

**President Chain Store Corporation**  
**Balance Sheet**  
**At the End of June 30, 2004 and 2003**

Unit : NT\$ '000

	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
<b>Assets</b>			<b>Liabilities and Shareholders' equity</b>		
Current assets			<b>Liability</b>		
Cash and cash equivalents	2,343,403	1,511,243	Commercial paper payable	0	199,830
Short-term investments	175,085	210,270	Notes payable	1,463,261	1,054,088
Net accounts receivable	227,414	197,410	Accounts payable	152,957	475,761
Other receivable	549,125	521,576	Accounts payable-affiliates	4,448,746	3,952,803
Inventories	1,991,380	1,892,858	Income taxes payable	363,206	53,074
Other current assets	<u>723,381</u>	<u>716,823</u>	Accrued expenses	1,394,343	1,200,793
Total current assets	<u>6,009,788</u>	<u>5,050,180</u>	Other accounts payable	4,534,800	2,829,173
			Advances from customers	393,292	163,816
Long-term investments (Equity method)	5,324,460	4,223,788	Total current liabilities	<u>12,750,605</u>	<u>9,929,338</u>
Long-term investments (Cost method)	8,723,715	8,782,296			
Long-term investments (Corporate bond)	<u>120,000</u>	<u>0</u>	Corporate bond	2,200,000	2,200,000
Long-term investments	<u>14,168,175</u>	<u>13,006,084</u>	Long-term debt	<u>0</u>	<u>540,000</u>
			Total long-term debt	<u>2,200,000</u>	<u>2,740,000</u>
Fixed assets			Other liabilities		
Land	1,860,184	1,860,184	Accrued pension liabilities	374,014	372,292
Building	772,202	772,201	Deposits-in	<u>1,125,208</u>	<u>953,144</u>
Machinery and equipment	7,659,593	6,625,165	Total other liabilities	<u>1,499,222</u>	<u>1,325,436</u>
Lease improvement	3,060,210	2,675,398	Total liabilities	<u>16,449,827</u>	<u>13,994,774</u>
Other equipment	<u>21,830</u>	<u>51,370</u>			
Total cost	13,374,019	11,984,318	<b>Shareholders' equity</b>		
Less: accumulate depreciation	<span style="color: red;">(6,296,886)</span>	<span style="color: red;">(5,590,940)</span>	Capital		
Prepaid machinery and equipment	<u>199,424</u>	<u>142,184</u>	Common stock	8,584,995	7,720,319
Total fixed assets	<u>7,276,557</u>	<u>6,535,562</u>	Stock dividend allotted	566,610	864,676
			Retained earnings		
Other assets			Legal reserve	1,873,794	1,512,726
Deposit-out	1,133,790	840,401	Unallotted retained earnings	1,791,639	2,065,830
Other assets-other	<u>707,205</u>	<u>797,093</u>	Other adjustment in SH's equity		
Total other assets	<u>1,840,995</u>	<u>1,637,494</u>	Total exchange currency adjustment	<u>28,650</u>	<u>70,995</u>
			Total shareholders' equity	<u>12,845,688</u>	<u>12,234,546</u>
<b>Total assets</b>	<b><u>\$29,295,515</u></b>	<b><u>\$26,229,320</u></b>	<b>Liabilities and shareholders' equity</b>	<b><u>\$29,295,515</u></b>	<b><u>\$26,229,320</u></b>

**President Chain Store Corporation**  
**Income Statement**  
**For the period end of June, 2004 and 2003**

Expressed in NT '000

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b><u>Operating revenue</u></b>				
Net sales	38,525,096	97.30%	36,230,226	97.73%
Other operating revenue	<u>1,067,950</u>	<u>2.70%</u>	<u>842,986</u>	<u>2.27%</u>
<b>Total operating revenue</b>	39,593,046	100.00%	37,073,212	100.00%
<b><u>Operating cost</u></b>				
Cost of goods sold	<u>(27,951,400)</u>	<u>-70.60%</u>	<u>(26,363,159)</u>	<u>-71.11%</u>
<b>Gross profit</b>	11,641,646	29.40%	10,710,053	28.89%
<b><u>Operating expenses</u></b>				
Selling expenses	<u>(8,995,860)</u>	<u>-22.72%</u>	<u>(8,510,065)</u>	<u>-22.95%</u>
General and administration expenses	<u>(1,363,698)</u>	<u>-3.44%</u>	<u>(886,561)</u>	<u>-2.39%</u>
<b>Total operating expenses</b>	<u>(10,359,558)</u>	<u>-26.17%</u>	<u>(9,396,626)</u>	<u>-25.35%</u>
<b>Operating income</b>	<u>1,282,088</u>	<u>3.24%</u>	<u>1,313,427</u>	<u>3.54%</u>
<b><u>Non-operating income</u></b>				
Investment gain on investment (equity method)	41,956	0.11%	317,312	0.86%
Dividend Revenue	184,560	0.47%	8,172	0.02%
Unrealized gain from short-term investments	46,043	0.12%	35,480	0.10%
Net other income	<u>329,476</u>	<u>0.83%</u>	<u>349,725</u>	<u>0.94%</u>
<b>Total non-operating income</b>	<u>602,035</u>	<u>1.52%</u>	<u>710,689</u>	<u>1.92%</u>
<b><u>Non-operating expenses</u></b>				
Interest expenses	<u>(35,463)</u>	<u>-0.09%</u>	<u>(46,490)</u>	<u>-0.13%</u>
Loss on investments (equity method)	0	0.00%	<u>(46,697)</u>	<u>-0.13%</u>
Loss on disposal of fixed assets	<u>(18,530)</u>		<u>(24,424)</u>	
Loss on disposal of investments	<u>(34,669)</u>	<u>-0.09%</u>	<u>(6,417)</u>	<u>-0.02%</u>
Other expenses	<u>(20,618)</u>	<u>-0.05%</u>	<u>(19,949)</u>	<u>-0.05%</u>
<b>Total non-operating expenses</b>	<u>(109,280)</u>	<u>-0.28%</u>	<u>(143,977)</u>	<u>-0.39%</u>
<b>Income before tax</b>	<b>1,774,843</b>	<b>4.48%</b>	<b>1,880,139</b>	5.07%
<b>Income Tax</b>	<u>(339,521)</u>	-0.86%	177,715	0.48%
<b>Net Income After Tax</b>	<b><u>\$1,435,322</u></b>	<b><u>3.63%</u></b>	<b><u>\$2,057,854</u></b>	<b><u>5.55%</u></b>
<b>Earnings per share</b>	(pre-tax)	(after tax)	(pre-tax)	(after tax)
<b>Net income</b>	<u>2.07</u>	<u>1.67</u>	<u>2.19</u>	<u>2.40</u>

**President Chain Store Corporation**  
**Statement of Cash Flows**  
**For the period end of June, 2004 and 2003**

Unit : NT\$ '000

	<u>2004</u>	<u>2003</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Net Income:	1,435,322	2,057,854
Account receivable (collect from doubt for bad debt)	(420)	0
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	741,494	661,608
Amortization	146,610	2,070
Unrealized gain from short-term investments	(46,043)	(35,480)
Investment gain (loss) recognized under equity method	(41,956)	(317,312)
Loss on permanent decline in value of long-term investments	0	46,697
Cash dividend from long-term investment under equity metho	57,447	79,386
Gain on disposal of long-term investments	0	(10,099)
Loss on disposal of fixed assets	18,530	24,424
<b>Changes in assets and liabilities:</b>		
Accounts receivable	13,059	45,825
Other accounts receivable	201,162	(4,167)
Inventories	64,270	(91,175)
Deferred income tax	3,191	3,306
Other current assets	16,776	60,134
Notes payable	5,607	(226,687)
Accounts payable	269,560	560,888
Income tax payable	(98,141)	(181,464)
Accrued expenses	(162,773)	(343,640)
Other accounts payables	194,626	691,145
Cash in advance	36,807	24,895
Provision for retirement plan	<u>1,204</u>	<u>401</u>
Net cash provided by operating activities	<u>2,856,332</u>	<u>3,048,609</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
(Increase) Decrease on short-term investments	(30,657)	82,736
Increase in loan receivable	(32,000)	(5,000)
Increase in long-term investments - affiliates	(180,000)	(115,692)
Increase in long-term investments - non-affiliates	(1,094,825)	(304,166)
Return of long-term investments	0	179,000
Proceeds from disposal of ling-term investments	0	67,061
Increase in long-term corporate bonds	(120,000)	0
Purchase of fixed assets	(1,022,521)	(645,305)
Proceeds from disposal of fixed assets	44,397	9,142
Increase in deposits-out	(262,897)	(9,831)
Increase in other assets	(91,786)	(168,599)
Net cash flow in investing activities	<u>(2,790,289)</u>	<u>(910,654)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Decrease in short-term debt	0	(250,000)
Decrease in commercial paper payable	0	(298,965)
Increase in deposit-in	93,843	80,713
Increase (Decrease) in long-term loans	0	(1,610,000)
Payment of directors' remuneration	(64,992)	(47,989)
Increase in bonds payable	0	1,500,000
Payments of property, plant and equipment purchased	(480,836)	(633,892)
Net cash provided by financing activities	<u>(451,985)</u>	<u>(1,260,133)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	(385,942)	877,822
BEGINNING BALANCE OF CASH AND CASH EQUIVALENT	2,729,345	633,421
ENDED BALANCE OF CASH AND CASH EQUIVALENT	<u>\$2,343,403</u>	<u>\$1,511,243</u>

**Supplement disclosures of cash flow information**

Interest paid	\$51,726	\$54,968
Income tax paid	\$434,470	\$444
Investing and financing activities of partial payment on cash:		
Purchase of property, plant and equipment	\$1,247,960	\$791,847
Less: ended balance of account payable on equipment	(225,439)	(146,542)
Cash purchase of property, plant and equipment	<u>\$1,022,521</u>	<u>\$645,305</u>