204110 Retails of cloth, clothes, shoes, hats, umbrellas and accessories
- (18) A102060 Retails of staple food
- (19) F213010 Retails of home appliances
- (20) F208031 Retails of medical equipment
- (21) F205040 Retail of furniture, beds, kitchenware, decorative items
- (22) F207030 Retails of cleaning products
- (23) F401010 International trading
- (24) JA01010 Automotive repair services
- (25) F214030 Retails of automobile and motorcycle accessories and merchandise
- (26) G202010 Parking lot operations
- (27) IZ14011 Public welfare lottery
- (28) JZ99050 Agency services
- (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)
- (30) F401161 Importing of tobacco
- (31) F401171 Importing of alcohol
- (32) Any business activities unless otherwise restricted by law
- (33) F301010 Department stores
- (34) F301020 Supermarkets
- (35) F399010 Convenience stores
- (36) F501030 Beverage stores
- (37) F501060 Restaurants
- (38) G902011 Type II telecommunications business
- (39) I301010 IT & software Services
- (40) I301030 Provision of electronic information and services
- (41) F206010 Hardware retailing
- (42) F212011 Filling station operation
- (43) F212050 Petroleum products retailing
- (44) JA01990 Other automobile-related services
- (45) I101090 Food Consulting
- (46) IZ09010 Management System Accreditation
- (47) J701020 Amusement Parks
- (48) F102040 Wholesale of Nonalcoholic Beverages
- (49) F102170 Grocery wholesaling
- (50) F106020 Wholesale of Articles for Daily Use

**b. Sales Breakdown by Category in Year 2008 and 2009**

Unit: NT\$1,000

Product Category	Sales & Percentages			
	2008		2009	
	Amount	%	Amount	%
Food Services	13,590,416	13.80%	14,653,084	14.90%
Publications	13,383,606	13.59%	13,531,976	13.76%
Beverages	34,350,269	34.88%	36,229,505	36.84%
Non-Food	25,073,333	25.46%	22,845,044	23.23%
Ordinary Food	11,857,146	12.04%	10,886,553	11.07%
Others	226,507	0.22%	196,686	0.20%
Gross Sales	98,481,277	100.00%	98,324,848	100.00%
Sales Discount	-44,208		-39,004	
Net Sales	98,437,069		98,381,852	
Other Operating Revenue	3,754,189		3,374,534	
Total Operating Revenue	102,191,258		101,756,386	

**c. Present and Future Products and Services**

In the wake of the LOHAS way of life, 7-ELEVEn continues the idea of additive-free healthy foods and launched snacks like the "Smoothie Photosynthetic Fruit Shake", "Photosynthetic Salad", and "Oden(Japanese Tampura)". These varieties are new choices for the health and good taste of customers.

Affected by the financial crisis and the rise in oil prices, consumers tended to be conservative in spending. To cope with this situation, 7-ELEVEn launched the "New Economic Policy" through which the customers have the choices of convenient, time-saving, and energy-saving shopping. 7-ELEVEn offered "7-SELECT" private label products in June 2009, which aimed at the group of price-sensitive daily need food for the customers with "higher quantity" and "lower price". In addition, 7-ELEVEn also launched the "Convenient Ordering in Bulk Quantity" in Chung-Yuan Festival in August 2009. This caused a breakthrough in the offering bulk order pricing for retailing merchandise to satisfy the needs of the customers. This was matched with the "Adjustment for the ordering of daily items" thereby reprising the daily necessity items in favor of the small-size families and individuals. This move paved the way for the civilian economy and the best channel for buying.

CITY CAFÉ celebrated its 5th anniversary at the end of 2009. This brought about the trend of low-price coffee and made the stores a friendly and convenient location for a cup of coffee in daily life. Dedicated to quality and service with "CITY CAFÉ quality commitment" to its entirety, 7-ELEVEn will invest more than NT\$50 million to upgrade the equipment, visual effect, and education and training of this facility for upgrading and reengineering. The effort of CITY CAFÉ will help to upgrade the coffee industry in Taiwan and also allow the brand to be deeply rooted in the heart of the people. In 2010, 7-ELEVEn will go further to cultivate the market of fresh foods so that the customers can have good taste and health. At the same time, 7-ELEVEn will also increase its scale of procurement thereby massively introduce gourmet items from abroad. By then, the people of Taiwan can enjoy good quality products at a reasonable price. Through the i-bon digital service platform, the Company provides all types of innovative service to the public, and moves towards the goal as the community service center.

**1-2 Macroeconomy and Industry Overview**
**a. Macroeconomy**

Negatively affected by the financial crisis in the first half of 2009, the economic recession deteriorated, and domestic and overseas demands continued to shrink. As such, economic growth in Q1 of the year fell to a historic low point of negative 9.06%. It was echoed with the rise of the unemployment rate at 6.13% in August, which was historic high. Economic upturn appeared to take place from the second half of the year when global economic recovery showed its strength. Consumers regained their confidence with the index showed positive growth for 5 consecutive months from

August. Experts also forecasted sustained economic growth in 2010.

#### b. Industry Overview

The retailing revenue in 2009 was NT\$ 3 trillion and 280.6 billion, increasing 1.56% year on year. The revenue from the retailing of all merchandise was NT\$ 856.4 billion with growth of 2.34% year on year. The revenue from the entire chain convenience store was NT\$ 212.1 billion with a tiny growth of 0.03% year on year.

The conservative consumption behavior triggered by the recession and compelled the channel marketers to adopt the low price but high value strategy for gaining their shares in the market. As such, the boundary of channels became blurred and competition turned even more acute. With the boosting of home deliveries and the mushrooming of online economy, the virtual marketing channels enjoyed significant growth year after year. This change has affected the physical marketing channel. With the spirit of sustained innovation, 7-ELEVEn elected to develop competitive and differentiated products and services. By way of its new economic policy, the Company launched an integrated network of virtual and substantive channels for satisfying the needs of more consumers and upgrading its overall operation performance.

The store numbers of convenience store chains in Taiwan by the end of 2009 are as follows:

	7-ELEVEN	Family Mart	Hi-Life	OK	Total
Total	4,750	2,394	1,252	829	9,225

#### c. The association of the upper, middle and lower courses of industries

In convenient store operation, the core competitive power rests with the introduction of the merchandise and services that consumers need. At the same time, for quality guarantee, the proper control of the supply chain is also critical. Therefore, the alliance of production and sales whereby products were jointly developed with the suppliers was commonly practiced over the years. For upgrading the competitive power through differentiation of channels, store chain moved upstream to exercise strict control of the place of origin/material quality and innovative production technologies. Confronted by the rise in the prices of raw materials and economic stagnation at home and overseas, the channel marketers started to wield their power in supply chain management and developed merchandise carrying their own brands in order to increase profit. In the area of providing merchandise of a service nature, the channel marketers tended to aimed at the goal of "the last mile" for convenient service through integrating the channels and the system with the logistic infrastructure to make life even more convenient for the customers.

#### d. The trend of product development and competition

##### (1) The trend of product development

LOHAS has emerged as the mainstream life style in Taiwan. Healthy, happy, and satisfied lives embracing nature will be prevalent. This also affects the demands for merchandise and services of the consumers, and pushes the development of the use of organic materials and health food. Social pressure has been increasing so that merchandise that helps to sooth the tension of the people sells very quickly. Enterprises invested in the nurturing of character in order to link to the sensitivity of the people.

The pre-cooked and preserved food trend of Japan extended to Taiwan. This type of pre-cooked and frozen food gives a sense of both dining at home and dining out, and allows for easy home cooking. This type of food is highly economical and appears in a high variety of choices, and will entail high growth.

#### (2) Competition

- Beverages: the domestic market of beverages is getting saturated. Major manufacturing tended to offer functional and add value to the products to further their effort in competition. Most channel marketers, for purpose of making higher profit, speed up to launch products carrying their own brands. They upgrade the utilization rate with the manufacturing in order to achieve a win-win situation. In satisfying the convenient needs of instant beverages (e.g.; instant brew coffee), convenient stores have enjoyed rapid growth in serving coffee carrying their own brands. This move will affect the packaged coffee market.
- Frozen foods: in the last few years, the technologies of frozen food in Taiwan developed very quickly. This type of food just requires simple cooking or heating without losing taste. At the same time, the industry also consulted the HMR (Home Metal Replacement) development trend of America and Japan. This type of food entails high growth potential.
- Fresh food: this is the goal of providing customers instant and convenient food so that all convenient stores have introduced items of fresh food to catch this opportunity of eating out. Yet, they differ in managing their supply chain of fresh food, which will directly affect the quality of products. We believe merchandise with good quality and good taste will be highly competitive.
- Customer service: all convenient stores have tried their best in preparing innovative items in customer service with a view to attract customers to their stores. This type of service is highly associated with the economy of scale, information system, and logistic architecture and requires higher amount of investment. All convenient stores will introduce innovative services in order to enhance their competitiveness of their channels.

### 1-3 Technologies and the status of research and development

7-ELEVEn is dedicated to offer the most convenient services in daily life. In 2009, it has launched series of innovative services:

#### 1. Upgrading the ibon convenient living platform

7-ELEVEn has installed ibon kiosks at 4750 of its stores across Taiwan equipped with touch panel computer as the operation interface to provide the public convenient services, including mobile office (printing, download, and scanning), collection of premium for automobile and motorcycle mandatory insurance, payment of traffic violation fine, application for payment voucher, tickets for tourist facilities, hotel room booking, tickets for exhibition and concerts, redemption of bonus points for bank membership, download of cell phone chime and fortune telling.

## 2. Easy merchandise return/rental DVD pick-up/return services

“Easy merchandise return” is the manifestation of integrating the virtual and physical channel for the return of merchandise through online purchase so that the consumers can have peace of mind in shopping. For the first time, 7-ELEVEn offered the service of rental DVD pick-up/return service in the summer vacation hot season of DVD rentals to make such service even more convenient.

## 3. In 2009, the Company spent NT\$98,183 thousand in the research and development of related systems. As of March 31 2010, the research and development spending on related systems amounted to NT\$15,990 thousand.

### 1-4 Long and short-term business development plan

#### a. Short-term business development plan

- (1) Enhance the competitiveness of individual store in operation and create differentiated business model.
- (2) Materialize cost control and augment the return of the stores.
- (3) Expand the portfolio of services and extend the integration of virtual and physical channels.

#### b. Long-term business development plan

- (1) Increase the return to individual store in operation.
- (2) Build up the sustainable operation model.
- (3) Integrate the resources of the group and enhance the operation efficiency and effectiveness of the Company.
- (4) Intensify the training in professional skills for enhance overall organizational efficiency.

## 2. Market Analysis and Merchandise:

### 2-1 Market Analysis:

#### a. The geographic area of the sales (supply) of merchandise and services:

Confronted by the increasingly competitive market and the ceaseless changes in consumption patterns, 7-ELEVEn seeks to satisfy the needs of the consumers and continues to provide good quality products and innovative services, from Oden(Japanese Tampura), photosynthetic salad, photosynthetic sandwich and other light meals, to products carrying the 7-SELECT brand, bulk purchase ordering, reduction of prices for daily items. Under this new economic policy, the Company can quickly capture the changes in the trend of consumption and satisfy the needs of consumer.

#### b. Supply and Demand and Growth of the market in the future:

- (1) By the end of 2009, 7-ELEVEn had a market share of 51.49% in the convenient chain store industry by number of stores, which made the Company the industry leader and the number one brand in the minds of the consumers. In the future, 7-ELEVEn will maintain its belief that “wherever there are customer needs, there is a 7-ELEVEn”, and will develop new locations for its stores in firm paces and maintain its leadership position in the industry.

(2) The statistics compiled by the Ministry of Economic Affairs indicated that the turnover of all convenient stores in Taiwan in 2009 had an annual growth of 0.03% mainly because of the conservative consumption behavior of the consumers under the influence of the economic recession. In the future, 7-ELEVEn will continue to develop differentiated merchandise and innovative services to keep its leading distance away from its competitors and create the momentum for stable growth for the Company.

#### c. Competitive Edge:

Regardless of the keen competition in the convenient store industry of Taiwan, the proper use of competitive advantage and understanding the needs of the customers will allow for excellence in the industry. 7-ELEVEn has the following advantages in competition:

- (1) Positive corporate image and well-known brand name.
- (2) Advantage of scale in channeling for product development, bargaining, and sales.
- (3) A strong and viable IT system platform and logistic system which development was oriented towards the needs of the consumers and can create more business opportunities.
- (4) Innovative merchandise and services developed in line with the changes in consumption patterns, and capable of launching innovative integration of marketing resources.

#### d. Factors favorable and unfavorable for development and responses:

##### (1) Favorable factors:

- Aging society, having few children, refusal to get married as the social norm, which helped to boost the pet market and business for the aging society.
- Consumers know about LOHAS better than before, which brought business opportunities under LOHAS.
- Internet (including home service economy), entertainment and communications brought about new business opportunities.
- Deregulation by the government (fresh food, financial products, and health care foods)
- The growth of tourist numbers from the mainland China.

##### (2) Unfavorable factors:

- The market of convenient store operation is getting saturated, the industry boundary blurred, with keener competition in the industry and across industries.
- The effect of applicable legal rules and the increase in fees for public utilities, which increased the cost of operation.
- The global economic recession suppressed real income, and eventually made consumers conservative in spending.
- The convenient store operator imitate one another in operation more quickly, which made differentiation as an advantage difficult to keep.

##### (3) Responses:

In the years ahead, President Chain Store Corporation will continue its effort in innovation and control the changes in the market for cultivating new business opportunities. The Company will map out marketing strategy in line with the new trend of consumption and materialize its new economic policy to satisfy the needs of the customers in daily lives. Conceived with its business philosophy of “Varieties of merchandise, Superior Quality, Health Guarantee, and Hearty Service”, the Company will properly control its product

quality and provide superior service quality to its customers. The Company will be the best brand of convenient stores in the minds of consumer.

## 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

2008				2009				As of March 31, 2010			
Name of Vendor	Amount	Ratio to the net amount of purchase (%)	Relationship with the Company	Name of Vendor	Amount	Ratio to the net amount of purchase (%)	Relationship with the Company	Name of Vendor	Amount	Ratio to the net amount of purchase (%)	Relationship with the Company
Retail Support International Corp.	39,781,705	57	Subsidiary	Retail Support International Corp.	37,146,595	57	Subsidiary	Retail Support International Corp.	9,777,227	53	Subsidiary
Uni-President Cold-Chain Corp.	16,509,427	24	Subsidiary	Uni-President Cold-Chain Corp.	17,257,051	24	Subsidiary	Uni-President Cold-Chain Corp.	4,363,519	24	Subsidiary
Wisdom Distribution Service Corp.	8,092,490	12	Subsidiary	Wisdom Distribution Service Corp.	8,230,169	12	Subsidiary	Wisdom Distribution Service Corp.	2,687,62	15	Subsidiary
Others	5,072,722	7		Others	6,156,804	6		others	1,826,050	8	
Net amount of Purchase	69,456,344	100		Net amount of Purchase	68,790,619	100		Net amount of Purchase	18,654,418	100	

- (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

Year	2008	2009
Sales Value	Domestic Sales	Domestic Sales
Main Product Categories	Sales Value	Sales Value
Food services	13,590,416	14,653,084
Publications	13,383,606	13,531,976
Beverages	34,350,269	36,229,505
Non-food	25,073,333	22,845,044
Ordinary food	11,857,146	10,886,553
Others	226,507	196,686
Total sales revenue	98,481,277	98,342,848

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

### 3. Human Resources

#### 3-1 Personnel Information

	Year	2008	2009	As of April 23, 2010
No. of Employees	Store Employees	2,539	2,258	2,173
	Headquarters	1,777	1,773	1,787
	Part-time	2,019	2,172	2,459
	Total	6,335	6,203	6,419
Average Age		29	30	30
Average Years of Service		6.6	7.0	6.4
Education Level (%)	PhD	—	—	—
	Master	5.0	4.7	5.4
	Bachelor	50	50.7	50.2
	High School	43.4	43	42.6
	Others	1.6	1.6	1.7

#### 3-2 Training and Development

7-ELEVEN provides a full-range learning environment and training programs so that all employees can have their career development planning. 7-ELEVEN makes every effort to assist employees in personal learning and growth.

##### a. Individual development planning

President Chain Store Corporation has a tailor-made "Personal Development Plan" made between each employee and his/her immediate superior officer on the basis of the education, experience, work requirement, performance evaluation result, and career development needs to help employees design the best training programs at different stages of learning. This helps all employees to learn and grow with a goal, proper planning, and in discipline so that they can acquire different professional knowledge and skills.

##### b. Training plan

Provide training programs for a full-range of skills. Further to internal training, the Company also introduces good external training programs to upgrade the quality and competitive power of employees. The programs will be carried out in diversity. In addition to lectures, events, group studies or discussion will be organized depending on the attribution of the programs so that learning will be more alive, vivid, and effective. The online e-Learning programs allow employees to learn effectively at their convenience.

##### c. Continuing education channels

In 7-ELEVEN, employees can nurture their learning at any time through the diverse learning channels, including: supervision by supervisors and peers, knowledge management system, external training programs, internal training programs, lectures and seminars, online learning, on-site operation drills, continuing education, library facilities, and digital library.

##### d. Career development

###### (1) Opportunities for multiple-channel career development

President Chain Store Corporation has made efforts in the training and development of its employees to its entirety. We fully support employees learning new knowledge and upgrading work skills. Through training programs, online resources and tutorship system, the Company enhances the personal development plan and assists employees to map out their career development plan and the diversity of opportunities for personal growth.

###### (2) Job Rotation

We encourage our employees to learn a wide array of functions, and learn in different functional departments in order to broaden their horizon and competence in professionalism.

###### (3) Overseas appointment

While President Chain Store Corporation is seeking for global expansion, it also provides employees the opportunity to assume positions overseas. This unique opportunity allows employees to demonstrate their experience and show their strengths. They may understand the breadth of the world and enhance the competitive power of both the individual and the Company.

## 4. Environmental Protection and Expenditures

### 4-1 Environmental (Green) Accounting

President Chain Store Corporation continues its effort in energy saving, development of additive-free products, maintenance of a clean environment, new healthy and environmental protection concept of living under LOHAS, and contributes under our corporate social responsibility (or CSR). Through the environmental (green) accounting system, we translated this information to financial data for presentation, and compiled statistics in the spending for environmental protection (table below). In 2009, the investment and spending in environmental protection amounted to NT\$ 591.38 million. The spending mainly covered: (1) spending on the inspection of environmental protection packing materials and product safety totaled NT\$ 68.72 million; (2) energy saving and reduction of carbon dioxide and heat emission at the stores amounted to NT\$ 97.89 million; (3) environmental cleaning at the stores, creation of green belt, and handling dumps at the stores amounted to NT\$ 139.36 million; (4) investment in the installation of environmentally friendly equipment and prolongation of the life span of equipment at the stores totaled NT\$ 81.58 million; (5) spending on green purchases with the recycling of papers amounted to NT\$121.06 million; and (6) spending for organization and participation in social charity events amounted to NT\$ 56 million. Other continuing efforts are the recycling of kitchen waste, additive-free food, paperless environment, and energy saving at the stores.

### 4-2 Environmental related expenditures:

a. Table of environmental related expenditures

Unit: NTS

2009	Item	Content	Effect and the efficient use of resources(volume)/ reduction of green house emission	Investment (in NTD)	Expense (in NTD)	Total
Merchandise	Take in consideration the safety and the effect on the environment of products in production, purchase, and sales.	Purchase paper made rice boxes (15 million pcs)	Resource saving		43,850,000	75,013,340
		Environmental and general inspection	Protection of human health		16,503,022	
	For specific items of fresh food, use no preservative, no artificial flavors, for no concern about the remains of pesticides.	Inspection of fresh food	Protection of human health		8,369,838	
	Comply with the clean up of waste and recycling of resources laws for recycling of packing containers and leftover food for reprocessing.	Recycling of resources	Recycling of kitchen waste and expired food		6,290,480	
Stores	Energy saving	Procurement of energy saving equipment – introduced energy saving devices in 471 stores- saved energy by 7.63 million KwH per year.	Energy saving	92,710,000	5,185,984	439,981,245
		Put on heat screening papers				
		Outward diversion of heat energy from refrigerators.				
		Reduced lighting of the shop floor and corridors, turn off ceiling-mounted lights and corridor light during daytime- Light Down in 4100 stores-saved energy by 27.06 million KwH per year.				
		Ventilation fans in the shop floor in 610 stores- saved energy by 1.86 million KwH per year.				
		Installation of inverters in non-inverting refrigeration systems of 1200 stores –saved energy by 9.59 million KwH per year.				
	Clean up, disposal of waste, and recycling	Disposal of waste- worn out uniforms	Keep the environment clean		138,143,836	
		Clean up the environment				
		Dirt resistance on the floor				
	Prolongation of the life span of equipment and materials	Landscape and green belt at the stores	Improve the management of the environment		665,071	
		Fire safety equipment at the stores	Fire safety equipment at the stores		73,015	
		Recycling and equipment for collecting kitchen waste	Recycling of resources	484,288	75,695	
	Environmental protection products	Introduced steel made counters in 400 stores	Reduce the felling of 2000 trees	34,740,000	3,682,609	
		Other environmental protection equipment (e.g.: renovation of equipment/repair of refrigerators) totaled 4733 sets.	Recycling of equipment for reuse and reduce waste.		43,158,028	
	Environmental protection products	Add 15% recycling materials into invoice use papers to reduce the consumption of papers by 249.26 metric tons.	Reduce the felling of trees.		121,062,719	

2009	Item	Content	Effect and the efficient use of resources(volume)/ reduction of green house emission	Investment (in NTD)	Expense (in NTD)	Total
Delivery	Increase the loading efficiency, compress the time for delivery, shorten the distance for delivery and reduce the impact on the environment.	The dual supply system of bread and fresh food	Reduce the delivery load- each trip saves 1.5 work hours.	—	686,619	3,925,247
	Practice the recycle of reverse flow of materials (resource recycling)	The input of manpower and equipment in recycling	Reduction of waste	—	3,238,628	
Office management expenses	Processing of waste, resource recycling and environmental protection education	Clean up office environment, design green belt and resource recycling.	Recycling of resources: PE bottles totaled 28,081.4 kg; paper recycled at 67,517.5 kg; aluminum cans recycled at 2,596 kg (a. headquarters: PE bottles recycled at 26,480 kg; paper recycled at 60,167.5 kg; b. regional offices : PE bottles recycled at 1,601.4 kg; paper recycled at 7,350 kg; aluminum cans recycled at 1,206 kg, other at 10 kg).	—	349,251	16,456,710
		Inspection of the environment	Maintain a clean environment	—	5,032,124	
		Dumps processing report		—	—	
		Clean up the environment		—	—	
	Protect forest resources (paperless)	Set up the platform for communications	Reduce waste	—	9,844,500	
		Set up an HR system		—	—	
		Set up an e-newspaper		—	—	
	HR spending on environmental protection	Designated personnel for enforcing environmental protection	Maintain and improve the system of environmental protection	—	1,230,835	
Social contribution	External education on environmental protection	Recycle posters recycled from organic fertilizer.	External education on environmental protection	—	673,580	56,001,138
	Organize or participate in social charity events	Green Foundation plantation and erection of signs on the plantation trail.	Promotion of environmental protection education	—	82,944	
		Organize the 7-11 in-depth cleaning events and the Clean Up the World event	There were 33 occasions with 18,540 participants	—	1,177,060	
		Simple Life event	Promotion of environmental protection education	—	4,499,895	
		Promotion of the LOHAS event (including the Internet)		—	2,281,449	
		Fresh Food Development Association of the ROC	Social charity	—	4,312,000	
		Volunteer Youth Autonomous Life Camp		—	182,861	
		Hunger 30 event		—	921,574	
		Love products and the event of Love and No Barrier to Social Charity		—	13,189,445	
		Bring Back the Love event		—	546,107	
		Save the Liver Disease Victims event		—	830,828	
		Fund raising for social charity		—	6,555,827	
		Other events in social charity		—	3,169,152	
		Annual fee for Taiwan Environmental Management Accounting Association	Promotion of environmental protection education	—	50,000	
		Good Neighbor Cultural and Educational Foundation		—	17,528,416	
Total				127,934,288	463,443,392	591,377,680

b. In 2009, and as of March 31, 2010, some stores were received noise pollution and waste disposal fines from government environmental agencies totaling NT\$605,596 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. The effect of energy saving for major environmental protection equipment:

(1) Installation of ventilation fans at the shop floor of the stores

Ventilation fans were installed in 610 stores with total investment of NT\$ 4.39 million. The result showed energy saving of 155,000 Kw/H of electricity per month and 1.86 million Kw/H in a year.

(2) Installation of 471 energy saving devices in 2009

An investment of NT\$ 18.72 million of such equipment in 471 stores, which helped to save 636,000 Kw/H of energy per month and 7.632 million Kw/H in a year.

(3) Introduced 400 sets of steel made cabinet and counters in 2009

An investment of NT\$34.74 million for 400 sets of steel cabinets and counters to reduce the felling of 2,000 trees while the counters were previously made of wood that required the felling of trees and the life span is short and cannot be recycled. Steel made cabinets and counters are more durable and recyclable.

(4) Installation of inverter to non-inverting refrigerators in 2009

Inverters were added to the refrigerating systems of 1,200 stores amounting to NT\$ 45 million, which helped to save energy of 799,000 Kw/H monthly and 9.588 million Kw/H in a year.

(5) In 2009, the ceiling-mounted lights and corridor lights were turned off during daytime and the lights for the signboards and corridor lights were reduced.

This measure was enforced in 4,100 stores with investments of NT\$ 24.6 million in the period of 2008 to 2009, which helped to save energy of 27.06 Kw/H in a year.

(6) In 2009, 32 W daylight bulbs were introduced to the lighting of the stores and corridors.

This type of bulb was used in 2,705 stores, which helped to save energy of 743,000 Kw/H per month and 89.16 million Kw/H per month.

(7) Energy saving bulbs replaced tungsten bulbs/LED replaced coffee light boxes.

These facilities were introduced to 4,500/3,450 shops, which helped to save energy of 405,000 Kw/H per month and 48.6 million Kw/H per year.

(8) Switch off/sleeping of Slurpee(slush) machine in 2009

This measure was adopted by 1763 stores, which helped to save energy of 645,000 Kw/H per month and 7.74 million Kw/H per year.

b. Protect the consumers in food safety:

For the peace of minds of consumers in eating, and protecting their health, each item of fresh food is subject to strict inspection for additive-free, microorganism-free and safe packing materials before launching to market. In 2009, we spent NT\$ 8.37 million in inspection for 317 items of additive-free food.

#### 4-4 Corrective Action:

The Company has demanded all stores to take corrective action and commit further effort in education of related rules and regulations.

#### 4-5 Information on RoHS of EU:

The Company and its subsidiaries do not sell directly or indirectly to Europe, and is not involved in any way of RoHS.

#### 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. For assisting employees in effective and efficient management of their work, living, and health, and enable all employees to be physically and mentally healthy and positive interpersonal relation, the Company started to commission the

Teacher Chang Foundation in 2009 to provide consultation service and organizing psychological health colloquium for 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, President Chain Store Corporation will duly comply with the "Labor Safety and Health Law" in materializing its self-motivated management:

(1) Establish the safety and health organization:

Establish the Safety and Health Committee and the Labor Safety Office to study and implement labor safety and health issues.

**(2) Enforcement of safety and health regulation:**

The Company will institute related system in accordance with the Labor Safety and Health Law for the compliance of employees:

**(3) Provide education, training, and drill on labor safety and health:**

Provide education and training for the new recruits and employees, and hold “response to emergency” exercise drill regularly so that all employees learn the skills of escape from disasters.

**(4) Conduct safety and health inspection:**

- Check to detect any unsafe facility and make improvement.
- Inspect and test the indoor air quality, water quality, lighting, and conduct disinfection regularly.

**(5) Health Care:**

Effective the day of reporting to duties, each employee will be covered by group accident insurance, life insurance, and medical insurance. In addition, assistance for physical examination will be provided.

**(6) Events for safety and health:**

The Company prepares “cases of education on occupational hazards” regularly to remind employees of labor safety and health.

**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**

- 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.
- 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.

**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.

## 5-2 Labor-Capital relations

## 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:

Contract Type	Contracting Party	Term of Agreement	Summary	Restrictive Clauses
Area License	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	Jan 26, 2000 ~ Jun 25, 2011	Credit line of NT\$900 million	None
Long-term loan agreement	Mega International Commercial Bank	Spe 04, 2009 ~ Spe 03, 2011	Credit Line of NT\$1 billion	None
Long-term loan agreement	Tai Shin International Commercial Bank	Dec 31, 2009 ~ Dec 31, 2012	Credit line of NT\$500 million	None
Long-term loan agreement	China Trust Commercial Bank	Aug 26, 2009 ~ Jan 09, 2012	Credit line of NT \$1.6 billion	None
Long-term loan agreement	Cathay Commercial Bank	Oct 29, 2009 ~ Oct 29, 2012	Credit line of NT\$600 million	None
Long-term loan agreement	Chang Hwa Bank	Jun 01, 2010 ~ Feb 28, 2012	Credit line of NT\$500 million	None
Long-term loan agreement	Hwa Nan Commercial Bank	Jun 12, 2009 ~ June 12, 2011	Credit Line of NT\$1.5 billion	None
Long-term loan agreement	E.SUN Bank	Oct 21, 2009 ~ Oct 21, 2011	Credit line of NT\$300 million	None
Long-term loan agreement	Taipei Fubon Bank	Aug 03, 2009 ~ Aug 03, 2011	Credit Line of NT\$1.4 billion	None
Long-term loan agreement	Bank of Taiwan	Feb 09, 2009 ~ Feb 02, 2011	Credit line of NT\$300 million	None
Long-term loan agreement	Bank of Taiwan	Spe 02, 2009 ~ Spe 02, 2011	Credit Line of NT\$1 billion	None
Long-term loan agreement	Mizuho Corporate Bank	Oct 27, 2009 ~ Oct 27, 2011	Credit line of NT\$500 million	None
Long-term loan agreement	Mizuho Corporate Bank	Spe 28, 2009 ~ Spe 28, 2012	Credit Line of NT\$1 billion	None
Long-term loan agreement	Bank SinoPac	July 01, 2009 ~ July 30, 2011	Credit Line of NT\$1.5 billion	None
Long-term loan agreement	The Agricultural Bank of Taiwan	Aug 31, 2009 ~ Aug 31, 2012	Credit line of NT\$500 million	None
Long-term loan agreement	First Bank	June 06, 2009 ~ June 06, 2011	Credit Line of NT\$1.5 billion	None
Long-term loan agreement	Bank of Nova Scotia	Spe 21, 2009 ~ Spe 21, 2011	Credit Line of NT\$1 billion	None
Long-term loan agreement	Bank of Tokyo-Mitsubishi UFJ	July 15, 2009 ~ July 15, 2012	Credit line of NT\$690 million	None
Long-term loan agreement	HSBC	July 01, 2009 ~ July 30, 2011	Credit Line of NT\$7 million	None

# VI. FINANCIAL INFORMATION

## 1. Five Year Brief Balance Sheet and Income Statement

### 1-1 Brief Balance Sheet

Unit: NT\$1,000

Year	Item	Five Year Balance Sheet Summary (Note 1)					As of March 31, 2010 (Note 1)
		2005	2006	2007	2008	2009	
Current Assets		6,466,923	7,884,320	13,351,641	16,919,915	17,414,985	17,187,673
Funds & Long-Term Investments		17,664,427	19,248,498	19,277,238	19,847,572	21,280,468	21,595,885
Fixed Assets		6,954,385	6,851,322	7,644,534	7,803,868	7,619,825	7,455,720
Intangible Assets		—	73,097	90,380	273,206	282,820	254,901
Other Assets		2,549,690	2,261,529	2,273,719	2,286,031	2,252,397	2,260,142
Total Assets		33,635,425	36,318,766	42,637,512	47,130,592	48,850,495	48,754,321
Current Liabilities	Before Distribution	13,437,482	17,293,024	17,550,683	19,242,516	20,236,262	20,850,809
	After Distribution	16,816,439	20,805,742	20,772,612	22,575,801	Not yet distributed	Not yet distributed
Long-Term Liability		3,320,000	1,114,994	6,700,000	9,100,000	7,100,000	5,000,000
Other Liabilities		1,704,818	1,927,574	2,132,349	2,340,433	2,593,381	2,585,558
Total Liabilities	Before Distribution	18,462,300	20,335,592	26,383,032	30,682,949	29,929,643	28,436,367
	After Distribution	21,841,257	23,848,310	29,604,961	34,016,234	Not yet distributed	Not yet distributed
Capital		9,151,604	9,151,604	9,151,604	9,151,604	10,396,222	10,396,222
Capital Reserve		—	—	—	—	5,082	5,082
Retained Earnings	Before Distribution	6,022,052	6,465,423	6,575,118	6,872,870	7,820,448	9,426,732
	After Distribution	2,643,095	2,952,705	3,353,189	3,539,585	Not yet distributed	Not yet distributed
Unrealized Revaluation Increments		—	359,191	469,191	54,010	52,646	52,305
Unrealized Gains (Loss) from Financial Products		—	—	—	258,551	595,033	408,179
Accumulated Translation Adjustments		-531	6,956	58,567	110,608	56,081	34,093
Net Loss Not Recognized as Pension Cost		—	—	—	—	-4,660	-4,660
Shareholders' Equity	Before Distribution	15,173,125	15,983,174	16,254,480	16,447,643	18,920,852	20,317,954
	After Distribution	11,794,168	12,470,456	13,032,551	13,114,358	Not yet distributed	Not yet distributed

(Note 1) All the annual financial information is audited by external auditors. Information regarding the first quarter of 2010 is reviewed by external auditors.

(Note 2) As of the publication date of the Annual Report, the Annual Shareholders' Meeting has not yet decided on the earnings distribution of 2009.

## 1-2 Brief Income Statement

Item	Year	Five Year Income Statement Summary (Note 1)					As of March 31, 2010 (Note 1)
		2005	2006	2007	2008	2009	
Revenue		\$ 93,637,610	\$ 99,979,618	\$102,363,841	\$702,191,255	\$101,756,386	\$26,890,584
Gross Profit		28,159,084	30,242,681	31,744,297	32,734,911	32,965,767	8,236,166
Operating Profit		4,177,040	4,514,001	4,853,533	4,606,924	4,893,463	1,258,043
Non-Operating Income		821,494	903,954	907,093	1,049,789	1,363,859	733,549
Non-Operating Expenses		367,880	360,367	950,560	1,274,969	1,613,582	58,293
Pre-tax Income from Continuing Operation		4,630,654	5,057,588	4,810,066	4,381,744	4,643,740	1,933,299
After-tax Income from Continuing Operation		3,652,685	3,821,955	3,622,413	3,519,681	4,059,124	1,606,284
Accumulated Adjustments due to Changes of Accounting Principles		—	373	—	—	—	—
Net Income		3,652,685	3,822,328	3,622,413	3,519,681	4,059,124	1,606,284
Earnings per Share (NT\$)		3.99	4.18	3.96	3.39	3.90	1.55

(Note 1) All the annual financial information is audited by external auditors. Information regarding the first quarter of 2010 is reviewed by external auditors.

(Note 2) As of the publication date of the Annual Report, the Annual Shareholders' Meeting has not yet decided on the earnings distribution of 2009.

## 1-3 Auditors' Opinions in Recent Five Years

Year	Audit Firm	Name of CPAs		Name of CPAs
2005	PRICEWATERHOUSECOOPERS	Lin, Tung Chiao	Chen, Mei Tzu	Modified Unqualified
2006	PRICEWATERHOUSECOOPERS	Lin, Tung Chiao	Chen, Mei Tzu	Modified Unqualified
2007	PRICEWATERHOUSECOOPERS	Lin, Tung Chiao	Chen, Mei Tzu	Modified Unqualified
2008	PRICEWATERHOUSECOOPERS	Tsai, Chin Pao	Chen, Mei Tzu	Modified Unqualified
2009	PRICEWATERHOUSECOOPERS	Chang, Ming Hui	Tsai, Chin Pao	Modified Unqualified
2010 Q1	PRICEWATERHOUSECOOPERS	Chen, Mei Tzu	Tsai, Chin Pao	Opinion Reserve

Note: The financial report for the first quarter of 2010 is reviewed by auditors. However, the profits and losses for the long-term investment and the information in Note 11 are based on the financial statements and disclosures of the investees during the same period but not reviewed by auditors. Therefore, the auditors issued Report Reserve

## 1-4 Changes of External Auditors in the Past Five Years:

Due to the internal job rotation of PRICEWATERHOUSECOOPERS, Taiwan, Mr. Tsai Chi-Pao and Miss Chen Mei-Chi, CPAs, were the external auditors of the Company since July 1, 2007. In 2008, Mr. Chang Ming-Hui and Mr. Tsai Chin-Pao, CPAs, were the external auditors of the Company. From 2010 onward, the external financial auditors of the Company are Miss Chen Mei-Chi and Mr. Tsai Chin-Pao, CPAs.

## 2. Five Year Financial Analysis

Item	Year	Five Year Financial Analysis Summary (Note 1)					As of March 31, 2010 (Note 1)
		2005	2006	2007	2008	2009	
Financial Structure	Debt to Assets (%)	54.89	55.99	61.88	65.10	61.27	58.33
	Long-Term Capital to Fixed Asset (%)	265.92	249.56	300.27	327.37	341.49	339.58
Liquidity	Current Ratio (%)	47.83	45.59	76.07	87.93	86.06	82.43
	Quick Ratio (%)	21.23	23.82	54.22	66.98	68.25	68.06
Operating Performance	Interest Coverage	61.41	74.54	56.18	29.41	112.91	209.22
	Accounts Receivable Turnover (times) (Note 2)	—	—	—	—	—	—
	Average Collection Days (Note 2)	—	—	—	—	—	—
	Inventory Turnover (times)	26.08	24.42	24.00	22.09	22.05	6.67
	Accounts Payable Turnover (times)	11.44	10.20	9.62	7.91	6.46	1.84
	Average Inventory Turnover Days	14.00	15.00	15.00	17.00	17.00	13.00
	Fixed Assets Turnover (times)	13.47	14.59	13.39	13.09	13.35	3.61
	Total Assets Turnover (times)	2.78	2.75	2.40	2.17	2.08	0.55

Item	Year	Five Year Financial Analysis Summary (Note 1)					As of March 31, 2010 (Note 1)
		2005	2006	2007	2008	2009	
Profitability	ROA (%)	11.81	11.08	9.34	8.10	8.52	3.39
	ROE (%)	24.73	24.54	22.47	21.53	22.95	8.54
	Ratio to Paid-in Capital (%)	45.64	49.32	53.03	50.34	47.07	12.10
	Operating Income	50.60	55.26	52.56	47.88	44.67	18.06
	Pre-tax Profit	3.90	3.82	3.54	3.44	3.99	5.97
	Net Margin (%)	3.99	4.18	3.96	3.85	3.90	1.55
	EPS (NT\$)	3.99	4.18	3.96	3.39	3.90	1.55
Cash Flow	Cash Flow Ratio (%)	57.50	52.59	34.67	28.49	36.79	23.76
	Cash Flow Adequacy (%)	87.68	99.63	103.09	89.68	101.03	113.66
	Cash Flow Reinvestment Ratio (%)	18.18	22.05	8.43	6.68	13.97	12.57
Leverage	Operating Leverage	2.07	2.02	1.86	1.93	1.78	1.72
	Financial Leverage	1.02	1.02	1.02	1.03	1.01	1.01

Please explain the reason for changes of financial ratios over the past two years. (Not necessary if the changes are within 20%).

- Interest Converge: the main reason was the partial retirement of long-term bank loans, in 2009 which helped cut down interest expense .
- Cash flow reinvestment ratio: mainly because of the cash flow from operation in 2009 grew substantially from the same period of the previous year.

(Note 1) All the annual financial information is audited by external auditors. Information regarding the first quarter of 2010 is reviewed by external auditors.

(Note 2) Not applicable, as PCSC is a retail business.

(Note 3) The calculations of the above financial ratios are as follows:

- Financial Structure
  - (1) Debt to Assets = total liabilities / total assets
  - (2) Long-term Capital to Fixed Asset = (shareholders' equity + long-term liabilities) / net fixed assets
- Liquidity
  - (1) Current Ratio = current assets / current liabilities
  - (2) Quick Ratio = (current assets - inventory - prepaid expenses) / current liabilities
  - (3) Interest Coverage = earnings before interest and taxes / interest expenses
- Operating Performance
  - (1) Average Accounts Receivable Turnover (including accounts receivable and notes receivable due to business activities) = net sales / average accounts receivable (including accounts receivable and notes receivable due to business activities)
  - (2) Average Collection Days= 365 / average accounts receivable turnover
  - (3) Inventory Turnover = cost of goods sold / average inventory
  - (4) Average Accounts Payable Turnover (including accounts payable and notes payable due to business activities) = cost of goods sold / average accounts payable ((including accounts payable and notes payable due to business activities)
  - (5) Average Inventory Turnover Days = 365 / inventory turnover ratio
  - (6) Fixed Asset Turnover = net sales / net fixed assets
  - (7) Total Asset Turnover = net sales / total assets

- Profitability
  - (1) Return on Assets [ net income after tax + interest expense  $\times$  (1 - effective tax rate) ] / average total assets
  - (2) Return on Equity = net income after tax / average shareholders' equity
  - (3) Net Margin = net income after tax / net sales
  - (4) Earnings per Share = (net income after tax - preferred stock dividends) / weighted average number of shares outstanding
- Cash Flows
  - (1) Cash Flow Ratio = net cash flows from operating activities / current liabilities
  - (2) Cash Flow Adequacy Ratio = five year sum of net cash flows from operating activities / five year (sum of capital expenditures + increase in inventory + cash dividends)
  - (3) Cash Flow Reinvestment Ratio = (net cash flows from operating activities - cash dividends) / (gross fixed assets + long-term investments + other assets + working capital)
- Leverage
  - (1) Operating Leverage = (net sales - variable costs and expenses) / operating profit
  - (2) Financial Leverage = operating profit / (operating profit - interest expenses)

### 3. Supervisor's Report:

Please refer to attached 2009 annual report disc for supervisor's report of the most recent year.

### 4. Financial Report of Recent Years:

Please refer to attached 2009 annual report disc for financial report of the most recent year.

### 5. Audited Consolidated Financial Statements (of parent company and subsidiaries) of Recent Years:

Please refer to attached 2009 annual report disc for consolidated financial statements and independent auditor's report of the most recent year.

### 6. Insolvency of the Company and its subsidiaries in the most recent year to the date this report was printed:

The Company and its subsidiaries have no insolvency problem.

# VII. FINANCIAL STATUS, OPERATING RESULTS & RISK MANAGEMENT

## 1. Financial Position:

Unit: NT\$1,000

Item	Year	2008	2009	Variance	
				Difference	%
Current Assets		16,919,915	17,414,985	495,070	2.93%
Long-Term Investments		19,847,572	21,280,469	1,432,896	7.22%
Fixed Assets		7,803,868	7,619,825	(184,043)	-2.36%
Intangible Assets		273,206	282,820	9,614	3.52%
Other Assets		2,286,031	2,252,397	(33,634)	1.47%
Total Assets		47,130,592	48,850,495	1,719,903	3.65%
Current Liabilities		19,242,516	20,236,262	993,746	5.16%
Long-Term Liabilities		9,100,000	7,100,000	(2,000,000)	-21.98%
Other Liabilities		2,340,433	2,593,381	252,948	10.81%
Total Liabilities		30,682,949	29,929,643	(753,306)	-2.46%
Capital		9,151,604	10,396,223	1,244,619	13.60%
Capital Reserves		—	5,082	5,082	—
Retained Earnings		6,872,870	7,820,448	947,578	13.79%
Total Shareholders' Equity		16,447,643	18,920,855	2,473,209	15.04%

### 1-1. Variance analysis for deviations over the last two years

a. The decrease in long-term liabilities: primarily due to the partial retirement of long-term loans.

1-2. Effect of the changes in financial position in the last 2 years: the aforesaid changes did not affect the Company significantly.

1-3. Future strategy: the working capital generated from operation and part of the capital financed by financial institutions is sufficient to support the needs of the Company in operations.

## 2. Operating Result:

Unit: NT\$1,000

Item	Year	2008	2009	Variance	
				Difference	%
Revenue		102,191,258	101,756,386	(434,869)	-0.43%
Gross Profit		32,734,914	32,965,767	230,856	0.71%
Operating Expenses		28,127,987	28,072,304	(55,683)	-0.20%
Operating Profits		4,606,924	4,893,463	286,539	6.22%
Non-Operating Income		1,049,789	1,363,859	314,070	29.92%
Non-Operating Expenses		1,274,969	1,613,582	338,613	26.56%
Pre-tax Income of Continuing Operations		4,381,744	4,643,741	261,996	5.98%
Income Tax		862,063	584,616	(277,447)	-32.18%
Cumulative Effects of Changes in Accounting Principles		—	—	—	—
Net Income		3,519,681	4,059,125	539,443	15.33%

### 2-1. Explanation for Variance

a. Increase in operating income: mainly because of the adjustment of product structure and supply of new services by the Company helped to increase the gross profit and effective control over the cost of operation.

b. Increase in non-operating incomes and profits: recognition of capital gains of 954 million from the dispositions of T&T Supermarket Inc. of Canada in 2009.

c. Increase in non-operating expenses and loss: SFAS No. 34 requires the recognition of impairment loss in book on investments amounted to NT\$1.45 billion.

d. Decrease in income tax expense: this was mainly the result of capital reduction of some investees and the deriving income tax profits.

2-2. The projection of sales volume in the next year and the reference, and the possible effect on the financial positions and operation of the Company, and the counteraction plan: the Company adopts different innovative and differentiated products and services to maintain sustained growth in operation.

### 3. Cash Flow

#### 3-1 Cash Flow Analysis for This Year:

Cash Balance at Beginning of Year 2009	Net Cash Inflow from Operating Activities	Net Cash Outflows Throughout the Year	Cash Surplus (Shortage)	Remedies for Cash Shortage		Unit: NT\$1,000
				Investment Plans	Financing Plans	
5,511,944	7,444,920	(7,653,364)	5,303,500	—	—	

1. Operating Activities: net cash inflow from operation amounted to NT\$ 7.445 billion mainly because the Company had stable profit and therefore stable stream of cash from operation.
2. Investing Activities: net cash outflow to investments amounted to NT\$ 3.771 billion mainly because of the increase in long-term equity investments and the procurement of fixed assets for business operation.
3. Financing Activities: net cash outflow to financing amounted to NT\$ 3.882 billion mainly because of the partial retirement of long-term bank loans and payment of cash dividends.

#### 3-2 Remedies for Cash Shortage and Liquidity Analysis: Not applicable to PCSC.

#### 3-3 Cash Flow Analysis for the Coming Year:

Cash Balance at Beginning of Year 2010	Projected Cash Inflow from Operating Activities Throughout the Year	Projected Net Cash Outflow Throughout the Year	Anticipated Cash Surplus (Shortage)	Remedies for Cash Shortfall		Unit: NT\$1,000
				Investment Plans	Financing Plans	
5,303,500	6,460,069	(5,665,611)	6,097,958	—	—	

- a. From operation: stable revenue is expected in 2010, which can bring in net cash inflow.
- b. From investment: mainly for the payment of the purchase of fixed assets and the increase in long-term equity investments.
- c. From financing: mainly expected payments of cash dividends.

### 4. Major Capital Expenditures & Their Impacts to Financial Situations:

#### 4-1 Major Capital Expenditures and Sources of Capital

Project	Actual or Planned Source of Capital	Actual or Planned Date of Project Completion	Total Capital Required	Actual or Planned Capital Expenditures					Unit: NT\$1,000
				2007	2008	2009	2010	2011	
Investments in New Stores	Working capital and loans	Annual	4,046,342	938,528	662,490	466,142	989,591	989,591	
P.O.S. (Point-of-Sale) Equipment	Working capital and loans	Annual	361,204	125,582	48,230	25,800	80,796	80,796	
Remodeling of Existing Stores	Working capital and loans	Annual	1,622,140	260,696	125,880	192,866	521,349	521,349	
Equipment Purchases/Replacement for Stores	Working capital and loans	Annual	3,160,154	1,162,287	734,310	275,689	493,934	493,934	

## 4-2 Estimated Benefits

### a. Anticipated Increase in Sales and Gross Profits

Year	Item	Sales	Gross Profit	Unit: NT\$1,000
2010	New Store Investments	290,121	93,825	
2011	New Store Investments	285,128	92,781	
2012	New Store Investments	285,916	93,609	
2013	New Store Investments	285,916	93,609	
2014	New Store Investments	285,916	93,609	

### b. Other Potential Benefits

Capital expenditure in this year was mainly for upgrading the quality of the stores with the expectation of the following benefits:

- (1) Provide better merchandise quality and consumption experience for the customers.
- (2) Provide a higher variety and diversity of the display of merchandise so that the customers can have a more comfortable shopping space.

## 5. Long-Term Investments:

### 5-1 Long-Term Investment Policies and Plans:

From the start of its first convenient store in Taiwan, President Chain Store Corporation never ceased to introduce new fashions of living and leads the retailing industry of Taiwan. Satisfying the needs of the consumers is the core philosophy of the Company in operation. The Company replicated its experience of success and mode of operation to make investment in convenient stores, drug stores, supermarket, and department stores. The operation covered Taiwan, Mainland China, Philippines, and Vietnam. In China, President Chain Store Corporation acquired the authorization in running 7-ELEVEN in Shanghai and introduced Mister Donut into the city. The investments of the Company brought a brand new experience of life for consumers in China.

### 5-2 Reasons for Profits or Losses due to Long-Term Investments:

The major long-term investments in 2009 are as follows:

Item	Explanation	Investments in 2009	Main Reasons for Making a Profit (Loss)
Uni-President Department Store (Hankyu)		350,000	Still in the early stage of operation, business model is not yet stable so still in losses
President Chain Store (Shanghai) Ltd.		470,000	Still in the early stage of operation, business model is not yet stable so still in losses

### 5-3 Plan for Remediying Problems with Long-Term Investments, and Investment Plan for the Coming Year

With respect to those long-term investments still making a loss, PCSC will examine their business model, adjust their product mix, and ensure the cost control is being effectively implemented, so as to improve their operating performance.

PCSC's major long-term investments in 2010 will be as follows:

Company	Explanation	Anticipated Amount of Investments in 2010
SATO (Shanghai) Restaurant System		NT\$ 18,000,000
Uni-President Department Store (Hankyu)		NT\$ 560,000,000

## 6. Policies, Organizational Structure and Issues Concerning Risk Management

### 6-1 Policies and Organizational Structure of Risk Management

PCSC endeavours to maintain a comprehensive risk management system and manages the risks of the organization as a whole (including subsidiaries). The Board, managers and employees of all levels work together in risk control and management.

In addition to the observations of all the relevant regulations, PCSC identifies, analyzes, measures, monitors, controls, reports and improves all the potential risks throughout operating activities regarding the characteristics of influence of such risks. This is to assure the achievement of PCSC's strategic goals and the effective maintenance and control of relevant potential risks. The major risk management units and management execution teams of the Company are as follows:

- a. Strategic and Operational Risks: Each business unit and subsidiary is responsible for planning and risk assessment for any new investments and operational decisions. President's office will conduct key performance indicator analysis and track performance in the monthly meeting with companies within the business group, in order to align the strategic plan and performance of subsidiaries with their visions and strategic targets.
- b. Financial Risks, Liquidity Risks and Credit Risks: The Finance Group defines several sets of risk management strategies, procedures and indicators by referring to the changes in regulations, policies and markets, to periodically analyze all the relevant risks and take responding measures accordingly, so as to mitigate the potential risks for the Company as a whole.
- c. Market Risks: All the business units analyze and assess market risks of their responsible functions and businesses by referring to the changes in key policies, regulations and technologies, so as to come up with appropriate responding measures to mitigate the potential management risks going forward. In addition, PCSC has established a Cross-Function Regulation Identification Team. The team meets on a regular basis to constantly update the information regarding the changes in regulations in order to devise responding measures. Meanwhile, a Crisis Handling Team, composed of division managers, has been established to monitor, manage and handle any potential or existing market risks and crises.
- d. The internal Audit Office, through risk assessments and regulatory reviews, defines the annual audit plans and self-inspection procedures and methods. The implementations of audit plans and self-inspections are to constantly monitor and control all kinds of potential risks. The results shall be presented to the Board of Directors on a periodical basis.

### 6-2 Risk Assessment and Analysis

#### a. Impacts to the Company's Profits and Losses from Changes in Interest Rates, Foreign Exchange Rates and Inflation / Deflation; Proposed Responding Measures:

##### (1) Interest rate fluctuation:

In Q4 2008, the Central Bank cut interest rates to stimulate the economy. This helped reduce the interest expenses of the Company in 2009. Response: continue to watch the trend of the interest rate and use the financing channels of other capital markets to bargain with the financial institutions in order to control the cost of financing relevant to that of the interest rate in the market.

##### (2) Exchange rate fluctuation: most sales and purchases of the Company are settled in NT dollars. Imports accounted for just a marginal portion of its total sales. As such, exchange rate fluctuation did not cause significant influence to the income status of the Company.

##### (3) Inflation:

In 2009, the CPI fell by 0.87% and wholesaling price index fell by 8.74%, which resulted in deflation. Response: the Company made improvements in its product portfolio and introduced an innovative mode of operation through a marketing strategy of diverse channels to reduce the pressure of cost increase and the influence on the operation brought about by inflation in the future.

#### b. Engagement in highly risky or highly leveraged investments, Lending Activities, Endorsements or Trading of Derivatives; Reasons for Profits or Losses of Such Activities and Proposed Responding Measures:

##### (1) Company policy

PCSC focuses on the retail related businesses and has not engaged in highly risky or highly leveraged investments. However, in order to effectively control and manage business-related activities, PCSC has structured a set of internal management and operational procedures on the basis of the relevant regulations from the Securities and Futures Bureau. These requirements and procedures include "Procedures for Lending Funds to Others", "Procedures for Acquisitions or Disposals of Assets" and "Procedures for Endorsements". In accordance with Standards for Publicly Held Companies to Internal Control Systems, PCSC's Internal Audit Office has defined a set of risk management and assessment procedures.

##### (2) The Status of Loans to Others, Endorsements and Trading of Derivatives; Reasons for Profits and Losses of Such Activities:

- Loans to others: None
- Endorsements:

PCSC offers reasonable endorsements for credit facilities to its investees that require funding for their operations. Below are the details of PCSC's endorsements to its investees:

Recipient of Endorsement	Relations	Outstanding Balance of Endorsement in 2009	Outstanding Balance of Endorsement as of March 31, 2010
Retail Support International	Business transactions	NT\$600,000,000	NT\$600,000,000
Uni-President Department store	Subsidiary	NT\$184,284,000	NT\$184,284,000
Wisdom Distribution Service Corporation	Subsidiary	NT\$ 50,000,000	NT\$50,000,000
21 century	Subsidiary	NT\$ 60,000,000	NT\$60,000,000
Q-Ware Systems and Services Corp.	Business transactions	NT\$22,540,000	NT\$22,540,000
Mech-President Corp.	Subsidiary	USD\$2,000,000	-

Note: This company limits its endorsements and guarantees to 50% of its net worth, with endorsements and guarantees granted to a single business limited to 20% of its net worth.

#### ■ Derivatives:

The Company may see fluctuations of the future cash flows of the FRNs (floating rate notes) it issued, due to the changes of the market interest rates risks. To hedge against such market risks, the Company has entered an interest-rate swap contract.

Unit: NT\$1,000

Hedged Item	Assigned hedging tools			Expected Cashflow period	Recognition into Financial instrument assigned as Income Statement		
	Financial instrument assigned as Income Statement hedging tools	Fair value					
		Dec 31, 2009	Dec 31, 2008				
Corporate Bonds Payable	Interest rate swap	\$ —	\$ —	June 2003-June 2008	2006-2008		

#### (3) Proposed Responding Measures:

Finance Department is responsible for the monitor and management of trading positions of derivatives. Market prices are regularly monitored and assessed. If any abnormality regarding trading or profits/losses is identified, necessary measures will be taken and reports will be made to the Board of Directors immediately. In addition, PCSC periodically reviews the performance of derivative trading to see whether the performance is in line with the defined strategy and the level of risks is still within the bearable range.

#### c.R&D plans in the future and projected investments:

##### (1) icash Easy Cards

A strategic alliance between icash and easy card is formed whereby an "icash Easy Card" is launched. This card combines the features as a charge card and value storage card for transportation services. People can use this card for fare charging in the MRT system and buses and the interchanges between the two systems. There will be more than 10,000 locations in the channels to make live easy and convenient.

##### (2) MVNO (Mobile Virtual Network Operator)

This is a service package combining all marketing resources of the group for food, entertainment, shopping and transportation. This monthly telecommunication service package allows the user to offset the communication fees with the basic rent and coupons for free 7-ELEVEn merchandises to satisfy the needs of the consumers in applying for monthly service mobile numbers.

##### (3) Investment in the VPP (ibon games credit point)system

Satisfy the needs for the purchase of credit point bearing merchandise by consumers through the virtual points of sales to simplify store operation and avoid any loss from out of stock goods.

##### (4) Ticketing for Taiwan High Speed Railway

Work in collaboration with Taiwan High Speed Railway to develop the QR\_CODE mechanism through which passengers can book and pick up the tickets at 7-ELEVEn stores. The passengers can also book the tickets and make payment online or voice service, and pick up the tickets at 7-ELEVEn stores. With the tickets issued by the stores, passengers can take the train directly without changing for the train tickets.

##### (5) ibon built-in card readers

The Company introduced the business of card insertion and card reading, like the application for Natural person's evidence. In addition, the bonus points from icash can be introduced into the ibon for conversion to reduce over-the-counter operation. Consumers can also use ibon credit points to increase bonus points for higher variety of bonus point redemption and upgrade the value of bonus points.

##### (6) In 2010, the expenses for the research and development of related systems amounted to NT\$ 34 million.

d. Changes in major polices and laws in the country and overseas, and the effect on the financial position and operation of the Company, and the counteraction plan:  
In responding to the requirement of the adoption of the IFRS by all companies listed in TSE or Gre Tai Stock Market effective 2013, the Company established a cross-functional task force in 2009 to deal with the new changes and map out the plans of all affiliated enterprises at home and overseas. In addition, the Company also established cross-department legal identification team to keep abreast of all new changes in the legal environment.

e. The effect of technological and industrial changes on the financial position and operation of the Company, and the counteraction plan:  
The Company has paid close attention to the changes in the e-business, the development of telecommunications, and consumer banking and related technologies. The changes in previous years did not cause significant influence to the financial position and operation of the Company.

f. The effect of the changes in corporate image and crisis management and counteraction plan:  
The Company has made tremendous effort to provide the public safe, convenient and superior quality merchandises and services at the standards higher than national requirement to protect the right of the consumers. President Chain Store Corporation has proactively participated in social charity and environmental protection and has done its best in corporate social responsibility, and advanced to the goal of ongoing development. In 2005 and 2006, the Company was conferred the “Corporate Social Responsibility” award by Global View Magazine. In 2007, the Company beat 1100 enterprises and won the 1st “Corporate Citizen” award by CommonWealth Magazine. The Company is the only enterprise in the retailing industry to win this award. In October of the same year, President Chain Store Corporation was ranked the second runner-up of the “Top 10 Benchmark Enterprises” by CommonWealth Magazine, which was just behind TSMC and Hon Hai. The Company emerged as the most watched enterprise in the service sector. In 2008, the Company was recognized for its effort in corporate commitment, social participation, and environmental protection and was conferred the “Corporate Citizen Award” by CommonWealth Magazine, and the “Corporate Social Responsibility” award by Global View Magazine. In addition, the Company has mapped out viable plans to respond to the occurrence of tropical storms, earthquakes, SARS, fires, heavy casualties and all kinds of natural or human-inflicted disasters, and has experience in rapid mobilization for coping with the disasters. In case of major crisis, the corporate headquarters of President Chain Store Corporation will form a cross-department emergency response team immediately to get hold of the situation and map out the best solution, and take action to minimize the damage. At the same time, the Company also regularly calls for the “Legal Identification Meeting” and make positive efforts to track all applicable legal rules for compliance and evaluate if the activities of the departments are in compliance with such legal rules.

g. Expected result and possible risks of mergers, and the counteraction plan: not applicable.

h. Expected result and possible risks of capacity expansion, and counteraction plan: not applicable.

i. The risks derived from buying and selling to particular enterprise: not applicable.

j. The effect and risks derived from the massive transfer of shares by or replacement of directors, supervisors, or shareholders holding more than 10% of the shares of the Company, and counteraction plan: not applicable.

k. The effect and risks derived from the change in the management of the Company, and counteraction plan: not applicable.

l. For law suits or non-litigation matters, specify the directors, supervisors, presidents, the deputy agent, shareholders holding more than 10% of the shares of the Company, and subsidiaries involving in sentenced or pending cases of litigation, non-litigation matters or administrative contentions, and those that may cause significant influence on shareholders' equity or stock prices. Disclosure of the facts of the contention, the amount concerned, the date of legal proceeding, major parties involved, and the status as of the date this report was printed: Not applicable.

m. Other major risks and counteraction plan: none.

## 7. Other Supplements: None

## VIII. SPECIFIC NOTES

### 1. Affiliates Information:

1-1 Consolidated Business Report of Affiliates, 2009: Please refer to the attached 2009 annual report disc.

1-2 Affiliation Report, 2009: Please refer to the attached 2009 annual report disc.

### 2. Private Placement Securities:

None (in the most recent year and up to the published date of this Annual Report)

### 3. Balance of PCSC Securities Acquired, Disposed of and Held by Subsidiaries :

None (in the most recent year and up to the published date of this Annual Report)

### 4. Other Necessary Supplements: None

### 5. Clause Described in Part 2, Section 2, Article 36 of the Securities and Exchange Act:

In the most recent year and up to the published date of this Annual Report, PCSC has not experienced any events as described in Part 2, Section 2, Article 36 of the Securities Exchange Act that has major impacts to shareholders' equity or share prices.

# IX. ADDITIONAL DISCLOSURES

## 1. Key Performance Indicators

	2008	2009
Net operating margin (%)	4.51%	4.81%
Net profit margin (%)	3.44%	3.99%
EPS (NT\$)	3.39	3.90
ROE (%)	21.53%	22.95%
Inventory turnover (times)	22.09	22.05

## 2. Estimation Bases for the Valuation Allowance on the Balance Sheet

### (I) Provisions for doubtful accounts and devaluation of inventory and bad debts

Assets and liabilities subject to revaluation	Reference for revaluation	Basis for evaluation
Provision for doubtful accounts	Aging analysis method.	Account receivables overdue for more than one year and are difficult to recover are recognized as doubtful accounts (100%)
Provisions for devaluation of inventory and bad debts	Lower of cost and market method (replacement cost or net realizable value)	The method of purchase cost and retailing price estimation is based on SFAS No. 10.

### 2-1 Financial assets

#### a. Financial assets whose changes in fair values are recognized in the income statements

- (1) Trade date accounting is practiced on equities. Settlement date accounting is practiced on beneficiary certificates. Financial assets are measured in terms of fair values for original recognition.
- (2) Financial assets and liabilities whose changes in fair value are recognized in the income statements are measured in terms of fair values and their value changes are recognized as gains or losses of the period. The fair values of listed shares are measured by the closing prices in open market on the balance sheet date. The fair values of open-end funds are measured by the net asset value of the funds on the balance sheet date.

#### b. Available-for-sale financial assets

- (1) Trade date accounting is practiced on equities. For original recognitions, the financial assets are measured by their fair values plus the transaction costs at acquisition or issuing.
- (2) Available-for-sale financial assets are recognized at their fair values and the changes in their values are recognized as adjustments to shareholders' equities. The fair values of listed shares are measured by the closing price in the open market on the balance sheet date.

(3) Impairment losses are recognized when there is objective evidence of impairment. When the amount of the impairment decreases afterwards, the decrease in impairments of equity product are recognized as adjustments to shareholders' equities.

#### c. Bond investments with no liquid markets

(1) Settlement date accounting is practiced. For original recognition, financial assets are measured by their fair values (buying cost) plus transaction costs of acquisition or issuing.

(2) Bond investments with no liquid markets are measured by cost after amortizations.

(3) Impairment losses are recognized when there is objective evidence of impairment. When the amount of the impairment decreases afterwards and the decrease is evidently related to the events that occur after the impairment, the company shall reverse the impairment loss and recognize it as period gains (losses). The reversal shall not render the book value larger than the post-amortization costs without the recognition of the impairment.

#### d. Financial assets valued at costs

(1) Trade date accounting is practiced. For original recognition, financial assets are measured by their fair values (buying cost) plus transaction costs of acquisition or issuing.

(2) Impairment losses are recognized when there is objective evidence of impairment. The amount of impairment is irreversible.

#### e. Derivatives

##### (1) For trading purposes:

The values of the option products are recognized by their fair values on trade date. The values of non-option products are recognized as zero as their fair values on trade date. The fair values are based on the balance sheet date, and the changes in fair values should be recognized in both balance sheet and income statement.

##### (2) For hedging purposes:

When the financial products qualify for hedge accounting, the changes in fair values should be recognized as profits or losses of the period based on their hedging relations by netting off the fair values (median values) of hedging tools and hedged items. The accounting treatments are as follows:

###### ■ Fair Value Hedging:

When hedging instruments are measured by their fair values or when their book values are adjusted to exchange rate fluctuations, the resulting gains (losses) are immediately recognized as gains (losses) of the period. If the hedged items produce gains or loss due to hedged risks, the book values of the hedged items should be adjusted and the resulting gains (losses) are immediately recognized as gains (losses) of the period.

###### ■ Cash Flow Hedging:

The gains (losses) of the hedging instruments are recognized as adjustments to shareholders' equities.

#### f. Long-term Investments under the equity method

(1) Long-term investments in which the Company owns at least 20% of the voting rights of the investee or have significant influence over the investee are valued under the equity method. If the acquisition cost exceeds the Company's share of the investee's net book value on the date of acquisition, the surplus is recognized as goodwill. Impairment tests are carried out annually. Amortization of impairment loss on goodwill during the previous year is not allowed to adjust. For the investees that the Company owns over 50% of the voting rights or have control power, they should be valued under the equity method and be included in the consolidated statements for the interim and annual consolidated financial reports. Starting from January 1, 2008, quarterly consolidated financial statements have also been compiled in the first and third quarter of each year.

(2) For the long-term Investments in which the Company exercises significant influence but has no control power, the recognition of investment losses has the upper limit of the book value of investments in the investees and the advanced amounts to the investees reaching zero. However, if the Company has endorsement to the investee or intends to continue supporting the investee, investment losses will be recognized in proportion to shareholding.

(3) For of offshore investments valued under the equity method, cumulative translation adjustment resulting from translating the offshore investee's financial statement is recognized as adjustment to shareholder's equity of PCSC.

### 3. Target and Methods for Hedge Accounting

#### 3-1 For hedging purposes:

When the financial products qualify for hedge accounting, the changes in fair values should be recognized as profits or losses of the period based on their hedging relations by netting off the values of hedging tools and hedged items. The accounting treatments are as follows:

##### a. Fair Value Hedging:

When hedging instruments are measured by their fair values or when their book values are adjusted to exchange rate fluctuations, the resulting gains (losses) are immediately recognized as gains (losses) of the period. If the hedged items produce gains or loss due to hedged risks, the book values of the hedged items should be adjusted and the resulting gains (losses) are immediately recognized as gains (losses) of the period.

##### b. Cash Flow Hedging:

The gains (losses) of the hedging instruments are recognized as adjustments to shareholders' equities.

#### 3-2 The Company may see fluctuations of the future cash flows of the FRNs (floating rate notes) it issued, due to the changes of the market interest rates risks. To hedge against such market risks, the Company has entered an interest-rate swap contract as follows.

Hedged Items	Assigned hedging tools		Cash flow period	Incurred loss recognition into income statement	Unit: NT\$1,000	
	Financial instruments assigned as hedging tools	Fair value			Jun,2003 ~ Jun,2008	
		Dec 31, 2009	Dec 31, 2008			
Corporate bonds payable	Interest rate swaps	\$ —	\$ —	Jun,2003 ~ Jun,2008	2006-2008	
Items		Dec 31, 2009		Dec 31, 2008		
Adjustments to Shareholder's Equity		\$ —	\$ —	\$ 5,070		
Translation of Shareholder's Equity to Gains (Losses) of the Period		\$ —	\$ —	\$ —		
Translation of Shareholder's Equity to Non-Financial Assets (Liabilities)		\$ —	\$ —	\$ —		

### 4. Certificates Issued by Competent Authorities to Personnel Relevant to Financial Information Transparency

#### 4-1 Number of employees who own professional certificates:

Certified Internal Auditor (CIA): one  
Enterprise Internal Control Basic Ability Exam: Seven

#### 4-2 Professional training of employees:

Accounting managers: Publicly Traded Company Finance and Accounting Administrator Professional Certificate Course (67 hours)