

MINUTES
OF
2003 REGULAR SHAREHOLDERS' MEETING
OF
PRESIDENT CHAIN STORE CORP.
(Translated Version)

Time and Date of Meeting: 9:30 a.m., June 24, 2003

Place of Meeting: 2F., No.252, Sec. 3, Beishen Rd., Shengkeng Township, Taipei County 222,
Taiwan (R.O.C.)

Total outstanding shares of President Chain Store Corp. (PCSC): 772,031,899 shares

Total shares represented by shareholders present: 660,128,685 shares

Percentage of shares held by shareholders present: 85.51%

Chairman: Kao, Chin Yen, the Chairman of the Board of Directors

Recorder: Alex, Lin

Meeting Procedure

- A. The voting shares represented by the attending shareholders constituted a quorum, and the Chairman called the meeting to order.
- B. Introductory speech delivered by the Chairman.
- C. Reported Items
 - I. Reported the business operations of 2002 (Attachment I).
 - II. Supervisor's report (Attachment II).
 - III. Reported the status of guarantee provided by PCSC:

The amount endorsed and guaranteed provided for the subsidiaries by PCSC totaled NT\$1,788,884,400 as of the end of 2002. The practice was conducted in accordance with the established corporate policy, "Procedures for Endorsement". The details of guarantee and endorsement were shown as follows:

Parties being Guaranteed	Amount as of 2003/12/31
Mech-President Corp.	NT 720,000,000
President Transnet Corp.	NT 460,000,000
President Drugstore Business Corp.	NT 270,000,000
President Packaging Co., Ltd.	NT 62,438,400
President Yamako Corp.	NT 35,000,000
President Chain Store (BVI) Corp.	USD 3,500,000 (NTD121,660,000)
	USD 2,000,000 (NTD 67,690,000)
Philippine Seven Corp.	PESO 80,000,000 (NTD 52,096,000)
Total	NTD 1,788,884,400

Note 1: As of the end of 2002, the maximum amount of guarantee that could be provided for an individual subsidiary by PCSC was NT\$2,341,791,000, and the aggregate amount could not exceed NT\$5,854,479,000.

Note 2: The exchange rate used was the prevailing rate at the time the guarantee was provided.

IV. Reported the issuance of PCSC Corporate Bonds and the reasons for such practice as well as other relevant matters:

1. The Board of Directors' Meeting held on April 1, 2003 adopted the resolution of second issuance of secured corporate bonds. According to the provisions of Article 246 of the Company Law, the aforesaid resolution shall be reported to the meeting of shareholders.
2. The second issuance of secured corporate bonds has completed effective registration with the Securities and Futures Commission, Ministry of Finance on June 2, 2003. The following is the summary of terms.
 - (i) Reason for Subscription: To facilitate the need for medium and long-term working capital, and to strengthen the financial structure.
 - (ii) Amount of Subscription: NT1.5 billion.

- (iii) Bond Issues: Class A-1 (NT\$0.2 billion), Class A-2 (NT\$0.2 billion), Class A-3 (NT\$0.2 billion), Class A-4 (NT\$0.2 billion), Class B-1 (NT\$0.2 billion), Class B-2 (NT\$0.2 billion), Class B-3 (NT\$0.3 billion)
- (iv) Par Value: NT\$1 million
- (v) Issuing Price: At par value.
- (vi) Term to Maturity: Five years subsequent to the issuing dates.
 Class A-1, Class B-1: Jun. 10, 2003 ~ Jun. 10, 2008
 Class A-2, Class B-2: Jun. 11, 2003 ~ Jun. 11, 2008
 Class A-3, Class B-3: Jun. 12, 2003 ~ Jun. 12, 2008
 Class A-4: Jun. 13, 2003 ~ Jun. 13, 2008
- (vii) Annual Coupon Rate: For Class A issues, the rate is 1.4%. For Class B issues, the rate is 4% less a floating rate index, subject to a floor of 0%. The floating rate index used is either the 6-month USD LIBOR rate or the 180-day CPBA. Every six months, PCSC can reset the Class-B rate by choosing either of the floating rate indexes and make semi-annual interest payment accordingly.
- (viii) Call Provision: For Class A issues, PCSC will redeem 25%, 25% and 50% of the principal amount separately at the end of 3rd, 4th and 5th year respectively. For Class B issues, the entire principal amount will be redeemed at the maturity date.
- (ix) Interest Payment: For Class A issues, interest will be paid annually. For Class B issues, interest will be paid semi-annually. Both commencing from the issuing date.
- (x) Guarantor: Taipei Bank (Class A), Bank of Taiwan, Chunglun Branch (Class B)

V. Reported the status of acquisition of financial assets with related parties for 2003:

1. In accordance with "Acquisition or Disposal of Assets" procedures, acquisition of assets by the Company with amount exceeding the prescribed limit and the transaction being one with related party, the Company shall report the details of transaction to the meeting of shareholders.

2. In regard to future operations and investment plans, PCSC acquired shares of Presicarre Corp. from Uni-President Enterprises Corp., with settlement price based on the recommendation of the brokerage firm, the Capital Group. PCSC has made public announcement with respect to this transaction on December 17, 2002, and the transaction was completed on December 25, 2002. The following is the summary of details:
 - (i) Price per Share: NT\$103
 - (ii) Shares Acquired: 36,208,230 shares
 - (iii) Purchasing Amount: NT\$3,729,447,690
 - (iv) Percentage of Total Outstanding Shares: 10%

VI. Reported the investments in Mainland China:

As of the end of 2003, PCSC invested in the following companies in Mainland China:

<u>Names of the Investees</u>	<u>Investing Amount</u>	<u>Percentage of Controlling Shares</u>
Shanghai President Coffee Corp.	USD 2,000,000	30%
Presiclerc(Shautou) Ltd.	USD 2,470,000	47.5%
Presiclerc(Qingdao) Ltd.	USD 997,500	47.5%
Total	USD 5,467,500	

D. Resolutions

- I. The 2002 Business Report (Attachment I) and Financial Statements (Attachment III) were submitted at the meeting for acceptance.

Explanation: 1. PCSC's 2002 Financial Statements were audited by Certified Independent Auditors, reviewed by the Supervisor, and approved at the Board of Directors' Meeting.

2. The 2003 Business Report is attached hereto as Attachment I, and Financial Statements as Attachment III and pages from 54 to 76 in the Annual Report.

Upon solicitation of comments by the Chairman, there was no objection raised and the following resolution was adopted unanimously by the shareholders present:

Resolved, that the 2002 Business Report and Financial Statements hereby are accepted as submitted.

- II. The proposal for distribution of 2002 profits was submitted at the meeting for discussion and approval.

Explanation: 1. According to the Article of Incorporation, PCSC will first pay bonus to employees, and remuneration to directors and supervisors out of PCSC's 2002 un-appropriated retained earnings. Then 80% to 100% of the remaining portion will be subject to distribution as shareholders dividends, and of which cash dividends will account for 20% to 50%. Those undistributed will remain as retained earnings. However, the percentage of distribution is subject to revision if deemed necessary.

2. To avoid over expansion of capital and to enhance stable long-term performance, the Board of Directors proposed that the shareholders

dividends to be composed of 40% stock dividends and 60% cash dividends.

3. The revised 2002 Profit Allocation Proposal is displayed as follows:

	Unit: NT\$
Net Income of 2002	2,592,339,822
Less: Adjustment of capital reserve due to the PCSC's disproportionate subscription to the subsidiaries issuance of new shares	(3,957,628)
Add: Gain on disposal of assets prior to 2000	<u>73,005,235</u>
Subtotal	2,661,387,429
10% Legal Reserve	<u>(261,944,333)</u>
2002 Earnings Available for Distribution	2,399,443,096
Plus: Un-appropriated Retained Earnings of Previous Years	<u>5,165,756</u>
Earnings Available for Distribution as of December 31, 2002	2,404,608,852
Distirbution Items:	
2% Bonus to Directors and Supervisors (in cash)	(47,988,862)
2% Bonus to Employees (in cash)	(47,988,862)
Stock Dividends to Common Shareholders (NT\$1.12 per share at par value)	(864,675,720)
Cash Dividends to Common Shareholders (NT\$1.78 per share)	<u>(1,374,216,780)</u>
Unappropriated Earnings	<u><u>69,738,628</u></u>

Upon solicitation of comments by the Chairman, the shareholder of account number 53567 proposed to increase the stock dividend payout ratio. There was no objection raised and the following resolution was adopted unanimously by the shareholders present:

Resolved, that the distribution of 2002 profits hereby is approved as proposed. The cash dividend will be NT\$1.78 per share, and stock dividend NT\$1.12 per share at par value. The Board of Directors is authorized to determine the record date and distribution date. In addition, the calculation of cash dividend to an individual shareholder will be rounded to the dollar.

III. The proposal to approve the capitalization of 2002 stock dividends to shareholders was submitted at the meeting for discussion and approval.

Explanation: 1. It is proposed that PCSC's capital be increased by capitalizing the stock dividends to common shareholders of NT\$864,675,720 allocated from 2002 Earnings Available for Distribution and Un-

appropriated Retained Earnings of Previous Years. There will be additional 86,467,572 common shares at par value NT\$10 issued for such capital increase, and the rights and obligations embedded in the newly issued shares are identical to those of the existing shares. The distribution of stock dividends to common share holders will be based on their shareholdings as registered in the shareholder register on the record date. Each holder of common share will be entitled to receive a stock dividend of 112 shares for each 1,000 shares owned by such shareholder.

2. For fractional dividend shares, the shareholders concerned may arrange for pooling together their fractional shares to form one share and register such pooling within 5 days after the record date. For the fractional shares which cannot be pooled, the distribution will be made in cash in dollar amount calculated at par value, and will be purchased by the Employee Welfare Committee of PCSC.
- 3 After the approval of issuance of new shares by the regulatory authority, the Board of Directors will determine the record date and the distribution date.
4. Subsequent to the capital increase, the common stock of PCSC will be NT\$8,584,994,710.

Upon solicitation of comments by the Chairman, there was no objection raised and the following resolution was adopted unanimously by the shareholders present:

Resolved, that the proposal to approve the capitalization of 2002 stock dividends to shareholders hereby is approved as proposed.

- IV. The proposal to approve modification of current Articles of Incorporation was submitted at the meeting for discussion and approval.

Explanation: 1. To match the corporate dividend policy, the Board proposed to have the current cash dividend payout ratio increased from the range of 20% to 50% to the range of 50% to 80%.

2. The date of amendments was proposed to include in the Articles.

Upon solicitation of comments by the Chairman, there was no objection raised and the following resolution was adopted unanimously by the shareholders present:

Resolved, that the modification of current Articles of Incorporation hereby is approved as proposed.

- V. The proposal to revise the corporate policy “Acquisition or Disposal of Assets” was submitted at the meeting for discussion and approval.

Explanation: 1. The revision of “Acquisition or Disposal of Assets” procedure was proposed in order to comply with the amended “Regulations Governing the Acquisition or Disposal of Assets by Public Companies”, which was promulgated by the Securities and Futures Commission on December 10, 2002.

2. The Securities and Futures Commission rescinded “Guidelines Governing the Engagement in Derivative Trading” and consolidated the relevant clauses in “Regulations Governing the Acquisition or Disposal of Assets by Public Companies”. Therefore, PCSC would also annul its corporate procedure “Derivative Trading” and include the relevant regulations in “Acquisition or Disposal of Assets” procedure.

Upon solicitation of comments by the Chairman, there was no objection raised and the following resolution was adopted unanimously by the shareholders present:

Resolved, that the revision of corporate policy “Acquisition or Disposal of Assets” hereby is approved as proposed.

- VI. The proposal to revise the corporate policy “Endorsement and Guarantee Procedures” was submitted at the meeting for discussion and approval.

Explanation: The revision of “Endorsement and Guarantee Procedures” was proposed in order to comply with the amended “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, which was promulgated by the Securities and Futures Commission on December 18, 2002.

Upon solicitation of comments by the Chairman, there was no objection raised and the following resolution was adopted unanimously by the shareholders present:

Resolved, that the revision of corporate policy “Endorsement and Guarantee Procedures” hereby is approved as proposed.

- VII. The proposal to revise the corporate policy “Lending Funds to Other Parties Procedures” was submitted at the meeting for discussion and approval.

Explanation: The revision of “Lending Funds to Other Parties Procedures” was proposed in order to comply with the amended “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, which was promulgated by the Securities and Futures Commission on December 18, 2002.

Upon solicitation of comments by the Chairman, there was no objection raised and the following resolution was adopted unanimously by the shareholders present:

Resolved, that the revision of corporate policy “Lending Funds to Other Parties Procedures” hereby is approved as proposed.

E. The Election of Seventh Director and Supervisor

Explanation: 1. By June 14, 2003, the sixth term of Directors and Supervisors will be fully serving their three-year term.

2. According to the provisions of Article 195 and 198 of the Company Law, as well as the corporate policy, the seventh term of Directors and Supervisors shall be elected at the meeting of shareholders.

3. Nine Directors and two Supervisors shall be elected by the meeting of shareholders. The term of office is from June 24, 2003 to June 23, 2006. The sixth term of Directors and Supervisors will be discharged from their offices subsequent to the meeting of shareholders.

Result of Election

List of Shareholders Elected as Directors

<u>Account Code of Shareholder</u>	<u>Name of Shareholder</u>	<u>Number of Shares</u>
1	Kao, Chin Yen (Note 1)	395,022,134
1	Lin, Chang Sheng (Note 1)	394,984,847
1	Lin, Lung Yi (Note 1)	394,926,932
1	Hsu, Chung Jen (Note 1)	394,984,334
1	Lo, Chih Hsieh (Note 1)	394,855,643
1	Huang, Xian Yan (Note 1)	394,790,888
1	Yang, Wen Long (Note 1)	394,783,967
29	Huang, Tsing Yuan (Note 2)	394,780,286
71994	Tsuei, Jung (Note 3)	394,775,336

List of Shareholders Elected as Supervisors

Account Code of Shareholder	Name of Shareholder		Number of Shares
1	Kao, Chin Yen	(Note 1)	394,882,463
30235	Ying, Chien Li	(Note 4)	394,854,063

(Note 1) Representative of Juridical Person Shareholders of Uni-President Enterprise Corp.

(Note 2) Representative of Juridical Person Shareholders of We Heng Co. Ltd.

(Note 3) Representative of Juridical Person Shareholders of Yuan Wei Investment Co. Ltd.

(Note 4) Representative of Juridical Person Shareholders of Allianz President General Insurance Co., Ltd.

F. Special Motions : None.

G.. Meeting Adjourned

Kao, Chin Yen
Chairman of the Board of Directors

Alex, Lin
Recorder

ATTACHMENT I

Business Report

Please refer to “Letter to Shareholders”, Page 2 of the Annual Report

ATTACHMENT II

Supervisor’s Report

The Board of Directors has prepared and submitted to the Supervisor the Company’s 2002 Business Report, Financial Statements, and proposed for allocation of profits, which have been examined and determined to be correct and accurate by the undersigned, the supervisor of President Chain Store Corporation. According to the provisions of Article 219 of the Company Law, I hereby submit this report.

President Chain Store Corporation

Supervisor Tu, Te Cheng

April 1, 2003

ATTACHMENT III

Report of Independent Accountants and Financial Statements

Please refer to Page 47 ~53 of the Annual Report

ATTACHMENT IV

Comparison Table of Articles of Incorporation Before and After Modification

Omitted